ALARIS ROYALTY CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2020

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 six months ended June 30, 2020 and 2019 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, Actual Payout Ratio, Adjusted Net Working Capital, Normalized Earnings, 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, Actual Payout Ratio, Adjusted Net Working Capital, Normalized Earnings, Tangible Net Worth, Fixed Charge Coverage Ratio, IRR and Per Share values (collectively, the "**Non-IFRS Measures**") as well as certain financial covenants as defined below are financial measures used in this MD&A that are not standard measures under IFRS. The 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.

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.

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 six months ended June 30, 2020, these include the distributions received upon redemption of SBI and in the three and six months ended June 30, 2020 the non-recurring legal expenses related to the income trust conversion. For the three and six months ended June 30, 2019, these include a bad debt recovery related to Phoenix. Transaction diligence costs are recurring but are considered an investing activity. Foreign exchange realized and unrealized gains and losses are recurring but not considered part of operating results and excluded from normalized EBITDA on an ongoing basis. Changes in investments at fair value are non-cash and although recurring are also removed from normalized EBITDA. Adjusting for these non-recurring items allows management to assess cash flow from ongoing operations.

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

Per 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 unfunded maintenance capital expenditures divided by the sum of taxes, interest, debt repayments, share repurchases (in excess of $10 million) 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.

Normalized Earnings refers to Earnings excluding non-recurring tax expenses related to newly enacted US Tax regulations that were applied retrospectively to January 1, 2019.

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

The Non-IFRS measures should only be used in conjunction with the Corporation's unaudited condensed consolidated interim financial statements, excerpts of which are available below, complete versions of these statements are available on SEDAR at 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 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 investment can also appreciate through the reset metric and a premium upon exit or redemption. The Corporation has limited general and administrative expenses with only fifteen employees.

Beginning in Q1 2020, the Corporation has modified the presentation of the condensed consolidated interim statements of comprehensive income in order to simplify the presentation for all of the users of the statements. Changes include combining all revenues from Partners (distributions and interest) on one line including the impact of the foreign exchange contracts the Corporation enters into to manage the US dollar exposure of the revenues. Further detail is provided in note 4 of the condensed consolidated financial statements for the three and six months ending June 30, 2020. Additionally, gains and losses, both realized from actual exits and unrealized from the quarterly fair value exercise have been moved up the table before a subtotal of "Total revenue and other operating income". Lastly, all of the general and administrative expenses (salaries & benefits, corporate & office and legal & accounting) have been combined on one line with analysis provided in this MD&A on the changes in the individual amounts.

RESULTS OF OPERATIONS

Quarter ended June 30, 2020 compared to Quarter ended June 30, 2019

Three Months Ended June 30th	2020	2019	% Change
Revenue per share	$ 0.57	$ 0.75	-24.0%
Normalized earnings per share	$ 0.45	$ 0.60	-25.0%
Normalized EBITDA per share	$ 0.48	$ 0.66	-27.3%
Net cash from operating activities per share	$ 0.38	$ 0.44	-13.6%
Dividends declared per share	$ 0.29	$ 0.41	-29.7%
Basic earnings per share	$ 0.10	$ 0.60	-83.3%
Fully diluted earnings per share	$ 0.10	$ 0.60	-83.3%
Weighted average basic shares (000's)	35,735	36,556	

For the three months ended June 30, 2020, revenue per share decreased by 24.0% due to distributions deferred during the quarter from PFGP and BCC, to assist in cash flow management as they navigated the impact the novel coronavirus disease 2019 ("**COVID-19**") has had on their business. Additionally, there were no distributions from either SBI or Sandbox following their redemptions in the first quarter of 2020. These reductions to revenue were offset by new investments in Amur, Stride and Carey Electric, a follow-on investment in Unify, and organic growth through the 2020 reset. Revenue per share also improved from the prior year as a result of the shares repurchased during Q2 through the Corporation's Normal Course Issuer Bid ("**NCIB**") program.

COVID-19 Update –The impact of COVID-19 on the Corporation's financial statements in the current quarter was primarily related to the reduction in revenue from deferred distributions from BCC and PFGP of $5.8 million or $0.16 per share. Both partners operate multi location, client-facing businesses that were temporarily mandated to close all locations in March. Due to the uncertainty and duration of their locations being closed, the Corporation deferred distributions to assist with liquidity management. Since launching the reopening of their locations, key performance indicators have been positive and at this time the Corporation does not expect any long-term impairment to either business, though PFGP, with a senior lender, won't be able to restart distributions as quickly as BCC (expected to make full distributions for Q3 2020). Although the deferred distributions from PFGP and BCC were not recorded as revenue during the period, the Corporation will work with each partner on the timing and mechanism of catching up on those distributions. ccComm and Providence have suspended distributions (as previously disclosed), as they manage through the pandemic, and distributions from either partner will be recorded when received. The fair value adjustment to the Partners in the current quarter was an increase of $8.4 million following a significant COVID-19 related reduction in Q1 2020, as the impacts from COVID-19 were less impactful than initially expected.

Normalized earnings of $0.45 per share decreased 25.0% and Normalized EBITDA of $0.48 per share decreased 27.3% compared to the three months ended June 30, 2019, both decreases mainly due to the reduction in revenue as previously discussed. Net cash from operating activities was $0.38 per share, a decrease of 13.6% due to a reduction in revenue and additional general and administrative expenses during the quarter, offset by a reduction in dividends from $0.4125 per share on a quarterly basis to $0.29 per share. The Actual Payout Ratio in the three-month period was 37%, which is significantly lower than expected due to the timing and amount of dividends paid. During the quarter the Corporation made two changes to its dividend: (i) moving from a dividend paid monthly to quarterly, this impacted the timing of dividends in Q2 2020 as it declared its quarterly dividend on June 17th payable on July 15th, and (ii) reduced the quarterly dividend from $0.4125 to $0.29 per share. Due to the Actual Payout Ratio being on a cash basis, it was significantly lower due to the change in timing from monthly to quarterly dividends (only one month of dividends was paid in the quarter in April relating to the March dividend while the dividend for April, May and June was paid in July).

Partner Revenue ($ thousands)	Quarter ended June 30, 2020	Quarter ended June 30, 2019	% Change	Comment
DNT	$ 3,950	$ 3,711	+6.4%	Positive reset in Jan-20, FX impact
FED	3,686	3,795	-2.9%	Negative 6% reset in Jan-20, FX impact
GWM	2,090	1,867	+11.9%	Reset +8% Jan-20, FX impact
LMS	1,968	1,490	+32.1%	Reset +32% Jan-20
Accscient	1,933	1,865	+3.6%	Flat reset at Jan-20, increase caused by FX
Amur	1,626	160	+916.3%	Initial contribution closed Jun-19
Unify	1,127	645	+74.7%	Follow-on contribution in Dec-19
SCR	1,050	450	+133.3%	Increased monthly distributions from $150/mth to $350/mth
Heritage	909	777	+17.0%	Reset +6% Jan-20, FX impact
Fleet	469	703	-33.3%	Partial redemption of US$5.0 million in Jul-19
Amur Common Equity	350	-	+100.0%	Initial contribution closed Jun-19
Stride	291	-	+100.0%	Initial contribution closed Nov-19
Carey Electric	127	-	+100.0%	Initial contribution closed Jun-20
PFGP	-	1,276	-100.0%	Deferral of Q2-20 distributions to future date
BCC	-	2,154	-100.0%	Deferral of Q2-20 distributions to future date
ccComm	-	785	-100.0%	Distributions to be recorded as received
Providence	-	784	-100.0%	Distributions to be recorded as received
SBI	-	3,732	-100.0%	Redemption in Jan-20
Sandbox	-	2,066	-100.0%	Redemption in Feb-20
Total Distributions	**$ 19,576**	**$ 26,260**	**-25.5%**	
Interest & other	891	1,141	-21.9%	Repayment of Sandbox in Feb-20, offset by higher interest from Kimco, LMS
Realized FX Gain / (Loss)	(264)	(878)	-69.9%	FX impact
Total Revenue	**$ 20,203**	**$ 26,523**	**-23.8%**	

Total revenue and other operating income was $28.6 million in the three-month period ended June 30, 2020, compared to $35.8 million in the prior period, a 20.1% decrease which was due to the deferred distributions during the period from PFGP and BCC and a net unrealized gain of $8.4 million in the current quarter compared to an unrealized gain of $9.3 million in the prior year period.

