



**MANAGEMENT DISCUSSION AND ANALYSIS**  
*For the three and nine months ended September 30, 2019*

This management's discussion and analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2019 and 2018 for Alaris Royalty Corp. ("Alaris" or the "Corporation"). The Corporation's condensed consolidated interim financial statements and the notes thereto have been prepared in accordance with International Accounting Standard 34 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 Corporation's future results since there are inherent difficulties in predicting future results. 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" in the annual MD&A. 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, Adjusted Net Working Capital, Tangible Net Worth, Fixed Charge Coverage Ratio, IRR and Per Share values as well as certain financial covenants defined below to assist in assessing the Corporation'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 Share values (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 Corporation's method of calculating the Non-IFRS Measures may differ from the methods used by other issuers. Therefore, the Corporation'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 dividend per share expected to be paid over the next twelve months divided by the estimated net cash from operating activities per share 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 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 Corporation's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and dividends.

**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 the Corporation incurs outside of its common day-to-day operations. For the nine months ended September 30, 2019 these include a bad debt recovery related to Phoenix. For the three months ended September 30, 2018, the gains on the redemption of the Agility, Labstat and End of the Roll, distributions received upon redemption of Labstat, and the Phoenix and Group SM bad debt expense are considered by management to be non-recurring charges. 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 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 Share** values, other than earnings per share, refer to the related financial statement caption as defined under IFRS or related term as defined herein, divided by the weighted average basic shares outstanding for the period.

**Fixed Charge Coverage Ratio** refers to EBITDA less maintenance capital expenditures divided by the sum of taxes, interest, debt repayments and dividends paid by Alaris. The Corporation's 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 the Corporation's 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 shareholders' equity. The Corporation's 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 the Corporation and ability to meet its short term liabilities.

Partner company names are referred to as follows: LMS Management LP ("**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**"), Sandbox Acquisitions, LLC and Sandbox Advertising LP (collectively, "**Sandbox**"), M-Rhino Holdings LLC, dba Providence Industries ("**Providence**"), Unify, LLC ("**Unify**"), ccCommunications LLC ("**ccComm**"), Accscient, LLC ("**Accscient**"), Sales Benchmark Index LLC ("**SBI**"), Heritage Restoration, LLC ("**Heritage**"), Fleet Advantage, LLC ("**Fleet**"), Body Contour Centers, LLC ("**BCC**" or "**Body Contour Centers**"), GWM Holdings, Inc. ("**GWM**"), and Amur Financial Group Inc. ("**Amur**"). Former partner company names are referred to as follows: Agility Health, LLC ("**Agility**"), Labstat International, LP ("**Labstat**"), Phoenix Holdings Limited, formerly KMH ("**Phoenix**"), SM Group International, LP ("**Group SM**"), and End of the Roll Carpet and Vinyl, a Corporate Partnership ("**End of the Roll**").

The Non-IFRS measures should only be used in conjunction with the Corporation's consolidated financial statements, excerpts of which are available below, complete versions of these statements are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## OVERVIEW

The Corporation earns its revenues by providing capital to private businesses (individually, a "**Private Company Partner**" and collectively the "**Partners**") in exchange for royalties, preferred distributions, dividends and interest ("**Distributions**") received in regular monthly payments that are contractually agreed to between the Corporation and each Private Company Partner. These payments are set for twelve months at a time and 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. The Corporation has limited general and administrative expenses with only fourteen employees.

## RESULTS OF OPERATIONS

### Quarter ended September 30, 2019 compared to Quarter ended September 30, 2018

Three Months Ended September 30th	2019	2018	% Change
Revenue per share	\$ 0.82	\$ 0.62	+32.3%
Normalized EBITDA per share	\$ 0.71	\$ 0.55	+29.1%
Net cash from operating activities per share	\$ 0.55	\$ 0.46	+19.6%
Dividends per share	\$ 0.413	\$ 0.405	+1.9%
Basic earnings	\$ 0.57	\$ 0.52	+9.6%
Fully diluted earnings	\$ 0.57	\$ 0.52	+9.6%
Weighted average basic shares (000's)	36,647	36,486	

For the three months ended September 30, 2019, revenue per share increased by 32.3% due to distributions from strong net deployment including new investments in GWM, BCC, Amur, and a significant follow-on investment into PFGP in addition to net positive resets in 2019.

Normalized EBITDA was \$0.71 per share, an increase of 29.1% compared to the three months ending September 30, 2018 due to the increase in distributions from new and existing partners, partially offset by higher finance costs. Net cash from operating activities was \$0.55 per share, an increase of 19.6% versus the comparable period primarily driven by the same factors increasing Normalized EBITDA, higher distributions partially offset by higher finance costs. The Corporation paid

\$0.4125 per share of dividends during the three months ended September 30, 2019, resulting in an Actual Payout Ratio of 75.2% for the period.

Partner Revenue (\$ thousands)	Quarter ended	Quarter ended	% Change	Comment
	September 30, 2019	September 30, 2018		
DNT	\$ 3,716	\$ 3,735	-0.5%	Gross revenue reset -1.5% in Jan-19, offset by the impact of FX
FED	3,634	3,500	+3.8%	Positive reset in Jan-19, FX impact
SBI	3,475	3,612	-3.8%	Reset +8% Jan-19, offset by US\$10.0 million partial redemption May-19
PFGP	2,781	1,156	+140.6%	Additional contribution in Jul-19
BCC	2,126	368	+477.7%	Contribution closed Sept-18
Sandbox	1,983	1,789	+10.8%	Additional contribution of US\$5.0 million in Feb-19
GWM	1,842	-	+100.0%	Contribution closed Nov-18
Accscient	1,840	1,307	+40.8%	Additional contributions in Aug-18 of US\$7.0 million and in Jan-19 of US\$8.0 million
Amur	1,628	-	+100.0%	Contribution closed Jun-19
LMS	1,369	1,296	+5.6%	Positive reset in Jan-19, FX impact on US investment
Heritage	791	739	+7.0%	Reset +6% Jan-19, FX impact
ccComm	775	767	+1.0%	Additional contribution in Q3-19, offset by negative reset Jan-19
Providence	772	1,544	-50.0%	Distribution adjusted from US\$375k to US\$195k per month Apr-19
Unify	637	900	-29.2%	Partial redemption in Dec-18 partially offset by reset +5% in Jan-19, FX impact
SCR	600	450	+33.3%	Increased monthly distributions from \$150 to \$200 per month
Fleet	516	686	-24.8%	Partial redemption of US\$5.0 million in Jul-19
Amur Common Equity	355	-	+100.0%	Q3-19 Common Equity Distribution
Kimco	-	392	-100.0%	Partial distributions of US\$100k per month Apr-18 to Jun-18
<b>Total Distributions</b>	<b>\$ 28,840</b>	<b>\$ 22,241</b>	<b>+29.7%</b>	
Interest & other	1,185	443	+167.5%	New debt provided to LMS, Sandbox and Kimco versus the comparable period
<b>Total Revenue</b>	<b>\$ 30,025</b>	<b>\$ 22,684</b>	<b>+32.4%</b>	

Finance costs were \$5.8 million compared to \$1.5 million in the prior year, a 289.5% increase due to higher weighted average debt outstanding (average outstanding senior debt of \$257.1 million for the three months ending September 30, 2019 versus \$100.6 million for the comparable period in 2018) and higher interest rates. The Corporation also incurred interest expense and the amortization of financing fees relating to a convertible debenture issued in the second quarter of 2019.

Salaries and benefits were \$0.8 million in the period, consistent with the prior year period. Corporate and office expenses were \$0.6 million in the period, a nominal decrease from the \$0.7 million in the comparable prior period.

Legal and accounting fees were \$0.8 million in the period, an increase of 229.7% compared to \$0.2 million in the prior year period. The increase is due to additional legal work related to the Corporation's current U.S. tax structure as discussed in further detail in the income taxes section below, as well as legal fees relating to existing partners during the period. The Corporation recognized \$1.1 million of transaction diligence costs during the three month period related to the additional funding provided to existing partner PFGP and ongoing transaction analysis.

For the three months ended September 30, 2019 the Corporation incurred non-cash stock-based compensation expenses of \$2.0 million (2018 - \$0.8 million) which includes: \$1.9 million (non-cash expense) for the RSU Plan expense that is to be amortized over the thirty-six month vesting period of the plan (2018 - \$0.5 million); and \$0.1 million (non-cash expense) for the amortization of the fair value of outstanding stock options (2018 - \$0.3 million).

The increase in non-cash stock based compensation expense was due primarily to two specific items that occurred during the quarter; the first being that due to prolonged trading restrictions the timing of an RSU grant was deferred by approximately one year which resulted in a full year of stock based compensation for one of the tranches to be recorded in the three months ended September 30, 2019. Secondly, the Corporation achieved a prescribed performance target which increased the value of specific RSUs vested in the period. The related expense is recorded once the prescribed performance target is achieved, which occurred during the three months ended September 30, 2019.

Earnings were \$20.9 million in the period, an increase of 9.3% compared to \$19.1 million in the prior year period. The increase is due to higher distributions in the quarter from new and existing partners, partially offset by the higher finance costs and non-cash stock-based compensation expenses.

The Corporation recorded EBITDA of \$26.6 million and Normalized EBITDA of \$25.9 million for the three months ended September 30, 2019 compared to EBITDA of \$23.4 million and Normalized EBITDA of \$20.2 million for the three months ended September 30, 2018. The 27.9% increase in Normalized EBITDA is a result of the addition of new partners GWM, BCC, and Amur, 2019 positive resets and follow on contributions into a number of partners.

Reconciliation of Net Income to EBITDA (\$ thousands)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018
<b>Earnings</b>	<b>\$ 20,884</b>	<b>\$ 19,100</b>
Adjustments to Net Income:		
Depreciation and amortization	165	42
Finance costs	5,813	1,492
Income tax expense	(261)	2,736
<b>EBITDA</b>	<b>\$ 26,601</b>	<b>\$ 23,371</b>
Normalizing Adjustments		
Realized Gain on investment	(9,317)	-
Unrealized (Gain) / Loss on investments at fair value	9,357	(7,118)
Transaction diligence costs	1,122	-
Unrealized (gain) / loss on foreign exchange	(1,966)	3,971
Realized loss on foreign exchange	90	6
<b>Normalized EBITDA</b>	<b>\$ 25,887</b>	<b>\$ 20,230</b>

***Year to date ended September 30, 2019 compared to Year to date ended September 30, 2018***

Nine months ended September 30	2019	2018	% Change
Revenue per share	\$ 2.33	\$ 2.05	+13.7%
Normalized EBITDA per share	\$ 2.04	\$ 1.66	+22.9%
Net cash from operating activities per share	\$ 1.56	\$ 1.66	-6.0%
Dividends per share	\$ 1.237	\$ 1.215	+1.8%
Basic earnings per share	\$ 1.48	\$ 1.17	+26.5%
Fully diluted earnings per share	\$ 1.47	\$ 1.16	+26.7%
Weighted average basic shares (000's)	36,567	36,483	

For the nine months ended September 30, 2019, revenue per share increased by 13.7% due to distributions from new investments in GWM, BCC, Fleet, Heritage and Amur, follow-on investments in Accscient and PFGP, organic growth through the 2019 net positive resets and the appreciation of the US dollar versus the comparable period. This was partially offset by the reduction in distributions stemming from the Agility, End of the Roll, and Labstat redemptions which also included \$4.3 million of previously forgone distributions which were received upon the redemption of Labstat.

Normalized EBITDA was \$2.04 per share, an increase of 22.9% compared to the nine months ending September 30, 2018 due to an increase in distributions, a reduction in corporate overhead and the timing of variable compensation. Net cash from operating activities was \$1.56 per share, a decrease of 6.0% as the comparable period included the collection of US\$2.8 million of accrued distributions upon the redemption of the Agility units and \$4.3 million of forgone distributions collected upon the redemption of Labstat. The Corporation paid \$1.237 per share of dividends during the nine months ended September 30, 2019, resulting in an Actual Payout Ratio of 79.2% for the period.

Partner Revenue (\$ thousands)	Nine months ended September 30, 2019	Nine months ended September 30, 2018	% Change	Comment
DNT	\$ 11,226	\$ 11,057	+1.5%	FX impact, partially offset by -1.5% reset Jan-19
SBI	11,174	10,670	+4.7%	Positive +8% reset Jan-19 offset by \$10m partial redemption in May-19, FX impact
FED	11,127	10,329	+7.7%	Positive reset in Jan-19, FX impact
BCC	6,421	368	+1644.8%	Contribution closed in Sept-18
Sandbox	5,963	5,334	+11.8%	Follow on contribution Feb-19, FX impact
GWM	5,564	-	+100.0%	Contribution closed in Nov-18
Accscient	5,516	3,248	+69.8%	Additional contributions in Jun-18, Aug-18 and Jan-19
PFGP	5,229	5,184	+0.9%	Partial redemption in May-18, offset by +5% and additional contribution Jul-19
LMS	4,159	3,871	+7.4%	Positive reset in Jan-19, FX impact on USD investment
Providence	3,127	4,564	-31.5%	Distribution adjusted from US\$375k per month to US\$195k per month Apl-19
Heritage	2,365	1,988	+19.0%	Contribution closed Jan-18, +6% reset Jan-19 and FX impact
ccComm	2,339	1,525	+53.4%	Additional contribution May-18 and Jul-19, FX impact
Unify	1,923	2,661	-27.7%	Positive +5% reset Jan-19 offset by \$6m partial redemption, FX impact
Fleet	1,917	801	+139.3%	Contribution closed in Jun-18
Amur	1,788	-	+100.0%	Contribution closed in Jun-19
SCR	1,500	1,200	+25.0%	Monthly distributions consistently increased from \$100k to current amount of \$200k
Amur Common Equity	355	-	+100.0%	Q3-19 Common Equity Distribution
Kimco	-	780	-100.0%	Partial distributions of US\$100k per month Apl-18 to Sept-18
Labstat	-	8,340	-100.0%	Redemption of all units in Jun-18
Agility Health	-	637	-100.0%	Redemption of all units in Feb-18
End of the Roll	-	692	-100.0%	Redemption of all units in Jun-18
<b>Total Distributions</b>	<b>\$ 81,693</b>	<b>\$ 73,249</b>	<b>+11.5%</b>	
Interest	3,391	1,518	+123.4%	Purchase of Sandbox debt and debt contributions to Kimco in Q2 and Q3 2018
<b>Total Revenue</b>	<b>\$ 85,084</b>	<b>\$ 74,767</b>	<b>+13.8%</b>	

Finance costs were \$13.9 million compared to \$6.0 million in the prior year, a 130.3% increase due to higher weighted average senior debt outstanding (average outstanding debt of \$223.3 million for the nine months ending September 30, 2019 versus \$133.5 million for the comparable period in 2018) and higher interest rates. The Corporation also issued a convertible debenture in June 2019 resulting in an additional interest and debt amortization expense during the period.

Salaries and benefits were \$2.4 million in the period, a decrease of -13.2% compared to \$2.8 million in the prior year period. The decrease is due to the timing of variable compensation being historically recorded in the second quarter, however, beginning in 2019, the Corporation changed the timing to align with the fiscal year end resulting in no variable compensation accrual in the nine months ending September 30, 2019.

Corporate and office expenses were \$2.3 million in the period, a decrease of -15.4% compared to \$2.7 million in the prior year period. The decrease is due to the comparable period including costs related to a new partner monitoring software.

Legal and accounting fees were \$2.4 million in the period, an increase of 18.1% compared to \$2.0 million in the prior year period. The increase is due primarily to additional legal fees relating to the Corporation's U.S. tax structure as discussed previously. The Corporation recognized \$2.1 million of transaction diligence costs during the nine month period that relates to the Amur investment, the follow-on investment into PFGP as well as ongoing transaction diligence costs.

For the nine months ended September 30, 2019 the Corporation incurred stock-based compensation expenses of \$3.2 million (2018 - \$2.3 million) which includes: \$3.0 million (non-cash expense) for the RSU Plan expense that is to be amortized over the thirty-six month vesting period of the plan (2018 - \$1.5 million); and \$0.2 million (non-cash expense) for the amortization of the fair value of outstanding stock options (2018 - \$0.8 million). The non-cash stock based



compensation expense for the period was \$0.9 million higher than the prior year period due to the vesting of RSUs as described earlier.

Earnings were \$54.1 million in the period, an increase of 26.4% compared to \$42.8 million in the prior comparable period. The increase is due to higher distributions from partners, and the comparable period including a \$25.9 million bad debt expense partially offset by increased finance costs in the current period.

The Corporation recorded EBITDA of \$73.3 million and Normalized EBITDA of \$74.8 million for the nine months ended September 30, 2019 compared to EBITDA of \$60.6 million and Normalized EBITDA of \$60.7 million for the nine months ended September 30, 2018. The 23.2% increase in Normalized EBITDA is a result of the addition of new partners GWM, BCC, Fleet, Heritage and Amur, 2019 positive resets, follow on contributions into PFGP, Accscient, ccComm and Sandbox, which were partially offset by redemptions in Labstat, Agility and End of the Roll.