Finance costs were $4.3 million compared to $3.9 million in the prior year period, a 10.3% increase due to the interest payment on the convertible debentures in the current quarter, which were issued in June 2019. This was partially offset by lower interest on the senior debt as the average debt outstanding in the period was lower than in 2019 (weighted average outstanding debt of $158.2 million for the three months ended June 30, 2020 versus $209.1 million for the comparable period in 2019).

General and administrative costs, which includes salaries and benefits, corporate and office, and legal and accounting fees, were $3.7 million in the period, an increase of 54.2% compared to $2.4 million in the prior year period. Salaries and benefits decreased from $0.9 million in 2019 to $0.7 million in the current period. Corporate and office expenses decreased from $1.0 million in the prior year to $0.4 million in the three months ended June 30, 2020, a 60.0% decrease due to changes in business practices, such as fewer travel expenses and the cancellation of the annual Partner conference, in response to COVID-19. Legal and accounting fees were $2.6 million compared to $0.5 million in the prior year period, an increase of $2.1 million. The increase was due to non-recurring costs related to the Corporation's proposed conversion to an income trust structure, which is being recommended for shareholder approval in Q3 2020 as well as post-closing costs related to Sandbox.

The Corporation incurred $1.0 million of transaction diligence costs during the three-month period, compared to $0.8 million in the prior year period. The increase was related to the closing of the Carey Electric transaction as well as other ongoing transactions that are currently under review.

For the three months ended June 30, 2020 the Corporation incurred stock-based compensation expenses of $0.9 million (2019 - $0.9 million) which includes: $0.8 million (non-cash expense) for the RSU Plan expense that is to be amortized over the thirty-six month vesting period of the plan (2019 - $0.9 million); and $0.1 million (non-cash expense) for the amortization of the fair value of outstanding stock options, compared to a nominal amount in 2019.

Earnings were $3.5 million in the period, a decrease of 84% from the $22.0 million of earnings in the prior year period, which was mainly the result of the significant increase in income tax expense. This increase in income tax expense primarily relates to a US regulation finalized during Q2 2020 that disallowed certain interest deductions, effective January 1, 2019. Alaris is of the opinion that the proposed regulations do not restrict our interest deduction during 2019, but are required to book a reserve against this deduction at this time. Normalized earnings after removing the non-recurring tax expenses were $16.2 million, which was a decrease of 26.3% compared to the prior year period, a result of the deferral of distributions from BCC and PFGP and an increase in legal and accounting fees in the current quarter.

The Corporation recorded EBITDA of $22.3 million and Normalized EBITDA of $17.3 million for the three months ended June 30, 2020, compared to EBITDA of $30.4 million and Normalized EBITDA of $24.1 million in the comparable period in 2019. The 28.2% decrease in Normalized EBITDA is mainly due to the deferral of distributions during the current period from BCC and PFGP due to the impact of COVID-19. Also contributing to the decrease was that the prior year included distributions from SBI and Sandbox prior to their redemptions in Q1 2020, partially offset by the addition of new partners Amur, Stride and Carey Electric, as well as the follow-on contribution to Unify.

Reconciliation of Net Income to Normalized EBITDA ($ thousands)	**Three Months Ended June 30, 2020**	**Three Months Ended June 30, 2019**
Earnings	**$ 3,535**	**$ 21,966**
Normalizing Adjustment		
Non-recurring tax expenses related to US Tax Regulations	12,638	-
Normalized Earnings	**$ 16,173**	**$ 21,966**
Adjustments to Net Income:		
Depreciation and amortization	42	228
Finance costs	4,308	3,931
Income tax expense - net of non-recurring tax above	1,785	4,270
EBITDA	**$ 22,308**	**$ 30,395**
Normalizing Adjustments		
Unrealized gain on investments at fair value	(8,385)	(9,292)
Transaction diligence costs	958	828
Bad debt expense / (recovery)	-	(2,018)
Unrealized loss on foreign exchange	730	3,320
Realized loss on foreign exchange	264	878
Legal and accounting fees for trust conversion	1,430	-
Normalized EBITDA	**$ 17,305**	**$ 24,111**

Year to date ended June 30, 2020 compared to Year to date ended June 30, 2020

Six months ended June 30	2020	2019	% Change
Revenue per share	$ 1.50	$ 1.51	-0.7%
Normalized earnings per share	$ (0.68)	$ 0.91	-174.7%
Normalized EBITDA per share	$ 1.07	$ 1.34	-20.1%
Net cash from operating activities per share	$ 1.11	$ 1.01	+9.9%
Dividends declared per share	$ 0.70	$ 0.83	-14.8%
Basic earnings per share	$ (1.08)	$ 0.91	-218.7%
Fully diluted earnings per share	$ (1.08)	$ 0.90	-220.0%
Weighted average basic shares (000's)	36,214	36,527	

For the six months ended June 30, 2020, revenue per share decreased by 0.7% due to the deferral of Q2 2020 distributions from BCC and PFGP and the redemption of Sandbox. These were partially offset by new investments in Amur, Stride and Carey Electric, the follow-on contributions to Unify and PFGP, organic growth through the 2020 net positive resets and the appreciation of the US dollar versus the comparable period.

In addition to the impact of deferred distributions discussed above, the financial results for the six months ending June 30, 2020 also include fair value adjustments as a result of COVID-19. These include a net decrease in fair value of $76.5 million in the first six months of 2020 ($84.9 million reduction in Q1 and then an $8.4 million increase in Q2), which consisted primarily of (i) a decrease in expected net resets effective January 1, 2021, (ii) deferred distributions from BCC and PGFP and (iii) a decrease in fair value of Providence and ccComm due to increased uncertainty regarding each of their businesses.

Normalized EBITDA of $1.07 per share, decreased 20.1% compared to the six months ended June 30, 2019 due to additional legal fees in the current period along with a decrease in revenue after removing the non-recurring distributions from SBI on their redemption. Net cash from operating activities was $1.11 per share, an increase of 9.9% mainly due to the change in timing of the dividend payment with the first quarterly payment being in July 2020. The Actual Payout Ratio for the six months ended June 30, 2020 was 50.3%, which was lower than expected due to the change in timing of the dividend payment, as explained previously.

Partner Revenue ($ thousands)	Six months ended June 30, 2020	Six months ended June 30, 2019	% Change	Comment
SBI	$ 9,176	$ 7,699	+19.2%	One-time $9.2m of distributions upon redemption in Jan-20
DNT	7,725	7,510	+2.9%	Positive reset in Jan-20, FX impact
FED	7,339	7,493	-2.1%	Negative 6% reset Jan-20, FX impact
GWM	4,110	3,722	+10.4%	Positive 8% reset Jan-20, FX impact
Accscient	3,802	3,676	+3.4%	Additional contribution Jan-19, FX impact
LMS	3,733	2,790	+33.8%	Positive 32% reset Jan-20, FX impact
Amur	3,249	160	+1930.6%	Contribution closed in Jun-19
PFGP	2,696	2,448	+10.1%	Additional contribution in Jul-19, offset by deferral of Q2-20 distributions
Unify	2,217	1,286	+72.4%	Additional contribution in Dec-19
BCC	2,159	4,295	-49.7%	Deferral of Q2-20 distributions due to impact of COVID-19
SCR	2,000	900	+122.2%	Monthly distributions increased to current amount of $350k
Heritage	1,738	1,574	+10.4%	Positive 6% reset, FX impact
Fleet	967	1,401	-31.0%	Partial redemption in Jul-20, FX impact
Stride	573	-	+100.0%	Contribution closed in Nov-19
Providence	514	2,355	-78.2%	No distributions from Mar-20 to Jun-20 due to COVID-19
Amur Common Equity	350	-	+100.0%	Contribution closed in Jun-19, no common dividend issued in Q1-20
ccComm	294	1,564	-81.2%	No distributions beg. Feb-20, ccComm used for working capital needs
Carey Electric	127	-	+100.0%	Contribution closed in Jun-20
Sandbox	-	3,980	-100.0%	Redemption in Feb-20, no distributions accrued in 2020
Total Distributions	**$ 52,769**	**$ 52,853**	**-0.2%**	
Interest	1,591	2,206	-27.9%	Redemption of Sandbox in Feb-20
Realized FX Gain / (Loss)	(186)	(1,048)	-82.3%	FX impact
Total Revenue, net of FX	**$ 54,174**	**$ 54,011**	**+0.3%**	

Total revenue and other operating loss was $22.4 million in the six month period ended June 30, 2020, compared to income of $58.2 million in the prior period, a 138.5% decrease mainly due to the net reduction in fair value of investments during the current period of $76.5 million, compared to an increase in fair value of investments in the prior year of $4.2 million.