Reconciliation of Net Income to EBITDA (\$ thousands)	Nine months ended September 30, 2019	Nine months ended September 30, 2018
<b>Earnings</b>	<b>\$ 54,112</b>	<b>\$ 42,817</b>
Adjustments to Net Income:		
Depreciation and amortization	495	172
Finance costs	13,880	6,027
Income tax expense	4,845	11,581
<b>EBITDA</b>	<b>\$ 73,332</b>	<b>\$ 60,597</b>
Normalizing Adjustments		
Realized Gain on investment	(9,317)	(15,667)
Unrealized (Gain) / Loss on investments at fair value	5,162	(3,628)
Transaction diligence costs	2,129	-
Bad debt expense / (recovery)	(2,018)	25,974
Distributions received on redemption (Labstat)	-	(4,282)
Unrealized (gain) / loss on foreign exchange	4,351	(2,148)
Realized (gain) / loss on foreign exchange	1,138	(146)
<b>Normalized EBITDA</b>	<b>\$ 74,777</b>	<b>\$ 60,700</b>

## OUTLOOK

Run Rate Revenue is expected to be \$120.5 million annually, which include current contracted amounts, \$3.0 million from SCR (recently increased from \$2.4 million effective October 1, 2019), US\$2.3 million of distributions from Providence and no distributions from Kimco. Distributions on common equity investments are expected but will be variable in timing and amount and are therefore currently excluded from run rate distributions. Amur declared a common dividend in the three months ended September 30, 2019, of which the Corporation was entitled to and received \$0.4 million but until Amur establishes a track record of common dividends the Corporation will not incorporate them into run rate distributions.

Revenue for Q4 2019 is expected to be \$30.1 million and \$115.2 million for the full fiscal year 2019, based on actual results year to date plus three months of run rate distributions. Annual general and administrative expenses are currently estimated at \$10.0 million for 2019 and include all public company costs. The Corporation's Run Rate Payout Ratio is approximately 84% when including run rate distributions, overhead expenses and existing capital structure. The table below sets out our estimated Run Rate Payout Ratio alongside the after-tax impact of potential changes to certain Partners distributions.

<b>Run Rate Cash Flow</b> ( <i>\$ thousands except per share</i> )		<b>Amount (\$)</b>	<b>\$ / Share</b>
Revenue	\$1.32 USD/CAD exchange rate	\$ 120,500	\$ 3.29
General & Admin.		(10,000)	(0.27)
Interest & Taxes		(38,600)	(1.05)
<b>Free cash flow</b>		<b>\$ 71,900</b>	<b>\$ 1.97</b>
Annual Dividend		60,500	1.65
<b>Excess Cash Flow</b>		<b>\$ 11,400</b>	<b>\$ 0.32</b>
<b>Other Considerations (after taxes and interest):</b>			
SCR, Kimco & Providence	Every addtl \$2 million in distributions received is \$0.05/share	+1,600	+0.05
New Investments	Every \$50 million deployed @ 14%	+3,188	+0.09

The senior debt facility was drawn to \$266.5 million at September 30, 2019, with the capacity to draw up to another \$33.5 million based on covenants and credit terms, in addition to the \$50 million accordion facility for a total of \$83.5 million. The Corporation's senior lenders have agreed to extend the Corporation's ability to have greater than 2.5x senior debt to contracted EBITDA until March 31, 2020, in the event the Corporation is above this level. The annual interest rate on that debt was approximately 6.4% at September 30, 2019. Subsequent to September 30, 2019, the Corporation's senior lenders agreed to expand the Corporation's credit facility from \$300.0 million to \$330.0 million, with no change in covenant terms or access to the additional \$50 million accordion facility. The capacity after the expansion of the facility is \$63.5 million, with the ability to draw \$113.5 million when including the accordion facility.

Alaris' unique capital structure continues to fill a niche in the private capital markets. Therefore, Alaris continues to attract interest in its capital from private businesses across North America and is confident it will contribute capital to new, and existing Partners in the remainder of 2019 and into 2020. While Alaris expects to deploy additional capital, Alaris does not use any estimates for future revenue earned from the contribution of capital into new or existing Partners in its guidance or budgeting process.

### **Private Company Partner Update**

The Corporation's interest in each of the Partners consists of a preferred partnership interest, preferred limited liability corporation ("LLC") or other equity interest, or a loan, with a return based on distributions that are adjusted annually based on a formula linked to a top-line metric (i.e. sales, gross profit, same store sales) and the premium received on invested capital upon an exit. The Corporation has no involvement in the day to day business of each Private Company Partner and has no rights to participate in management decisions. The Corporation 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, the Corporation has certain restrictive covenants in place designed to protect the ongoing payment of the distributions payable 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 of each of the Partners recent financial results. Included in this summary will be a comment on the 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 higher the number is, the better the ratio.

Additionally, the Corporation has disclosed the percentage of current Run Rate Revenue based on the expected distributions from each Partner for the next twelve months based on information at November 5, 2019. Interest revenue from promissory notes is 3.6% of Run Rate distributions from Partners.



**Alaris Portfolio**

Annual Distribution	Total run rate distributions of \$120.5 million of which over 87.8% is USD denominated (US\$80.2 million)
Description	<p>The Corporation's investment thesis is to generally partner with companies that have:</p> <ul style="list-style-type: none"> <li>(i) A history of success (average age of partners is approximately 20 years) <ul style="list-style-type: none"> <li>• Offer a required service or products in mature industries</li> <li>• Low risk of obsolescence</li> <li>• Non-declining asset bases (no exploration companies)</li> </ul> </li> <li>(ii) Proven track record of free cash flow</li> <li>(iii) Low levels of debt - Allows excess cash flow to remain in the business to support growth and the Alaris distribution rather than paying principal and interest on debt.</li> <li>(iv) Low levels of capital expenditures required to maintain/grow a business – Generally our partners are not required to reinvest a high percentage of their cash flow back into their operations as they are typically asset light businesses with minimal fixed asset requirements.</li> <li>(v) Management continuity and quality management teams - The Corporation has invested in 30 partners since inception, exited our investment in thirteen partners over that time with ten yielding highly positive results displayed by a total return of 73% and a median IRR of 21%.</li> </ul>
Contribution History	The Corporation has invested over \$1.3 billion into 30 partners and over 60 tranches of financing, including an average of approximately \$150 million over the past five fiscal years (2014 – 2019). The Corporation has deployed \$170.3 million in 2019 thus far.
Performance	<p>The Corporation's consolidated ECR as of September 30, 2019 is approximately 1.5x on a weighted average basis, based on Run Rate distributions. Each of our seventeen partners' ECR fluctuates monthly based on performance, investing and financing activity.</p> <p>The Corporation discloses an ECR to provide information on the financial health of our partners. The Corporation has five partners with an ECR greater than 2.0x, four in the 1.5x-2.0x range, four between 1.2x-1.5x, one in the 1.0x-1.2x range and three less than 1.0x.</p>
Capital Structure	As a preferred equity investor we have invested in 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, six of our seventeen have no debt, two partners have less than 1.0x Senior Debt to EBITDA and nine partners have debt greater than 1.0x Senior Debt to EBITDA.
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.

**Accscient**

Annual Distribution	US\$5.6 million (6.1% of Run Rate Revenue)
Description	Accscient provides IT staffing, consulting, and outsourcing services and specializes in Digital infrastructure management, enterprise resource planning, Business Intelligence and Database Administration.
Contribution History	<p>In June 2017, the Corporation contributed US\$20.0 million into Accscient (US\$14.0 million permanent units and US\$6.0 million redeemable units).</p> <p>In June 2018, the Corporation contributed an additional US\$3.0 million, in exchange for an annualized distribution of US\$0.4 million. In August 2018, the Corporation contributed an additional US\$7.0 million, in exchange for an annualized distribution of US\$1.0 million. Both follow on contributions were to fund or partially fund an acquisition which broadens their IT service offerings.</p> <p>On January 12, 2019, the Corporation contributed an additional US\$8.0 million, in exchange for an annualized distribution of US\$1.1 million. The proceeds were used to partially fund an acquisition in its related industry.</p> <p>The Accscient distribution resets annually +/- 5% based on changes in gross profit.</p>
Performance	Based on unaudited statements provided by management for the eight months ended August 31, 2019, revenue, gross profit and EBITDA have increased versus the comparable period.
Fair Value	The fair value of the Accscient units remained unchanged during the three and nine months ended September 30, 2019. The fair value of the Accscient units will fluctuate each quarter with foreign exchange rates but the underlying valuation of the Accscient units is evaluated each quarter.
ECR	The ECR remains between 1.5x and 2.0x.