Finance costs were $9.1 million compared to $8.1 million in the prior year, a 12.3% increase due to the additional interest on the convertible debentures issued in June 2019. These were partially offset by a lower weighted average debt outstanding, as the average in the current period was $163.6 million compared to $216.8 million in the six months ended June 30, 2019.

General and administrative expenses for the six months ended June 30, 2020 were $6.5 million, a 32.6% increase compared to the $4.9 million of expenses in the comparable period in 2019. Salaries and benefits expenses were $1.6 million, which was a nominal decrease from the $1.7 million in the comparable period. Corporate and office expenses decreased by 35.3% to $1.1 million in the current six-month period, compared to $1.7 million in the prior year. The decrease was primarily a result of a change in business practices in the current period, such as fewer travel expenses and the cancellation of the annual Partner conference, in response to COVID-19. Legal and accounting fees were $3.8 million in the six months ended June 30, 2020, a 137.5% increase compared to the $1.6 million of fees in the comparable period in 2019. The increase was primarily the result of a combination of fees on the Corporation's proposed conversion to a trust structure as well as post-closing costs related to the Sandbox transaction.

For the six months ended June 30, 2020 the Corporation incurred stock-based compensation expenses of $1.6 million (2019 - $1.3 million) which includes: $1.5 million (non-cash expense) for the RSU Plan expense that is to be amortized over the thirty-six month vesting period of the plan (2019 - $1.1 million); and $0.1 million (non-cash expense) for the amortization of the fair value of outstanding stock options (2019 - $0.2 million).

The Corporation recorded a loss of $39.1 million in the six months ended June 30, 2020 and a Normalized loss of $24.5 million after normalizing for the non-recurring tax expenses, compared to earnings and Normalized earnings of $33.2 million in the prior year. The decreases were mainly due to the net unrealized loss of investments at fair value recorded in the period as a result of the impact to Partners from the COVID-19 pandemic. In the three-month period ended March 31, 2020, there was no impact to the Corporation's revenue from Partner distributions from COVID-19; however, there was a net unrealized loss of investments at fair value recorded of $84.9 million. In the three months ended June 30, 2020, there was a net unrealized gain on investments at fair value of $8.4 million as the impact of COVID-19 to certain Partners was less severe than initially expected. The Corporation did see a negative impact to its distributions from Partners in the current three-month period, as the distributions for BCC and PFGP were deferred to a later date to assist each through the pandemic. Total reduction in revenue as a result of these deferrals in the six months ended June 30, 2020, was $5.8 million or approximately 10% of the Corporation's expected distributions in the period.

The Corporation recorded negative EBITDA of $27.1 million and Normalized EBITDA of $38.7 million for the six months ended June 30, 2020, compared to EBITDA of $46.7 million and Normalized EBITDA of $48.9 million in the prior year comparable period. The 20.9% decrease in Normalized EBITDA was due to the distributions deferred from BCC and PFGP, the redemption of Sandbox in Q1 2020 and also the increase in general and administrative expenses in the current period.

Reconciliation of Net Income to Normalized EBITDA ($ thousands)	**Six months ended June 30, 2020**	**Six months ended June 30, 2019**
Earnings / (Loss)	**$ (39,127)**	**$ 33,228**
Normalizing Adjustment		
Non-recurring tax expenses related to US Tax Regulations	14,638	-
Normalized Earnings / (Loss)	**(24,489)**	**$ 33,228**
Adjustments to Net Income:		
Depreciation and amortization	119	330
Finance costs	9,062	8,067
Income tax expense - net of non-recurring tax above	(11,837)	5,106
EBITDA	**$ (27,145)**	**$ 46,731**
Normalizing Adjustments		
Realized (gain) / loss on investment	(11,603)	-
Unrealized (gain) / loss on investments at fair value	88,142	(4,195)
Transaction diligence costs	2,935	1,007
Bad debt expense / (recovery)	-	(2,018)
Distributions received on redemption (SBI)	(9,176)	-
Unrealized (gain) / loss on foreign exchange	(6,263)	6,317
Realized loss on foreign exchange	186	1,048
Legal and accounting fees for trust conversion	1,650	-
Normalized EBITDA	**$ 38,726**	**$ 48,890**

OUTLOOK

The Corporation's results in the three and six months ended June 30, 2020 were negatively affected by the COVID-19 pandemic, as revenue, cash flows from operations and Normalized EBITDA were all less than forecast during Q2 2020 and in the first quarter there was a net write-down in the fair values of investments due to anticipated reductions in future distributions from certain Partners at that time. Overall, the Partners' businesses have experienced a wide range of impact from the COVID-19 pandemic, but all continue to manage their operations and business landscapes effectively. However, due to the continued uncertainty regarding future impacts to the Partners from COVID-19, the Corporation deems it prudent to continue to withhold from providing financial guidance for the remainder of 2020. The potential for delays or issues with the recovery from COVID-19, makes it difficult to accurately project the expected distributions for the next twelve-month period but based on the current expectations from each Partner, revenue for Q3 is expected to be $22.8 million. The

Corporation describes the impact COVID-19 has had on each Partner in further detail in the "Private Company Partner Update" below and continues to work with each management team to assist them through this unprecedented environment.

The senior debt facility was drawn to $176.2 million at June 30, 2020, with the capacity to draw up to another $157.7 million based on covenants and credit terms. The annual interest rate on that debt was approximately 5.9% at June 30, 2020. During the three months ended June 30, 2020, the Corporation also closed an amendment to its credit facility with its syndicate of senior lenders. The amendment will give Alaris the required flexibility on financial covenants and permitting deployment as the Corporation navigates through the next twelve to eighteen months.

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 2020 as the unique product of non-dilutive preferred equity will be in demand in the current business environment.

Private Company Partner Update

The Corporation's interest in each of the Partners consists of a preferred partnership interest, preferred equity interest, or loans, 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) rather than a residual equity interest in the net earnings of such entities. From time to time the Corporation may also acquire a minority common equity position alongside its preferred equity or debt investments. The Corporation has no involvement in the day to day business of each Private Company Partner and has no rights to participate in normal course management decisions. 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 greater the number is, the better the ratio. The Corporation notes that these ECRs are based on historical results, which also includes impacts from COVID-19. The expected impact and impact to date was also outlined qualitatively for each partner below.

Description	The Corporation's investment thesis is to generally partner with companies that have: (i) A history of success (average age of partners is approximately 26 years) • Offer a required service or products in mature industries; • Low risk of obsolescence; and • Non-declining asset bases. (ii) Proven track record of free cash flow (iii) Low levels of debt - Allows excess cash flow to remain in the business to support growth and the Alaris distribution rather than paying principal and interest on debt. (iv) Low levels of capital expenditures required to maintain/grow a business – Our partners are typically not required to reinvest much of their cash flow back into their operations as they are typically asset light businesses with minimal equipment requirements. (v) Management continuity and quality management teams - The Corporation has invested in 32 partners since inception, exited our investment in fifteen partners over that time with eleven

	yielding highly positive results displayed by a total return of 63% and a median IRR of 20%.
Contribution History	The Corporation has invested over $1.3 billion into 32 partners and over 64 tranches of financing, including an average of approximately $170 million over the past five fiscal years (2014 – 2019).
Performance	The Corporation discloses an ECR to provide information on the financial health of our partners. The Corporation has five partners with ECR greater than 2.0x (Amur, FED, GWM, Unify and Heritage), seven in the 1.5x-2.0x range (Carey Electric, DNT, Fleet, LMS, PFGP, SCR and Stride), two between 1.2x-1.5x (Kimco and Accscient) and three less than 1.0x (ccComm, BCC and Providence).
Capital Structure	As a preferred equity investor, we have contributed into a diverse group of capital structures and we pride ourselves on achieving the optimal capital structure for our partners so both Alaris and our partners benefit. Of our existing portfolio, eight of our seventeen have no debt, one partner has less than 1.0x Senior Debt to EBITDA and eight partners have debt greater than 1.0x Senior Debt to EBITDA on a trailing twelve months basis.
Reset	The annual distribution reset is another feature of our capital which we view as win-win. It aligns our interest with our partners while providing the majority of the upside to the entrepreneurs who create the business value. Of the partners which had resets effective in 2020 (January 1st), the Corporation had five with maximum resets (between +5% and +8%), one with no collar resetting positively at approximately 32% (LMS) and one having a reset just below their +6% collar. One partner had a negative reset of 6% and one other partner was flat year over year.

Accscient

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	In June 2017, the Corporation contributed an initial US$20.0 million into Accscient in exchange for preferred equity. The Corporation contributed an additional US$3.0 million in June 2018, US$7.0 million in August 2018 and US$8.0 million in January 2019. The contributions were used to fund or partially fund acquisitions which broadened their IT service offerings.
Impact of COVID-19	Accscient has been able to continue to provide IT consulting and staffing services remotely throughout the COVID-19 pandemic. Uncertainty surrounding future staffing levels and overall demand for services has resulted in Accscient's management proactively managing resources and costs to effectively navigate through any potential temporary reduction in demand going forward.
Distributions & Fair Value	The Corporation received all of the Accscient contracted distributions during the three months ended June 30, 2020 and currently do not expect any disruption in ongoing contracted distributions. The fair value of the Accscient units was reduced by US$1.7 million in Q1 2020 and is unchanged in the three months ended June 30, 2020, leaving the fair value of the units at US$36.6 million. The reduction in fair value in Q1 2020 was due to an expected negative reset in 2021 as a result of decreased volume during COVID-19. The annual contracted Accscient distributions are US$5.6 million (7% of the total contracted Partner distributions). 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.

Performance	Based on unaudited statements provided by management for the five months ended May 31, 2020, revenue has remained consistent and EBITDA increased compared to the prior period as a result of accretive acquisitions. The Accscient distribution resets annually and has a collar of plus or minus 6%.
ECR	For the twelve months ended May 31, 2020, the ECR remains between 1.2x and 1.5x. The ECR may decrease slightly in future periods as a result of the impact to the business of COVID-19.

Amur

Description	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.
Contribution History	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).
Impact of COVID-19	Amur's operations have seen minimal impact to their day to day business thus far as the majority of their staff have been able to work remotely. The impact from COVID-19 has resulted in a softening of origination volumes and as a result Amur has focused on managing advertising spend and other variable costs. There has been no impact to revenue collected from management fees to date and Alaris expects limited impact moving forward.
Distributions & Fair Value	The Corporation received all of the contracted Amur preferred distributions during the three months ended June 30, 2020 and currently do not expect any disruption in ongoing contracted distributions. Alaris also received a common equity dividend of $0.4 million during Q2 2020, which was consistent with the quarterly dividends received in Q3 and Q4 2019. Although the Corporation expects to receive all contracted preferred distributions, due to the impact that COVID-19 has had on new mortgage originations, the 2021 reset is expected to be negative which resulted in a reduction to the fair value of the preferred units of $2.7 million in Q1 2020 and the fair value was unchanged in the three months ended June 30, 2020. The fair value of the preferred units remains at $47.3 million. The annual contracted Amur distributions are $6.5 million (6% of the total contracted Partner distributions). Previously, the Corporation disclosed the expectation for quarterly dividends on its common equity investment in Amur. To preserve liquidity through the pandemic, there were no common equity dividends issued during Q1 2020. However, the company's financial position and outlook for the remainder of 2020 allowed them to issue a common dividend during Q2 2020, of which Alaris was entitled to $0.4 million. As a result of lower than expected earnings in 2020, there was a decrease in the fair value of the Amur common equity units of $2.2 million during Q1 2020 with no change in the three months ended June 30, 2020, leaving the fair value of the Amur common equity units at $17.8 million.
Performance	Based on unaudited statements provided by management for the five months ended May 31, 2020, revenue and EBITDA have decreased compared to the prior year period. The Amur distribution will reset +/- 6% annually based on gross revenue, commencing January 1,

	2021.
ECR	For the twelve months ended May 31, 2020, the ECR remains greater than 2.0x. The ECR may decrease slightly in future periods as a result of the impact to the business of COVID-19.

Body Contour Centers

Description	Body Contour Centers operates one of the largest plastic surgery practices in the United States with over 40 locations across the country.
Contribution History	In September 2018, the Corporation contributed US$46.0 million into BCC in exchange for preferred equity.
Impact of COVID-19	BCC was required to temporarily close all of its clinics and consult centers in mid-March as elective surgeries were prohibited. As restrictions were lifted, BCC phased their re-opening beginning in late April until all clinics were opened as of the first week of June. Since re-opening, the company has seen positive key performance indicators in lead generation, cost per lead and conversion rates with most of the metrics outperforming pre-COVID-19 levels and the same period in 2019. As a result of the positive recovery, the Corporation expects to receive all contracted distributions through the remainder of 2020. The Corporation will also work with BCC management to determine the mechanisms and timing of receiving all Q2 2020 distributions which were previously deferred.
Distributions & Fair Value	As expected and outlined in the Corporation's Q1 2020 earnings release, the Corporation deferred all Q2 2020 distributions from BCC to allow for the preservation of cash flows during the peak of the COVID-19 pandemic and at a time when all their locations were closed. As a result of the deferral of distributions and a decrease to the expectation for the distribution reset in 2021, the impact on the discounted cash flows resulted in a decrease in the fair value of the BCC units by US$3.2 million during the three months ended March 31, 2020. As the impact of COVID-19 to BCC did not last as many months as previously expected and due to BCC's ability to recover from the pandemic (and the expected restart of full distributions in Q3 2020), this has resulted in an increase in the fair value of the units by US$1.9 million during the three months ended June 30, 2020. Overall, the impact for the six months ended June 30, 2020 as a result of the negative 2021 reset expected, is a net decrease in fair value of the units of US$1.3 million, leaving the fair value of the units at US$45.6 million. The annual contracted BCC distributions are US$6.8 million (9% of the total contracted Partner distributions). 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.
Performance	Based on unaudited statements provided by management for the five months ended May 31, 2020, revenue and EBITDA have decreased from the prior year period, due to the impact of COVID-19 but as all of the BCC clinics have reopened, financial results are expected to improve immediately.
ECR	For the twelve months ended May 31, 2020, the ECR decreased as all locations were closed in April and most of May and is now below 1.0x. Based on their leading key performance metrics, the Corporation expects that BCC will return to their previous ECR level on a go forward basis.