**Amur**

Annual Distribution	<p>Preferred Equity and Debt = \$6.5 million (5.4% of Run Rate Revenue)</p> <p>Common Equity = \$0.4 million received in three months ended September 30, 2019, but due to the variability of timing no common dividends included in run rate distributions (0.0% of Run Rate Revenue)</p>
Description	<p>Amur is one of Canada's leading fully integrated independent originator, manager and servicer of home equity loans. Amur's business model revolves around home equity loans to homeowners who are looking to use the equity in their homes to fund debt consolidation, home renovations or other uses. Mortgages originated by the Company are primarily funded directly by three Mortgage Investment Corporations ("MICs") that Amur has exclusive relationships with. Amur generates revenue from the origination of the home equity loan and as the investment manager of the MICs.</p> <p>Amur's balance sheet is not exposed to fluctuations in the housing markets in which they operate as Amur's value add service is the origination and ongoing management of home equity loans that meet the strict lending parameters established by the independent MICs. In return the MICs (holders of the home equity loans) provide the capital to the appropriate borrowers.</p>
Contribution History	<p>In June 2019, the Corporation contributed \$70.0 million into Amur (\$50.0 million contribution in exchange for debt and preferred units in Amur, and \$20.0 million in exchange for a minority ownership in the common equity in Amur).</p> <p>The Corporation is entitled to an initial annual distribution of \$6.5 million, which equates to an initial yield</p>

	<p>of 13.0% on the \$50.0 million combination of debt and preferred equity. The combination of debt and preferred equity selected by the Corporation was a result of Amur being a Corporation, compared to a partnership. The combination of debt and equity combine to result in the same features as the Corporation's traditional preferred equity investment. The Amur distribution will reset +/- 6% annually based on revenue.</p> <p>The \$20.0 million portion of the investment was the Corporation's first common equity investment. Based on the free cash flow generation of the business, the historical practice of Amur paying dividends, and the capital structure at close, the Corporation expects to receive consistent dividends on its common equity investment as well as participate in the growth in the underlying value of the business. Common equity dividends will be included in revenue when received and will not be included in run rate disclosures until an appropriate track record has been established. In the three and nine months ended September 30, 2019, the Corporation received a dividend on its common equity investment of \$0.4 million.</p>
Performance	Based on unaudited statements provided by management for the nine months ended September 30, 2019, Amur's revenue and EBITDA are both consistent with the prior comparable period.
Fair Value	The fair value of the Amur units remained unchanged since the date of investment.
ECR	The ECR remains greater than 2.0x.

**Body Contour Centers**

Annual Distribution	US\$6.4 million (7.1% of Run Rate Revenue)
Description	Body Contour Centers operates one of the largest private plastic surgery practices in the United States with over 50 locations across the country.
Contribution History	<p>In September 2018, the Corporation made the initial contribution of US\$46.0 million in exchange for preferred units in BCC, which entitles the Corporation to an initial annual distribution of US\$6.4 million. BCC has the option to pay a portion of the BCC distribution, subject to a maximum of 2% of the aggregate contributed capital by Alaris as payment in kind ("PIK") provided that any amounts subject to the PIK must be paid in cash every three years. The BCC distribution will be adjusted annually (commencing January 1, 2020) based on the change in same clinic sales, subject to a 6% collar.</p> <p>The Corporation, has also committed as part of the operating and subscription agreements with BCC to additional contributions consisting of US\$20.0 million ("<b>Tranche 2</b>") and US\$25.0 million ("<b>Tranche 3</b>"). The additional contributions will be funded upon BCC achieving certain financial targets. The Corporation does not expect to fund Tranche 2 until late 2020 at the earliest.</p> <p>The additional BCC contributions will carry the same terms as the original BCC contribution. Up to 25% of the BCC units are redeemable at par at any time following the earlier of the second tranche closing and three years from the original closing date, prior to such time these units are non-redeemable.</p>
Performance	Based on unaudited statements provided by management for the nine months ended September 30, 2019, revenue and EBITDA have both increased significantly versus the comparable period in 2018.
Fair Value	The fair value of the BCC units remain unchanged during the three and nine months ended September 30, 2019. The fair value of the BCC units will fluctuate each quarter with foreign exchange rates but the underlying valuation of the BCC units is evaluated each quarter.
ECR	The ECR has increased as expected and is now between 1.2x and 1.5x.

**ccComm**

Annual Distribution	US\$2.7 million (3.0% of Run Rate Revenue)
Description	ccComm is a Sprint retailer with over 95 locations throughout the Northwest and Central United States.
Contribution History	<p>In January 2017, the Corporation purchased preferred units in ccComm for US\$4.0 million. The Corporation contributed an additional US\$2.2 million in August 2017 to complete an acquisition of additional Sprint retail locations.</p> <p>In May 2018, the Corporation contributed an additional US\$10.0 million to fund the acquisition of additional Sprint locations. In exchange for the contribution, the Corporation is entitled to an initial annualized distribution of US\$1.4 million.</p> <p>In the three months ended September 30, 2019, the Corporation contributed an additional US\$3.0 million to fund working capital as ccComm's main supplier accelerated their historical payment terms requiring an investment in working capital. In exchange for the additional contribution, the Corporation is entitled to US\$0.4 million of annualized distributions.</p>
Performance	ccComm's revenue and EBITDA have increased for the eight months ended August 31, 2019, compared to the same period in 2018 due to the acquisition completed in May 2018.
Fair Value	The fair value of the ccComm units were unchanged during the three and nine months ending September 30, 2019. The fair value of the ccComm units will fluctuate each quarter with foreign exchange rates but the underlying valuation of the ccComm units is evaluated each quarter.
ECR	The ECR has shown recent improvement, but remains below 1.0x. However, with no debt and improving results the Corporation expects distributions to continue.

**DNT**

Annual Distribution	US\$11.3 million (12.3% of Run Rate Revenue)
Description	DNT specializes in turnkey civil construction services to residential, commercial and municipal end markets including excavation, the installation of wet and dry utilities such as electrical, gas, sewage and water in the Austin/San Antonio corridor.
Contribution History	<p>In June 2015, the Corporation purchased preferred units in DNT, for an aggregate acquisition cost of US\$70.0 million (US\$40.0 million permanent units and US\$30.0 million redeemable units). Since the Corporation's investment, DNT has repaid US\$2.2 million of the outstanding redeemable units as required under their annual redemption calculation.</p> <p>The DNT distribution is subject to an annual reset of +/- 6% based on changes gross revenues.</p>
Performance	Based on unaudited financial statements provided by management for the eight months ended August 31, 2019, DNT's revenue and EBITDA have both increased as compared to the prior period.
Fair Value	The fair value of the DNT units were unchanged during the three and nine months ending September 30, 2019. The fair value of the DNT units in Canadian dollars will fluctuate each quarter with foreign exchange rates but the underlying valuation of the units is evaluated each quarter.
ECR	The ECR remains between 1.2x and 1.5x.

**Federal Resources**

Annual Distribution	US\$11.3 million (12.4% of Run Rate Revenue)
Description	Federal Resources is a leading value-added provider of mission critical products and solutions to defense, first responder, homeland security and maritime end users in the United States.
Contribution History	<p>In June 2015, the Corporation invested US\$47.0 million in Federal Resources which comprised of US\$7.0 million in preferred equity and a US\$40.0 million secured subordinated loan.</p> <p>In April 2016 and December 2017 the Corporation made additional contributions of US\$6.5 million and US\$13.5 million in subsidiaries of Federal Resources. The additional contributions were used to fund or partially fund acquisitions in their industry. The Federal Resources distribution resets +/- 6% annually based on revenue.</p>
Performance	Based on unaudited financial statements provided by management for the nine months ended September 30, 2019, Federal Resource's revenue is flat and EBITDA has increased versus the comparable period.
Fair Value	The fair value of the Federal Resources units were unchanged during the three and nine months ended September 30, 2019. The fair value of the Federal Resources investment in Canadian dollars will fluctuate each quarter with foreign exchange rates but the underlying valuation of the units is evaluated each quarter.
ECR	The ECR for Federal Resources increased and is now between 1.2x and 1.5x.