Carey Electric

Description	Carey Electric is an electrical contractor servicing the industrial and commercial markets in the suburban Chicagoland area just northwest of Chicago, Illinois. Founded in 1923, Carey is a third-generation firm with services including power distribution, lighting, bucket truck services, trenching, underground locating, fire alarm services, generator testing and other specialized offerings.
Contribution History	In June 2020, the Corporation contributed US$17.0 million into Carey. The contribution consists of a US$16.1 million investment in preferred equity as well as an investment of US$0.9 million in exchange for a minority ownership of the common equity in Carey. The Corporation is entitled to an initial annual distribution of US$2.4 million, which equates to an initial yield of 15.0% on the US$16.1 million preferred equity investment. The Carey distribution will reset +/- 5% annually based on the change in revenue, with the first reset commencing on January 1, 2022. Based on Carey's historical practice of paying dividends on its common equity, Alaris expects to receive dividends on its US$0.9 million investment in the common equity in Carey. These common equity dividends are expected to be received on an annual basis, as cash flows dictate.
Impact of COVID-19	Carey's operations were deemed to be an essential service, as part of the construction industry, and therefore Carey has operated with limited restrictions during the lockdowns in Illinois. Carey's management, customers and operating partners have taken and continue to follow all necessary and required protocols to ensure the safety of their employees. Carey has been able to continue its consistent record of financial performance with their volume of work for the five months ended May 31, 2020 exceeding that of the prior year period.
Distributions & Fair Value	The annual contracted Carey distributions are US$2.4 million (3% of the total contracted Partner distributions). The contribution closed in June 2020 and there was no change in the fair value of the Carey units from the date of the investment to June 30, 2020. The fair value of the Carey units will fluctuate each quarter with foreign exchange rates but the underlying valuation of the Carey units is evaluated each quarter.
Performance	There was no change in Carey's financial performance from the date of closing.
ECR	The ECR remains between 1.5x and 2.0x, consistent with the ECR at the date of the investment.

ccComm

Description	ccComm is a Sprint / T-Mobile retailer with over 60 locations throughout the Northwest and Central United States.
Contribution History	In January 2017, the Corporation contributed US$4.0 million into ccComm in exchange for preferred equity. The Corporation contributed an additional US$2.2 million in August 2017, an additional US$10.0 million in May 2018, US$2.0 million in July 2019 and US$1.0 million in August 2019. The 2017 and 2018 additional contributions were used to fund acquisitions of Sprint locations and the contributions in 2019 were used for working capital needs.
Impact of COVID-19	The majority of the ccComm locations have re-opened following their temporary closure due to COVID-19. Select locations have been closed permanently as a result of the acquisition of Sprint by T-Mobile,

	as 62 of the 92 stores will transition to T-Mobile with the remainder closing. ccComm is in the process of transitioning these stores, to be prepared for the August 2nd formal conversion to T-Mobile stores. The ccComm management group are eager to finalize the transition and begin to realize the number of potential benefits from operating under the T-Mobile platform.
Distributions & Fair Value	The Corporation continues to monitor ccComm's performance and distributions will continue to be recorded only as received. Due to the continued expectation of deferring distributions from ccComm, uncertainty following the COVID-19 pandemic and its impact to the retail industry and the impact the transition to T-Mobile will have on ccComm's operations, the Corporation reduced the fair value of the ccComm units to US$3.8 million in Q1 2020, a decrease in the fair value of US$11.0 million during the six months ended June 30, 2020.
Performance	Based on unaudited statements provided by management for the five months ended May 31, 2020, revenue and EBITDA have both decreased from the comparable prior year period.
ECR	For the twelve months ended May 31, 2020, the ECR remained below 1.0x.

DNT

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	In June 2015, the Corporation contributed US$70.0 million into DNT in exchange for preferred equity (US$40.0 million permanent units and US$30.0 million redeemable units). Since the Corporation's investment DNT has repurchased US$2.2 million of the outstanding redeemable units.
Impact of COVID-19	DNT initially experienced a reduction in volume as uncertainty caused by COVID-19 resulted in certain projects being paused, but they have since improved as the economy re-opened. DNT continues to closely monitor their backlog and bidding opportunities for short and medium term impacts to the housing marking in Texas as a result of the pandemic. The Corporation will continue to closely monitor DNT's situation as the number of COVID-19 cases in the Austin and San Antonio area continue to increase.
Distributions & Fair Value	The Corporation received all of the contracted distributions from DNT during the three months ended June 30, 2020 and currently do not expect any material disruption in ongoing contracted distributions from DNT. The fair value of the DNT units was reduced by US$3.5 million in Q1 2020 and unchanged in the three months ended June 30, 2020, leaving the fair value of the units at US$65.4 million. The reduction in fair value was due to an expected negative reset in 2021 as a result of decreased volume during COVID-19. The annual contracted DNT distributions are US$11.9 million (15% of the total contracted Partner distributions). The fair value of the DNT units will fluctuate each quarter with foreign exchange rates but the underlying valuation of the DNT units is evaluated each quarter.
Performance	Based on unaudited financial statements provided by management for the five months ended May 31, 2020, DNT's revenue and EBITDA have decreased from the comparable prior year period.

ECR	For the twelve months ended May 31, 2020, the ECR remained between 1.5x and 2.0x. The Corporation expects the ECR to decline in future periods due to the impact of COVID-19.

Federal Resources

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	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. In April 2016 and December 2017, the Corporation made additional contributions of US$6.5 million and US$13.5 million, respectively, in subsidiaries of Federal Resources. The additional contributions were used to fund or partially fund acquisitions in their industry.
Impact of COVID-19	Federal Resources services a number of the sectors deemed critical by the United States government, and have therefore operated throughout the COVID-19 shutdown of non-essential services. FED was awarded numerous material contracts to supply personal protective equipment ("**PPE**") such as masks, medical gowns and gloves, to nursing homes throughout the United States. The financial impact of FED supplying these key contracts has been material to their financial results in the short term and potentially into 2021, given the enhanced demand placed on PPE across all businesses and specifically in nursing homes and amongst first responders. Subsequent to June 30, 2020, through a wholly-owned subsidiary, the Corporation entered into an agreement with a third-party supplier and FED to purchase Personal Protective Equipment (the "**PPE Order**"). The PPE Order is a part of a larger total order including the sourcing and sale of over 4.5 billion medical grade nitrile gloves which will be distributed to the U.S. Government. The total capital commitment for Alaris will be greater than US$100 million; however, the maximum commitment outstanding at any one time is expected to be between US$25 and US$35 million (the "**PPE Funds**") as a result of the timing of weekly inflows and outflows during the approximate 10-week period of the agreement. The first advance of the PPE Funds of US$11.5 million occurred on July 28, 2020 and will continue throughout the 10-week period. Alaris will provide the PPE Funds in exchange for a share of the margin on the products included in the PPE Order. Through their pre-existing platform for fulfilling large government contracts, FED is monitoring the logistics of the PPE Order, including overseeing the manufacturing process, inspection of goods and kitting and distribution of the goods to the U.S. Government. The PPE Funds and applicable margin on the products included in the PPE Order are to be paid to Alaris 15 days subsequent to the final delivery, an estimated 75 to 100 day total timeline. The compressed timeline is a result of the urgent demand for PPE, which is providing an opportunity for the Corporation to assist FED in meeting its working capital requirements while fulfilling the largest contract in their history.
Distributions & Fair Value	The Corporation received all of the contracted distributions from FED during the three months ended June 30, 2020 and currently do not expect any disruption in ongoing contracted distributions. There was no change to the fair value of the FED units in the six months ended June 30, 2020 and the fair value therefore remained at US$73.5 million. The annual contracted FED distributions are US$10.7 million (14% of the total contracted Partner distributions). The fair value of the FED units will fluctuate each quarter with foreign exchange rates but the underlying valuation of the FED units is evaluated each quarter.

Performance	Based on unaudited financial statements provided by management for the six months ended June 30, 2020, FED's revenue and EBITDA have increased significantly from the prior period.
ECR	For the twelve months ended June 30, 2020, the ECR increased significantly and is now above 2.0x.

Fleet

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	In June 2018, the Corporation contributed US$15.0 million into Fleet (US$7.5 million permanent units and US$7.5 million redeemable units). In July 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.
Impact of COVID-19	Fleet has experienced a reduction in certain areas of the business with some of their customers experiencing reduced volumes and thereby impacting Fleet's business. However, Fleet's management continues to manage costs efficiently throughout and are well positioned for the recovery period. Fleet has successfully moved all employees to working remotely with minimal impact to operations. Syndications have continued as a portion of Fleet's customer base are large distributors to industries supplying essential services. Fleet has a strong backlog and liquidity to help get through the economic slowdown.
Distributions & Fair Value	The Corporation received all of the contracted distributions from Fleet during the three months ended June 30, 2020 and continue to expect to receive all of the contracted Fleet distributions. Fleet has exercised its option to pay a portion of the distribution, approximately 13% of the contracted Fleet distribution as a payment in kind ("**PIK**"), with the intention to pay in full once the uncertainty surrounding COVID-19 has waned. The Corporation will record the PIK as revenue when received. The fair value of the Fleet units was reduced by US$0.6 million in the six months ended June 30, 2020, leaving the fair value of the units at US$9.9 million. The reduction in fair value is due to an expected negative reset in 2021 as a result of decreased revenue during COVID-19. The annual contracted Fleet distributions are US$1.5 million (2% of the total contracted Partner distributions). The fair value of the Fleet units will fluctuate each quarter with foreign exchange rates but the underlying valuation of the Fleet units is evaluated each quarter.
Performance	Based on unaudited financial statements provided by management for the five months ended May 31, 2020, Fleet's revenue and EBITDA have remained consistent with the prior year.
ECR	For the twelve months ended May 31, 2020, the ECR remained between 1.5x and 2.0x.