**Fleet**

Annual Distribution	US\$1.4 million (1.5% Run Rate Revenue)
Description	Fleet Advantage provides flexible leasing and truck lifecycle management solutions to large corporations with significant transportation requirements whom fleet management is not a core competency.
Contribution History	<p>In June 2018, the Corporation contributed US\$15.0 million, which entitles the Corporation to an initial annual distribution of US\$2.1 million. Fleet has the option to pay a portion of the distribution, subject to a maximum of 2% of the annualized yield in any given year as PIK (similarly detailed in BCC above) provided that any amounts subject to the PIK must be paid in cash every three years.</p> <p>The Fleet distribution will be adjusted annually (commencing January 1, 2020) based on the change in net revenues, subject to a +/- 6% collar.</p> <p>On July 22, 2019, Fleet redeemed US\$5.0 million of their outstanding redeemable units at par consistent with the terms of the operating agreement. There are US\$2.5 million of redeemable units remaining.</p>
Performance	Based on unaudited financial statements provided by management for the eight months ended August 31, 2019, Fleet's revenue and EBITDA have increased versus the comparable period.
Fair Value	There was no change in the fair value of the Fleet units during the three and nine months ending September 30, 2019. The fair value of the Fleet units in Canadian dollars will fluctuate each quarter with foreign exchange rates but the underlying valuation of the units is evaluated each quarter.
ECR	The ECR for Fleet increased and is now greater than 2.0x.

**GWM**

Annual Distribution	US\$5.6 million (6.1% of Run Rate Revenue)
Description	GWM provides data-driven digital marketing solutions for advertisers globally. The company manages performance and branding campaigns for advertisers across all forms of digital media.
Contribution History	<p>In November 2018, the Corporation invested a total of US\$46.0 million (US\$41.5 million of subordinated debt and US\$4.5 million of preferred units). The Corporation is entitled to an initial annual distribution of US\$5.6 million, which equates to an initial yield of 12.1%. The combination of debt and preferred equity selected by the Corporation was a result of GWM being a Corporation, compared to a Limited Liability Corporation. The combination of debt and equity combine to result in the same features as the Corporation's traditional preferred equity investment. Due to GWM being a Corporation, a portion of the distributions received have already been fully taxed, therefore the initial yield of 12.1% is equivalent to an initial 13.0% yield under the Corporation's traditional structure.</p> <p>The GWM distribution will reset with a collar of +/- 8% annually based on gross revenue, commencing January 1, 2020.</p>
Performance	Based on unaudited financial statements provided by management for the eight months ended August 31, 2019, GWM's revenue and EBITDA have both increased significantly compared to the same period in 2018.
Fair Value	The Corporation increased the fair value of the GWM units by US\$2.4 million during the three and nine months ended September 30, 2019 due to the positive results during 2019 and outlook for the upcoming reset for 2020. The fair value of the GWM units in Canadian dollars will fluctuate each quarter with foreign exchange rates but the underlying valuation of the units is evaluated each quarter.
ECR	The ECR for GWM remains above 2.0x.

**Heritage Restoration**

Annual Distribution	US\$2.4 million (2.6% of Run Rate Revenue)
Description	Heritage is a specialty contractor providing masonry and masonry related services to the commercial building industry. With a focus on the restoration of existing structures, Heritage's services include masonry procurement, installation and restoration, concrete structure restoration, waterproofing and coating repair.
Contribution History	<p>In January 2018, the Corporation invested US\$15.0 million in exchange for preferred units in Heritage. The Corporation was entitled to an initial annual distribution of US\$2.3 million. US\$3.0 million of the Heritage units are redeemable at par at any time.</p> <p>The Heritage distribution will reset with a collar of +/- 6% annually based on gross profit.</p>
Performance	Based on unaudited financial statements provided by management for the eight months ended August 31, 2019, Heritage's revenue, gross profit and EBITDA have each increased versus the comparable period.
Fair Value	The fair value of the Heritage units were unchanged during the three and nine months ended September 30, 2019. The fair value of the Heritage units in Canadian dollars will fluctuate each quarter with foreign exchange rates but the underlying valuation of the units is evaluated each quarter.
ECR	The ECR for Heritage remains above 2.0x.



**Kimco**

Annual Distribution	Distributions will be recorded as received with no amount included in the run rate distributions or Run Rate Payout Ratio.
Description	Kimco provides commercial janitorial services to a large customer base which ranges in size from multi-location national customers to regional single-site customers.
Contribution History	<p>In June 2014, the Corporation purchased preferred units in Kimco for an aggregate acquisition cost of US\$29.2 million. The Corporation purchased additional preferred units for US\$3.0 million in December 2015 and US\$2.0 million in November 2016.</p> <p>In 2017, the Corporation contributed an additional US\$4.0 million, by way of an unsecured promissory note, to reduce Kimco's total senior debt outstanding. Kimco is currently paying 8% per annum on the debt.</p> <p>In 2018, the Corporation loaned US\$6.0 million to replace Kimco's existing subordinated debt from a third party, and US\$3.8 million of promissory notes. Interest of 12% and 8% per annum respectively is paid monthly.</p>
Performance	<p>Based on unaudited financial statements for the eight months ended August 31, 2019, revenue has decreased versus the comparable period while EBITDA has increased.</p> <p>Kimco is trailing its' management's forecast from a revenue and EBITDA perspective. Kimco's management believes they have addressed certain weaknesses which are expected to generate revenue growth along with higher EBITDA going forward.</p>
Fair Value	The fair value of the Kimco units was decreased by US\$1.2 million during the three and nine months ended September 30, 2019, due to the expected timing of future distributions. The fair value of the Kimco units in Canadian dollars will fluctuate each quarter with foreign exchange rates but the underlying valuation of the units is evaluated each quarter.
ECR	The ECR for Kimco remains below 1.0x.

**LMS**

Annual Distribution	CAD\$5.6 million (4.6% of Run Rate Revenue)
Description	LMS is a western Canadian concrete reinforcing steel fabricator and installer with operations in British Columbia, Alberta and Southern California.
Contribution History	<p>The Corporation's original contribution into LMS was in 2007 subsequent to which it has since contributed a total of CAD\$54.0 million. The Corporation completed a follow on contribution in 2016 (to a U.S. affiliate) of US\$4.4 million to help LMS partially fund an acquisition. LMS's distributions reset annually based on gross profit with no collar.</p> <p>In September 2018, the Corporation provided \$5.0 million via a short term loan bearing annual interest of 8%, escalating 2% annually. The proceeds were used to make opportunistic steel purchases prior to tariffs fully impacting prices on imported steel. Repayment is expected over the next twelve months.</p>
Performance	Based on unaudited financial statements prepared by LMS management for the eight months ended August 31, 2019, revenue, gross profit and EBITDA have increased versus the comparable period.

Fair Value	The fair value of the LMS Canadian units and LMS US units was increased by \$1.6 million in Q1 2019 to reflect the 2019 distribution reset which was higher than previously estimated. The fair value was increased by an additional \$1.1 million in Q3 2019 as a result of the improved performance during 2019 and a positive outlook on the upcoming reset. The fair value of the LMS US units in Canadian dollars will fluctuate each quarter with foreign exchange rates but the underlying valuation of the units is evaluated each quarter.
ECR	The ECR for LMS remains between 1.2x and 1.5x.

**PFGP**

Annual Distribution	Preferred Equity = US\$8.9 million (9.8% of Run Rate Revenue) Common Equity = Variable (0.0% of Run Rate Revenue)
Description	PFGP, through its affiliates, operates over 60 fitness clubs in Maryland, Tennessee, Florida and Washington as a franchisee of Planet Fitness.
Contribution History	<p>In November 2014, the Corporation purchased preferred units in PFGP, for an aggregate acquisition cost of US\$35.0 million. In July 2015, the Corporation purchased an additional US\$5.0 million of preferred units.</p> <p>In May 2018, PFGP redeemed US\$19.4 million of their outstanding units for a redemption price of US\$25.0 million resulting in a US\$5.8 million gain on invested capital. The distribution resets +/- 5% based on same club sales.</p> <p>On July 11, 2019, the Corporation contributed an additional US\$60.2 million to PFGP. The contribution consists 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, the Corporation also crystallized a US\$7.0 million gain on existing units that had a US\$20.8 million cost basis and the redemption price of US\$27.8 million. Following the investment, the Corporation has 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 invested amount of US\$88.0 million. The preferred units have an initial annualized distribution of US\$8.9 million. The reset metric is based on same club sales and will adjust +/- 5%, with the next reset effective January 1, 2020.</p> <p>The Corporation has also committed to a further US\$8.0 million investment in PFGP (an additional US\$6.2 million of preferred equity and US\$1.8 million of common equity, terms consistent with the two existing classes). Timing of the additional funding is expected to be within the next twelve months.</p>
Performance	Based on unaudited financial statements provided by PFGP's management for the eight months ended August 31, 2019, PFGP's revenue and EBITDA are both ahead of the prior year due to organic growth of their existing clubs and the continued build out of new locations.
Fair Value	The fair value of PFGP units was increased during the nine months ended September 30, 2019 as a result of the follow-on contribution in Q3. The fair value of the remaining PFGP units in Canadian dollars will fluctuate each quarter with foreign exchange rates but the underlying valuation of the units is evaluated each quarter.
ECR	The ECR for PFGP remains between 1.5x and 2.0x.

**Providence Industries**

Annual Distribution	US\$2.3 million (2.6% of Run Rate Revenue)
Description	Providence is a leading provider of design, engineering, development, manufacturing and sourcing services for international apparel companies and retailers.
Contribution History	In April 2015, the Corporation contributed US\$30.0 million to Providence in return for an initial distribution of US\$4.5 million. The distribution resets based on gross revenue with a collar of +/- 5%.
Performance	<p>Based on unaudited financial statements provided by management for the eight months ended August 31, 2019, Providence’s revenue and EBITDA have decreased significantly versus the comparable period due to the decline of their largest customer. Providence stopped providing services to that customer in late 2018 resulting in an expected decline in their EBITDA in 2019.</p> <p>In March, the Corporation received notice from Providence's senior lender (the “Lender”) that distributions to the Corporation were blocked. Subsequently, the Corporation, Providence and the Lender came to an agreement to restart distributions immediately on a modified basis. The Lender agreed to forbear for a two year period as a result of Providence’s owners contributing a material amount of capital into the business, and the proceeds were used as a partial repayment of the senior debt and to fund working capital. As part of the forbearance, annual distributions to Alaris of US\$2.3 million are permitted for 2019 and 2020, approximately 60% of the contracted distributions over that same time period. No monthly distributions were missed and the distributions of US\$195,000 per month began in April 2019.</p> <p>The agreement with the Lender requires Providence to meet a liquidity threshold which, based on Providence’s management’s forecast, the maintenance of such covenant is expected.</p>
Fair Value	With the change in distributions in Q1 2019, the fair value of the Providence units was reduced by US\$5.0 million. The fair value of the Providence units was decreased an additional US\$0.6 million in the three months ended September 30, 2019. The fair value of the Providence units in Canadian dollars will fluctuate each quarter with foreign exchange rates but the underlying valuation of the units is evaluated each quarter.
ECR	The ECR for Providence remains below 1.0x.

**Sandbox**

Annual Distribution	US\$6.1 million (6.8% of Run Rate Revenue)
Description	Sandbox offers a wide range of marketing and advertising services including strategic marketing and planning, creative development for all media and digital strategy solutions including CRM and data analytics for clients in a variety of industries with a focus on regulated sectors (pharmaceuticals, agriculture, and financial services).
Contribution History	<p>In March 2016, the Corporation purchased preferred units in Sandbox for an aggregate acquisition cost of US\$22.0 million. The Corporation contributed an additional US\$6.0 million in September 2017 to finance an acquisition and a further US\$7.0 million in December 2017 to fund a performance earn out. The Sandbox distribution resets annually +/-6% based on net revenue.</p> <p>In October 2018, the Corporation assumed the outstanding senior debt in Sandbox consisting of US\$6.6 million of amortizing term debt and US\$7.4 million of an asset backed lending facility. The purchase of the senior debt provides the Corporation with additional control over the distribution of the free cash flow generated by Sandbox providing more certainty over future distributions. The term debt has annual repayments of US\$1.6 million and both the term debt and revolver have LIBOR linked interest rates, accrued monthly. The senior debt also provides additional rights and remedies in addition to the</p>

	<p>Corporation's preferred equity rights.</p> <p>On February 22, 2019, the Corporation contributed an additional US\$5.0 million in exchange for annualized distributions of US\$0.8 million. The new preferred units have a minimum repurchase premium of US\$1.0 million and may include a percentage of common equity upon redemption. The proceeds were used to fund working capital.</p> <p>On June 27, 2019, the Corporation contributed an additional US\$3.0 million on Sandbox outstanding senior revolving credit facility outstanding with the Corporation. The terms were consistent with those in place. The proceeds were used to fund working capital.</p> <p>In the three months ended September 30, 2019, Sandbox drew an additional US\$3.8 million on the senior revolving credit facility which is outstanding with the Corporation.</p>
Performance	Based on unaudited financial statements provided by Sandbox management for the eight months ended August 31, 2019, revenue is down slightly and EBITDA has increased versus the comparable period.
Fair Value	The fair value of the Sandbox units was reduced by US\$4.0 million during the three and nine months ended September 30, 2019 as a result of a reduction in the expected 2020 reset. The fair value of the Sandbox units in Canadian dollars will fluctuate each quarter with foreign exchange rates but the underlying valuation of the units is evaluated each quarter.
ECR	The ECR for Sandbox decreased and is now between 1.0x and 1.2x.

**SBI**

Annual Distribution	US\$10.5 million (11.5% of Run Rate Revenue)
Description	SBI is a management consulting firm specializing in sales and marketing that is dedicated to helping companies reach their sales objectives. SBI conducts in-depth market research and partners with business leaders to develop strategies that enhance performance and drive results. Through evidence-based methods, SBI creates actionable procedures that, once embraced and adopted, result in lasting success.
Contribution History	<p>In August 2017, the Corporation contributed US\$85.0 million in SBI, comprised of US\$75.0 million of permanent units as well as US\$10.0 million of redeemable units. The redeemable units can be redeemed at par at any time up to the third anniversary following the closing of the SBI contribution at SBI's discretion.</p> <p>On May 10, 2019, the Corporation received a partial redemption of US\$10.0 million 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 our operating agreement.</p> <p>The SBI distribution resets annually +/-8% based on changes in gross revenue.</p>
Performance	Based on unaudited information provided by SBI management for the eight months ended August 31, 2019, revenues and EBITDA have increased versus the comparable period.
Fair Value	The fair value of the SBI units was increased by US\$0.4 million during the three months ended September 30, 2019, resulting in a total increase of US\$1.6 million in the nine month period as their revenue is significantly ahead of the comparable period. The fair value of the SBI units in Canadian dollars will fluctuate each quarter with foreign exchange rates but the underlying valuation of the units is evaluated each quarter.
ECR	The ECR for SBI remains between 1.5x and 2.0x.

**SCR**

Annual Distribution	\$3.0 million (2.5% Run Rate Revenue)
Description	SCR provides mining, surface and underground construction, electrical and mechanical services to the Canadian mining industry.
Contribution History	In May 2013, the Corporation purchased partnership units in SCR for an aggregate acquisition cost of \$40.0 million. The SCR distribution will reset +/-6% based gross revenue.
Performance	<p>Based on unaudited financial statements provided by management for the eight months ended August 31, 2019, SCR's revenue and EBITDA have increased significantly versus the comparable period. SCR has seen continued top line growth and improving margins throughout 2019.</p> <p>Effective July 1, 2019 the Corporation and SCR agreed to increase the fixed monthly distribution from \$150 thousand per month to \$200 thousand (\$2.4 million annually) along with a variable cash sweep based on available free cash flow. The Corporation and SCR have also agreed to increase the fixed monthly distribution further in Q4 up to \$250 thousand per month (\$3.0 million annually), effective October 1, 2019.</p> <p>With no senior lender, SCR and Alaris have full flexibility on the timing of future increases to distributions, however as revenue increases SCR has been required to invest in net working capital.</p>
Fair Value	The fair value of the SCR units was increased by \$1.7 million during the three months ended September 30, 2019, resulting in a total increase of \$5.6 million in the nine month period as the expectation of future distributions has increased further based on improvements in their financial performance and SCR's management's expectations.
ECR	At the updated distribution rate of \$3.0 million, the Earnings Coverage Ratio for SCR is between 1.5x and 2.0x.