GWM

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	In November 2018, the Corporation invested a total of US$46.0 million into GWM (US$41.5 million of

	subordinated debt and US$4.5 million of preferred units for structuring purposes).
Impact of COVID-19	GWM's operating results have remained relatively consistent as they have successfully moved to working remotely. GWM experienced a short-term impact to select customers, specifically in the hospitality industry, partially offset by new opportunities. Since June, as the economy has started to pick up, a number of the customers have increased their spending again.
Distributions & Fair Value	The Corporation received all of the contracted distributions from GWM during the three months ended June 30, 2020 and currently do not expect any disruption in ongoing contracted distributions. The fair value of the GWM units was reduced by US$3.2 million in the three and six months ended June 30, 2020, leaving the fair value of the units at US$45.9 million. The reduction in the fair value is due to a slower April and May as a result of decreased work from clients during COVID-19, as compared to the prior year. Although the company has begun to recover, the 2021 reset is now expected to be negative which has resulted in this reduction to fair value. The annual contracted GWM distributions are US$6.0 million after tax (8% of the total contracted Partner distributions). The fair value of the GWM units will fluctuate each quarter with foreign exchange rates but the underlying valuation of the GWM units is evaluated each quarter.
Performance	Based on unaudited financial statements provided by management for the five months ended May 31, 2020, GWM's revenue has decreased and EBITDA has remained consistent, as compared with the prior year period.
ECR	For the twelve months ended May 31, 2020, the ECR remained above 2.0x.

Heritage Restoration

Description	Heritage is a leading 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	In January 2018, the Corporation contributed US$15.0 million into Heritage (US$12.0 million permanent units and US$3.0 million redeemable units).
Impact of COVID-19	Heritage had the majority of its job sites temporarily shut down from the middle of March until the end of May; but has since returned to work and its backlog and bidding opportunities remain robust.
Distributions & Fair Value	The Corporation received all of the contracted distributions from Heritage during the three months ended June 30, 2020 and continue to expect to receive all of the contracted Heritage distributions. The fair value of the Heritage units was reduced by US$1.0 million in Q1 2020 and was unchanged in the three months ended June 30, 2020, leaving the fair value of the units at US$15.2 million. The reduction in fair value was due to an expected negative reset in 2021 as a result of decreased work during COVID-19. The annual contracted Heritage distributions are US$2.5 million (3% of the total contracted Partner distributions). The fair value of the Heritage units will fluctuate each quarter with foreign exchange rates but the underlying valuation of the Heritage units is evaluated each quarter.

Performance	Based on unaudited financial statements provided by management for the five months ended May 31, 2020, Heritage's revenue and EBITDA have both decreased compared to the prior period.
ECR	For the twelve months ended May 31, 2020, the ECR remains above 2.0x.

Kimco

Description	Kimco provides commercial janitorial services to a diverse customer base which range in size from multi-location national customers to regional single-site customers.
Contribution History	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. 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. The interest rate on this note is currently 8% per annum. 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. The interest rates on these notes are currently 12% and 8% per annum, respectively.
Impact of COVID-19	Kimco has continued to provide service to a majority of their customers and have also provided additional ancillary cleaning services given the heightened demand for sanitizing solutions. The COVID-19 pandemic has provided an opportunity for the company to take on additional clients and increase volumes with current clients as numerous businesses re-open and cleanliness remains a key priority.
Distributions & Fair Value	In June, Kimco entered into a new credit agreement with a senior lender. The agreement provides additional flexibility, capacity and favourable covenants compared to their previous lending agreement. Kimco has paid all accrued interest to Alaris for the six months ending June 30, 2020 with no interruptions expected moving forward. Additionally, due to the improvement in financial results and outlook, Kimco has restarted distributions on their preferred equity beginning in July 2020, in the amount US$1.2 million on an annual basis (US$0.1 million paid monthly). The restarting of distributions to Alaris earlier than previously forecasted resulted in an increase in the fair value of the Kimco units by US$1.5 million in the three and six months ended June 30, 2020, leaving the fair value of the units at US$12.8 million. The fair value of the Kimco units will fluctuate each quarter with foreign exchange rates but the underlying valuation of the Kimco units is evaluated each quarter.
Performance	Based on unaudited financial statements for the five months ended May 31, 2020, revenue and EBITDA have both increased compared to the prior year.
ECR	For the twelve months ended May 31, 2020, the ECR increased and is now between 1.2x and 1.5x, including the US$1.2 million of annual distributions to Alaris.

LMS

Description	LMS is a western Canadian concrete reinforcing steel fabricator and installer with operations in British Columbia, Alberta and Southern California.
Contribution History	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 partially fund an acquisition. LMS's distributions reset annually based on gross profit with no collar. In September 2018, the Corporation provided $5.0 million via a short-term loan bearing annual interest of 10%.
Impact of COVID-19	LMS has been able to continue to operate on all work sites despite the impacts COVID-19 is having on other industries, as the construction industry in their related geographic regions have been deemed essential services and they have been allowed to continue operations with limited restrictions. The company continues to bid on new opportunities and recently had its highest ever backlog in addition to improved margins and are seeing positive results through the first five months of 2020.
Distributions & Fair Value	The Corporation received all of the contracted distributions from LMS during the three months ended June 30, 2020 and currently do not expect any disruption in ongoing contracted distributions from LMS. At the time of Q1 2020 reporting, the impact to LMS from COVID-19 was expected to cause a slowdown in results which resulted in a decrease to the fair value of the LMS units due to the expected negative 2021 reset. Fortunately, the company has been able to not only consistently perform during the pandemic, but have outperformed the prior year to date. Therefore, the Corporation has updated expectations for a positive reset in 2021 which has led to an increase in the fair value of the LMS units of $8.1 million during the three months ended June 30, 2020, leaving a fair value of the units at $52.0 million. The net increase to the fair value of the LMS units during the six months ended June 30, 2020 is $2.7 million. The annual contracted LMS distributions are $7.4 million (7% of the total contracted Partner distributions). The fair value of the LMS US units will fluctuate each quarter with foreign exchange rates but the underlying valuation of the LMS US units is evaluated each quarter.
Performance	Based on unaudited financial statements provided by management for the five months ended May 31, 2020, LMS' revenue and EBITDA have both increased compared to the prior period. Based on audited financial statements for the year ended December 31, 2019, the actual reset effective January 1, 2020 was 32%.
ECR	For the twelve months ended May 31, 2020, the ECR remained between 1.5x and 2.0x.