**Unify**

Annual Distribution	US\$1.9 million (2.1% of Run Rate Revenue)
Description	Unify is a management consulting firm that works with companies to provide innovative, customized consulting solutions across four primary service lines: Business Intelligence, Enterprise Resource Planning Services, Project Leadership & Product Management, and Organizational Change Management
Contribution History	<p>In October 2016, Salaris USA (wholly owned subsidiary of Alaris USA Inc.) made a contribution of US\$18.0 million (comprised of US\$12.0 million of permanent units and US\$6.0 million of redeemable units) to Unify, LLC.</p> <p>In December 2018, Unify redeemed US\$6.0 million representing all redeemable units outstanding. The units were redeemed at par, consistent with the terms of the agreement.</p> <p>The Unify distribution resets annually +/-5% based on net revenue.</p>
Performance	Based on unaudited financial statements prepared by Unify management for the nine months ended September 30, 2019, revenue has increased, while EBITDA has decreased versus the comparable period due to start up costs as they expand into two new geographic areas.
Fair Value	The Corporation increased the fair value of the Unify units by US\$1.0 million during the three and nine

	months ended September 30, 2019 due to the positive increases to net revenue during 2019. The fair value of the Unify units in Canadian dollars will fluctuate each quarter with foreign exchange rates but the underlying valuation of the units is evaluated each quarter.
ECR	The ECR for Unify remains over 2.0x.

## LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2019 the Corporation has a \$300 million credit facility with a syndicate of Canadian chartered banks, the facility has a four year term with a maturity date in September 2021. 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 Corporation’s Funded Debt to Contracted EBITDA. The Corporation realized a blended interest rate of 6.2% for the nine months ended September 30, 2019.

At September 30, 2019 the Corporation 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 can be increased to 3.0:1 up to March 31, 2020 as part of a new arrangement with the lending syndicate (actual ratio is 2.47:1 at September 30, 2019); minimum Tangible Net Worth of \$450.0 million (actual amount is \$637.4 million at September 30, 2019); and a minimum Fixed Charge Coverage Ratio of 1:1 (actual ratio is 1.14:1 at September 30, 2019). At September 30, 2019, the facility was \$266.5 million drawn, US\$181.2 million in USD denominated debt and CAD\$26.5 million in CAD denominated debt (December 31, 2018 - \$228.1 million of which \$167.2 million was denominated in USD). The Corporation has the capacity to draw up to another \$33.5 million based on covenants and credit terms, in addition to the \$50.0 million accordion facility for a total of \$83.5 million as at September 30, 2019.

Subsequent to September 30, 2019, the Corporation’s senior lenders agreed to expand the Corporation’s credit facility from \$300.0 million to \$330.0 million, with consistent covenant terms and full access to the additional \$50 million accordion facility. The capacity after the expansion of the facility became \$63.5 million, with the ability to draw \$113.5 million when including the accordion facility.

During the nine months ended September 30, 2019, the Corporation issued a convertible debenture. 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 the Corporation for redemption of the debentures into fully paid and non-assessable common shares of the Corporation at a conversion price of \$24.25 per Common Share, being a conversion rate of approximately 41.2371 Common Shares for each \$1,000 principal amount of Debentures.

Holders of debentures are advised that conversions of debentures into common shares 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 the upcoming interest payment date on December 31, 2019. If a conversion notice is received between December 20, 2019 and December 31, 2019, the holder shall receive the accrued and unpaid interest for the period ending December 31, 2019 but will not receive or be a holder of record of common shares until immediately following December 31, 2019.

The Corporation declared a monthly dividend of \$0.1375 per common share in each of the nine months of 2019, \$1.2375 per share and \$45.3 million in aggregate (2018 - \$1.215 per share and \$44.3 million in aggregate). The Corporation had adjusted net working capital of approximately \$11.4 million at September 30, 2019. Under the current terms of the various commitments, the Corporation has the ability to meet all current obligations as they become due.



## WORKING CAPITAL

The Company's Adjusted Net Working Capital (defined as current assets, excluding promissory notes and investment tax credits receivable, less current liabilities) at September 30, 2019 and December 31, 2018 is set forth in the tables below.

<b>Adjusted Net Working Capital</b>	<b>30-Sep-19</b>	<b>31-Dec-18</b>
Cash	\$ 14,866	\$ 22,774
Prepayments	1,313	2,181
Trade and other receivables	3,068	923
Income taxes receivable	2,857	1,484
<b>Total Current Assets</b>	<b>\$ 22,104</b>	<b>\$ 27,363</b>
Accounts payable and accrued liabilities	4,246	3,670
Dividends payable	5,042	5,013
Foreign exchange contracts	348	1,333
Office Lease	379	-
Income tax payable	693	1,257
<b>Total Current Liabilities</b>	<b>\$ 10,708</b>	<b>\$ 11,273</b>
<b>Adjusted Net Working Capital</b>	<b>\$ 11,396</b>	<b>\$ 16,090</b>

Management of the Corporation believes that the Corporation is able to meet its obligations as they become due.

## FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Upon initial recognition all financial instruments, including derivatives, are recognized on the 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. The Corporation has designated its financial instruments into the following categories applying the indicated measurement methods:

<b>Financial Instrument</b>	<b>Category</b>	<b>Measurement Method</b>
Cash and cash equivalents	Amortized cost	Amortized cost
Trade and other receivables	Amortized cost	Amortized cost
Promissory notes and other receivable	Amortized cost	Amortized cost
Investments	FVTPL or amortized cost	Fair Value or amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Office lease liability	Amortized cost	Amortized cost
Loans and borrowings	Amortized cost	Amortized cost
Convertible debenture	Amortized cost	Amortized cost
Foreign exchange contracts	FVTPL	Fair Value

The Corporation 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.

The Corporation holds derivative financial instruments to hedge its foreign currency exposure. The Corporation has entered into forward contracts equal to the monthly and quarterly flow of funds from the Corporation's US investments. The Corporation purchases forward exchange rate contracts to match expected after tax distributions in US dollars on a rolling 12-month basis as well as occasionally purchasing contracts for the following 12 months resulting in an economic hedge of the foreign currency exposure. 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 September 30, 2019, for the next twelve months, the Corporation has total contracts to sell US\$31.7 million forward at an average \$1.32 CAD.

The Corporation has the following financial instruments that mature as follows:

30-Sep-19	Total	0-6 Months	6 mo – 1 yr	1 – 2 years	3 – 4 years
Accounts payable and accrued liabilities	\$ (4,246)	\$ (4,246)	\$-	\$-	\$-
Dividends payable	(5,042)	(5,042)	-	-	-
Foreign exchange contracts	(348)	(155)	(162)	(31)	-
Office Lease	(379)	(189)	(190)	-	-
Convertible debentures	(100,000)	-	-	-	(100,000)
Loans and borrowings	(266,528)	-	-	-	(266,528)
<b>Total</b>	<b>\$ (376,543)</b>	<b>\$ (9,632)</b>	<b>\$ (352)</b>	<b>\$ (31)</b>	<b>\$ (366,528)</b>

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

### INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

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

## SUMMARY OF CONTRACTUAL OBLIGATIONS

The Corporation has an outstanding senior credit facility and a convertible debenture as described under “Liquidity and Capital Resources”. The Corporation also has its commitment to fund two additional contributions (first for US\$20.0 million and second of US\$25.0 million) to Body Contour Centers when specified financial metrics have been reached. Additionally, the Corporation has committed to US\$8.0 of contributions to PFGP, timing of the additional funding is expected to be within the next twelve months. The Corporation agreed to a five-year lease commencing July 2015 at its current location with remaining leasing commitments of \$0.4 million.

Subsequent to September 30, 2019, the Corporation agreed to a five-year office lease extension commencing July 2020 with total lease commitments over the period of \$2.1 million.

Contractual Obligations	Total	< 1 year	1 – 3 years	4 – 5 years	> 5 years
Loans and borrowings	\$ 266,528	\$ -	\$ -	\$ 266,528	\$-
Convertible debentures	100,000	-	-	\$100,000	\$-
Additional contributions to BCC	59,612	-	59,612	-	-
Additional contribution to PFGP	10,598	10,598	-	-	-
Office lease	399	399	-	-	-
Total Contractual Obligations	\$ 437,137	\$ 10,997	\$ 59,612	\$ 366,528	\$-

## 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, 2018.

## RECENT ACCOUNTING PRONOUNCEMENTS

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Corporation’s consolidated financial statements as at and for the year ended December 31, 2018.

The Corporation has initially adopted IFRS 16 Leases effective January 1, 2019. IFRS 16 introduces a single, on balance-sheet accounting model for lessees. As a result, the Corporation has recognized a right of use asset representing its rights to use underlying assets and lease liabilities representing its obligations to make lease payments.

The Corporation has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated. The details of the changes in accounting policies are disclosed below.

Previously, the Corporation determined at contract inception whether an arrangement was or contained a lease under IFRIC 4, Determining Whether an Arrangement Contains a Lease. The Corporation now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Corporation elected to apply the practical expedient to grandfather the assessment of which contracts are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

The Corporation has also elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

The Corporation 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 Corporation's incremental borrowing rate. The Corporation uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently measured at amortized cost.

Previously, the Corporation classified property leases as operating leases under IAS 17. This included the Corporation's office lease. At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Corporation's incremental borrowing rate as at January 1, 2019. The result is the recognition of a lease liability at January 1, 2019 of \$0.7 million. A corresponding right of use asset has been recorded at an amount equal to the lease liability and is depreciated over the remaining term of the lease. The right of use asset is included in Property & equipment. The adoption of IFRS 16 had no impact on opening retained earnings.

## SUMMARY OF QUARTERLY RESULTS

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

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

Quarterly Results Summary	Q3-19	Q2-19	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18	Q4-17
Revenue	\$ 30,025	\$ 27,401	\$ 27,658	\$ 25,311	\$ 22,685	\$ 28,442	\$ 23,641	\$ 21,638
Earnings	\$ 20,884	\$ 21,967	\$ 11,261	\$ 17,981	\$ 19,100	\$ 26,863	\$ (3,146)	\$ 11,410
Basic and Diluted Income	\$ 0.57	\$ 0.60	\$ 0.31	\$ 0.49	\$ 0.52	\$ 0.74	\$ (0.09)	\$ 0.31
(loss) per Share/Unit	\$ 0.57	\$ 0.60	\$ 0.31	\$ 0.49	\$ 0.52	\$ 0.73	\$ (0.09)	\$ 0.31

In Q3 2019, the Corporation 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, the Corporation received \$2.0 million from a Phoenix recovery of previously recorded bad debts and the Corporation recorded a \$9.3 million net increase in investments in fair value. In Q1 2019, the Corporation recorded a \$5.0 million net decrease in investments at fair value. In Q4 2018, the Corporation recorded a \$0.3 million net increase in investments at fair value. In Q3 2018, the Corporation recorded a \$7.1 million net increase in investments at fair value. In Q2 2018, the Corporation recorded a \$6.4 million gain on the repurchase of the End of the Roll intangible asset, a partial redemption of the PFGP units, an additional \$4.3 million of previously forgone distributions on the redemption of Labstat and a \$0.5 million increase in the fair value of investments at fair value. In Q1 2018, the Corporation recorded a \$1.8 million gain on the redemption of the Agility units, a \$3.5 million increase in the fair value of investments at fair value and a \$25.9 million bad debt expense related to the Phoenix and Group SM promissory note and Group SM accounts receivable. The Corporation began recognizing changes in the fair value of investments through earnings, effective January 1, 2018.

In Q4 2017, the Corporation recorded a \$13.6 million bad debt expense as the remainder of the SHS promissory note was written off and a reserve related to the Kimco, Group SM and Phoenix promissory notes.

## OUTSTANDING SHARES

At September 30, 2019, the Corporation had authorized, issued and outstanding, 36,665,476 voting common shares.

At September 30, 2019, 291,028 RSUs and 1,433,866 stock options were outstanding under the Corporation's long-term incentive compensation plans. The outstanding stock options have a weighted average exercise price of \$22.67, and as of September 30, 2019 all 1,433,866 options outstanding were out of the money.

At November 5, 2019, the Corporation had 36,665,476 common shares outstanding.

## INCOME TAXES

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In 2015, the Corporation received a notice of reassessment from the Canada Revenue Agency in respect of its taxation year ended July 14, 2009. The Corporation has since received notices of reassessment from the Canada Revenue Agency in respect of its taxation year ended December 30, 2009 through December 30, 2017 (collectively the "Reassessments"). Pursuant to the Reassessments, the deduction of approximately \$121.2 million of non-capital losses and utilization of \$7.2 million in investment tax credits ("ITC's") by the Corporation was denied, resulting in reassessed taxes and interest of approximately \$49.0 million. Subsequent to filing the notice of objection for the July 14, 2009 taxation year, Alaris received an additional proposal from the CRA pursuant to which the CRA is proposing to apply the general anti avoidance rule to deny the use of non-capital losses, accumulated scientific research and experimental development expenditures and investment tax credits. 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 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 such 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 Canada Revenue Agency. 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 the deduction of its tax pools in respect of its tax filings in respect of the 2018 taxation years, on the same basis. The carrying values of the remaining ITC's of \$2.5 million at September 30, 2019 are at risk should the Corporation be unsuccessful in defending its position. 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 Corporation's payout ratio.

The Corporation 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. The Corporation will continue to file its tax returns by claiming the remaining available investment tax credits in subsequent tax filings.

In December of 2018 the U.S. Treasury issued proposed regulations which provided administrative guidance and clarified certain aspects of U.S. Tax Reform. The proposed regulations are complex and comprehensive, and considerable uncertainty continues to exist until the final regulations are released, which is expected to occur later in 2019. As these proposed regulations have not been enacted as at September 30, 2019, their impact has not been reflected in income tax expense. However, if the proposed regulations are enacted as currently drafted, certain provisions could be effective commencing January 1, 2019. Based on the Corporation's current capital structure, the resulting increase to income tax expense of the Company for the period ended, September 30, 2019 would be an increase of approximately \$8.2 million. However, it is not known at this time if changes would be applied retroactively or prospectively.

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), the Run Rate Payout Ratio and anticipated expenses. The purpose of providing such information in this MD&A is to demonstrate the visibility the Corporation 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.

## FORWARD-LOOKING STATEMENTS

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This MD&A contains forward looking statements. 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 and business prospects and opportunities of the Corporation and the Partners, the general economy, the amount and timing of the declaration and payment of dividends by the Corporation, the future financial position or results of the Corporation, business strategy, proposed acquisitions, growth opportunities, budgets, litigation, projected costs and plans and objectives of or involving the Corporation or the Partners. In particular, this MD&A contains forward looking statements regarding: the anticipated financial and operating performance of the Partners in 2019 and into 2020; the Earnings Coverage Ratio for the Partners and the Corporation's Run Rate Payout Ratio; the revenues and distributions to be received by Alaris in 2019 and into 2020 (on an annual and quarterly basis); expected resets for Distributions; the Corporation's general and administrative expenses and cash requirements in 2019 and into 2020; the CRA proceedings (including the expected timing and financial impact thereof); the impact of a change in U.S tax legislation; annualized net cash from operating activities; the impact of expected operational improvements and future investments for the Corporation; interest and tax expenses; dividends to be paid; 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 capital deployment; and Alaris' ability to attract new private businesses to invest in. 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. To the extent that any forward-looking statements herein constitute a financial outlook, including without limitation, estimated revenue, distributions and expenses, Run Rate Payout Ratio, dividends to be paid, the impact of capital deployment and changes in distributions from Partners, 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. Accordingly, readers are cautioned not to place undue reliance on any forward looking information contained in this MD&A. Statements containing forward looking information reflect management's current beliefs and assumptions based on information in its possession on the date of this MD&A. Although management believes that the expectations represented in such forward looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

Statements containing forward-looking information by their nature involve numerous assumptions and significant known and unknown facts and uncertainties of both a general and a specific nature. The forward looking information contained herein are based on certain assumptions, including assumptions regarding the performance of the Canadian and U.S. economies over the next 24 months and how that will affect our business and our ability to identify and close new opportunities with new Private Company Partners; the continuing ability of the business of the Partners to pay the distributions; the performance of the Private Company Partners; that interest rates will not rise in a material way over the next 12 to 24 months; that the businesses of the Partners will not change in a material way; more private companies will require access to alternative sources of capital; and that Alaris will have the ability to raise required equity and/or debt financing on acceptable terms.

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 dependence of the Corporation on the Partners; risks relating to the Partners and their businesses; reliance on key personnel; general economic conditions; 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; unpredictability and potential volatility of the trading price of the common shares; fluctuations in the amount of cash dividends; restrictions on the potential growth of the Corporation as a consequence of the payment by Alaris of substantially all of its operating cash flow; income tax related risks; ability to recover from the Partners for defaults under the various agreements with Alaris; potential conflicts of interest; dilution; liquidity of Common Shares; 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 Distributions to Alaris; a material change in the operations of a Partner or the industries in which they operate; a failure to obtain the benefit of any concessions provided to any Partners; a failure to obtain by the Corporation 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 Corporation'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, and the Corporation's annual management discussion and analysis for the three and nine months ended September 30, 2019, identifies additional factors that could affect the operating results and performance of the Corporation. 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 Corporation'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 Corporation and no material changes to the business of the Corporation or current economic conditions that would result in an increase in general and administrative expenses.

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**

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Additional information relating to the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com) or under the "Investors" section of the Corporation's website at [www.alarisroyalty.com](http://www.alarisroyalty.com).