PFGP

Description	PFGP operates over 65 fitness clubs in Maryland, Tennessee, Florida and Washington as a franchisee of Planet Fitness.
Contribution History	In November 2014, the Corporation contributed US$35.0 million into PFGP in exchange for preferred equity. In July 2015, the Corporation contributed an additional US$5.0 million of preferred units. In May 2018, PFGP redeemed US$19.2 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. In July 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 crystalized 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 had

	US$71.5 million of preferred equity (US$43.7 million of new units and US$27.8 million of existing), in addition to US$16.5 million of common equity for a total invested amount of US$88.0 million. On March 13, 2020, the Corporation contributed an additional US$3.5 million (US$2.8 million of additional preferred units and an additional US$0.7 million investment in the common equity of PFGP). This contribution was part of an overall commitment made in July 2019 for a total of US$8.0 million towards PFGP expansion into new markets. Remaining commitment to fund is US$3.5 million, timing of which is unknown.
Impact of COVID-19	After temporarily closing all of its 67 locations in March 2020 as mandated by each state, PFGP was proactive in attempting to preserve liquidity and to assist PFGP in this endeavour, Alaris deferred distributions for the second quarter of 2020. Beginning in May as some states began to permit the use of fitness centres, PFGP began to re-open locations where possible. As of the date of this report all locations except 7 in Washington State have re-opened. Cancellation rates continue to be lower than initially expected and materially lower than the fitness industry average. New member joins have partially offset the cancellation rate with total member levels relatively unchanged. As long as fitness centres remain on the list of businesses permitted to operate, PFGP are confident members will continue to use their facilities as they have taken all the appropriate procedures to keep all members safe throughout.
Distributions & Fair Value	As reported in the Corporation's Q1 2020 earnings release, Alaris deferred all Q2 2020 distributions from PFGP to a later date to allow them to conserve liquidity while locations were closed and to assist through their staggered re-opening process. The Corporation expects to defer all distributions again during Q3 2020 and all of the deferred distributions are expected to be received at a later date, timing of which still to be determined. Revenue will be recorded as the timing of distributions is assured. Alaris will work with PGFP and its senior lenders to determine what, if any, amendments will need to be made to allow distributions to Alaris in future quarters as the impact from COVID-19 to PFGP's financial statements will require adjustments to current terms. As a result of the deferral of distributions mentioned above and the expected decrease to the distribution reset in 2021, the impact on the discounted cash flows resulted in a decrease in the fair value of the PFGP preferred units by US$7.6 million during Q1 and unchanged during the three months ended June 30, 2020, leaving the fair value of the PFGP preferred units at US$67.6 million. The common equity of PFGP was decreased in Q1 2020 due to lower earnings expected in 2020 as a result of the pandemic, this resulted in a decrease in the fair value of the PFGP common equity units by US$2.2 million during the six months ended June 30, 2020, leaving the fair value of the PFGP common equity units at US$15.1 million. The annual contracted PFGP distributions on the preferred units are US$9.8 million (13% of the total contracted Partner distributions). The fair value of the PFGP units will fluctuate each quarter with foreign exchange rates but the underlying valuation of the PFGP units is evaluated each quarter.
Performance	Based on unaudited financial statements provided by management for the five months ended May 31, 2020, PFGP's revenue and EBITDA have both decreased compared to the prior period. The Corporation confirmed a positive reset of 5% effective January 1, 2020, based on PFGP's audited results for the year ended December 31, 2019.
ECR	For the twelve months ended May 31, 2020, the ECR remained between 1.2x and 1.5x. The ECR could decline in future periods due to the impact of COVID-19.

Providence

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 into Providence in exchange for preferred equity.
Impact of COVID-19	The COVID-19 pandemic has negatively impacted Providence's operations. All facilities were temporarily closed causing some services to be halted or delayed. Key customers have also been impacted through decreased sales volumes, especially brick and mortar retailers. Providence have been able to source new apparel contracts during the pandemic, but liquidity management is still a key priority for the Providence management team as the recovery from the pandemic continues.
Distributions & Fair Value	Due to the business interruption discussed above and the related strain on the business, the uncertainty and timing of any future distributions is unknown and as such distributions will be recorded as received. As a result of no future distributions expected to be paid by Providence and possible liquidity issues in the near term, the Corporation has reduced the fair value of the Providence units to nil in Q1 2020. This resulted in a write-down of US$22.9 million.
Performance	Based on unaudited financial statements provided by management for the five months ended May 31, 2020, Providence's revenue and EBITDA has declined significantly compared to the prior year period.
ECR	For the twelve months ended May 31, 2020, the ECR remained below 1.0x.

SCR

Description	SCR provides mining, surface and underground construction, electrical and mechanical services to the Canadian mining industry.
Contribution History	In May 2013, the Corporation contributed $40.0 million into SCR in exchange for preferred equity
Impact of COVID-19	The impact of COVID-19 on SCR has been minimal, other than a temporary slowdown in one of the mine sites. The mining sites in the Sudbury basin have been considered an essential service throughout the pandemic.
Distributions & Fair Value	The Corporation received all agreed upon ($350 thousand per month) distributions from SCR during the three months ended June 30, 2020. The Corporation currently does not expect any disruption in ongoing contracted distributions from SCR. Currently the annual distributions are $4.2 million (4% of the total contracted Partner distributions). There was no change to the fair value of the SCR units in the three or six months ended June 30, 2020 leaving the fair value of the units at $34.5 million.
Performance	Based on unaudited financial statements provided by management for the five months ended May 31, 2020, SCR's revenue has increased slightly and EBITDA has decreased slightly, compared to the prior year period. With no senior lender, SCR and Alaris have full flexibility on the timing of future increases to

	distributions.
ECR	At the current distribution amount of $4.2 million and for the twelve months ended May 31, 2020, the ECR for SCR has decreased slightly and is now between 1.5x and 2.0x.

Stride

Description	Stride is a consulting company specializing in code development under the Agile methodology, which entails embedding and working alongside their clients to create customized solutions for each engagement. Agile is a project management methodology that aims to develop software in a faster, more efficient and less error prone process.
Contribution History	In November 2019, the Corporation contributed US$6.0 million into Stride in exchange for preferred equity.
Impact of COVID-19	Stride has successfully moved their entire workforce to working remotely with consultants' utilization remaining unchanged throughout the transition. Stride management has proactively managed their costs to conservatively preserve cash flow.
Distributions & Fair Value	The Corporation received all contracted Stride distributions during the three months ended June 30, 2020, and currently does not expect any disruption in ongoing contracted distributions from Stride. There was no change to the fair value of the Stride units in the six months ended June 30, 2020, leaving the fair value of the units at US$6.0 million. The annual contracted Stride distributions are US$0.8 million (1% of the total contracted Partner distributions). The fair value of the Stride units will fluctuate each quarter with foreign exchange rates but the underlying valuation of the Stride units is evaluated each quarter.
Performance	Based on unaudited statements provided by management for the five months ended May 31, 2020, revenue and EBITDA have increased slightly compared to the prior year period. The Stride distribution will reset +/- 6% annually based on revenue, commencing January 1, 2021.
ECR	For the twelve months ended May 31, 2020, the ECR remained between 1.5x and 2.0x.

Unify

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	In October 2016, the Corporation contributed US$18.0 million (comprised of US$12.0 million of permanent units and US$6.0 million of redeemable units) to Unify, LLC in exchange for preferred equity. 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. In December 2019, the Corporation contributed an additional US$10.5 million into Unify in exchange for additional preferred units. In addition to the contribution, the transaction also included an exchange of

	the Corporation's existing preferred units, which were valued at US$14.5 million (original cost of US$12.0 million). As a result of the transaction, the Corporation received new preferred units in Unify valued at US$25.0 million. The new Unify units result in an initial annualized distribution of US$3.3 million.
Impact of COVID-19	Unify has successfully moved their workforce to working remotely with a focus on managing its bench and the consultants' utilization.
Distributions & Fair Value	The Corporation received all contracted Unify distributions during the three months ended June 30, 2020, and currently do not expect any disruption in ongoing contracted distributions from Unify. There was no change to the fair value of the Unify units in the six months ended June 30, 2020, leaving the fair value of the units at US$25.0 million. The annual contracted Unify distributions are US$3.3 million (4% of the total contracted Partner distributions). The fair value of the Unify units will fluctuate each quarter with foreign exchange rates but the underlying valuation of the Unify units is evaluated each quarter.
Performance	Based on unaudited financial statements prepared by Unify management for the five months ended May 31, 2020, revenue and EBITDA have both increased compared to the prior year period. The Unify distributions will reset +/-5% based on net revenue, commencing January 1, 2021.
ECR	For the twelve months ended May 31, 2020, the ECR has increased slightly and is now above 2.0x.

INCOME TRUST CONVERSION

On July 24, 2020, the Corporation announced that its Board of Directors had unanimously approved the previously announced reorganization of the Corporation into an income trust to be named Alaris Equity Partners Income Trust ("**AEP**"), pursuant to a plan of arrangement (the "**Arrangement**") under the *Canada Business Corporations Act*. The Arrangement will be subject to shareholder approval at a special meeting to be held on August 31, 2020. Further details on the arrangement were set forth in the Corporation's information circular and proxy statement of the Corporation dated July 21, 2020, a copy of which is available at www.sedar.com under the Corporation's profile and on the Corporation's website at www.alarisroyalty.com. Completion of the income trust conversion, pending shareholder approval, is expected to occur on or about September 1, 2020.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2020 the Corporation has a $330 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 Corporations Funded Debt to Contracted EBITDA. The Corporation realized a blended interest rate of 5.9% for the three and six months ended June 30, 2020.

At June 30, 2020 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, 2021 (actual ratio is 1.98:1 at June 30, 2020); minimum Tangible Net Worth of $450.0 million (actual amount is $545.2 million at June 30, 2020); and a minimum Fixed Charge Coverage Ratio of 1:1 (actual ratio is 1.63:1 at June 30, 2020). At June 30, 2020, the Corporation had US$118.0 million and CAD$15.0 million (CAD$176.2 million) drawn on its credit facility (December 31, 2019 – US$197.2 million and CAD$27.5 million, total of CAD$285.2 million). The CAD$176.2 million drawn includes CAD$9.0 million that was repaid during the three months ended June 30, 2020, for the purposes to re-draw in July for the quarterly dividend payment. This CAD$9.0 million of debt repaid is included in the total drawn for covenant and disclosure purposes, but is not in the CAD$167.2 million of outstanding debt on the Corporation's statement of financial position at June 30, 2020.

During June, the Corporation closed an amendment with its syndicate of Canadian chartered banks, that will allow for required covenant flexibility throughout the next twelve to eighteen months if required. The key amendments made to covenants include:

- Debt to Contracted EBITDA – the maximum of 2.5:1 may be increased to 3.0:1 up until March 30, 2021 if needed, previously the agreement allowed for up to 90 days.
- Fixed Charge Coverage Ratio – dividends included in the covenant will be pro-forma, at the new rate of $1.24 per share, previously it included dividends paid in the previous twelve-month period.
- All pricing remained consistent.

In 2019, the Corporation issued convertible debentures. The hybrid instrument has a face value of $100.0 million, annual interest rate of 5.5% payable semi-annually and maturity of five years from the issue date. The debentures are convertible at the holder's option at any time prior to the close of business on the earlier of the business day immediately preceding the maturity date of June 30, 2024 and the date specified by 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 each upcoming interest payment.

The Corporation declared monthly dividends for each of the first three months of 2020, for a first quarter total of $0.4125 per share, and then also declared a quarterly dividend in June 2020 at $0.29 per share, paid in July. Total dividends declared in the six months are $0.7025 per share and $25.4 million in aggregate (2019 – $0.825 per share and $30.1 million in aggregate).

As disclosed in its consolidated financial statements for the year ended December 31, 2019, the Corporation has exposure to credit risk, other price risk, liquidity risk, and market risk, including foreign exchange risk and interest rate risk. Due to the current global economic situation, the Corporation has provided updated disclosures on these risks as follows:

Credit Risk and Other Price Risk

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

Liquidity Risk

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

Market Risk

Market risk includes the risk that changes in market prices, such as foreign exchange rates and interest rates will impact the Corporation's income or value of its financial instruments. There has been a significant impact on interest rates in the period due to the current global pandemic, and also resulting impacts on foreign exchange rates. The Corporation continues to manage these risks in the same manner as those disclosed in the consolidated financial statements for the year ended

December 31, 2019 through the use of derivative contracts, and does not believe its risks related to these factors have increased significantly.

The Corporation had adjusted net working capital of approximately $9.5 million at June 30, 2020. 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 June 30 2020 and December 31, 2019 is set forth in the tables below.

Adjusted Net Working Capital	30-Jun-20	31-Dec-19
Cash	$ 21,655	$ 17,104
Prepayments	1,356	1,509
Foreign exchange contracts	-	555
Trade and other receivables	2,144	1,226
Income taxes receivable	1,588	4,205
Total Current Assets	**$ 26,743**	**$ 24,599**
Accounts payable and accrued liabilities	2,892	2,713
Dividends payable	10,319	5,047
Derivative contracts	2,829	-
Office Lease	715	837
Income tax payable	460	384
Total Current Liabilities	**$ 17,215**	**$ 8,981**
Adjusted Net Working Capital	**$ 9,528**	**$ 15,618**

FINANCIAL INSTRUMENTS

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

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

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 and variable interest rate exposure. The Corporation purchases forward exchange rate contracts to match between 75% and 90% of expected monthly dividends and expenses in Canadian dollars on a rolling 12 month basis and also for between 20% to 50% of the expected dividends and expenses in Canadian dollars on a rolling 12 to 24 month basis. The fair value of the forward contracts will be estimated at each reporting date and any unrealized gain or loss on the contracts will be recognized in profit or loss. As at June 30, 2020, for the next twelve months, the Corporation has total contracts to sell US$38.5 million forward at an average $1.3276 CAD. For the following twelve months, the Corporation has total contracts to sell US$19.0 million forward at an average $1.3445 CAD.

The Corporation has an interest rate swap that was initiated in 2019 and that expires in September 2021 along with the maturity of the credit facility. The interest rate swap allows for a fixed interest rate of 1.50% in replace of LIBOR on $50.0 million notional amount of USD debt.

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

30-Jun-20	Total	0-6 Months	6 mo – 1 yr	1 – 2 years	Year 3 and Thereafter
Accounts payable and accrued liabilities	$ 2,892	$ 2,892	$-	$-	$-
Dividends payable	10,319	10,319	-	-	-
Derivative contracts	2,829	1,054	1,152	608	15
Office Lease	715	56	81	153	425
Convertible debenture	100,000	-	-	-	100,000
Loans and borrowings	167,226	-	-	167,226	-
Total	$ 283,981	$ 14,321	$ 1,233	$ 167,987	$ 100,440

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 convertible debentures both of which are described under "Liquidity and Capital Resources", a commitment to fund two additional contributions (first for US$20.0 million and second of US$25.0 million) to BCC when specified financial metrics have been reached, a commitment to fund PFGP an additional US$3.5 million with an exact timing of which unknown at this time, and leases for office space. The Corporation also has a commitment to fund Stride with an additional contribution of US$4.0 million, subject to the Corporation's approval and Stride achieving certain financial targets.

Contractual Obligations	Total	< 1 year	1 – 3 years	4 – 5 years	> 5 years
Loans and borrowings	$ 167,226	$ -	$ 167,226	$ -	$ -
Convertible debenture	100,000	-	-	100,000	-
Additional contributions to BCC	61,511	-	61,511	-	-
Additional contributions to Stride	5,468	-	5,468	-	-
Additional contribution to PFGP	4,784	4,784	-	-	-
Office lease	715	137	295	283	-
Total Contractual Obligations	$ 339,703	$ 4,921	$ 234,499	$ 100,283	$ -

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, 2019. Also refer to disclosures included in the condensed consolidated interim financial statements for the period ended June 30, 2020 as it relates to key estimates and judgments as it relates to the impact of COVID-19.

RECENT ACCOUNTING PRONOUNCEMENTS

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, 2019.

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	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18	Q3-18
Revenue	$ 20,203	$ 33,971	$ 30,884	$ 30,025	$ 27,401	$ 27,658	$ 25,311	$ 22,685
Earnings	$ 3,535	$ (42,662)	$ (17,854)	$ 20,884	$ 21,967	$ 11,261	$ 17,981	$ 19,100
Basic and Diluted Income	$ 0.10	$ (1.16)	$ (0.49)	$ 0.57	$ 0.60	$ 0.31	$ 0.49	$ 0.52
(loss) per Share/Unit	$ 0.10	$ (1.16)	$ (0.48)	$ 0.57	$ 0.60	$ 0.31	$ 0.49	$ 0.52

In Q2 2020, the Corporation's earnings were impacted negatively by the deferral of the BCC and PFGP distributions and the significant tax expense recorded, as a result of the finalization of the new U.S. tax regulations on hybrid arrangements (discussed in further detail below). These were partially offset by the net unrealized gain on investments at fair value of $8.4 million. In Q1 2020, the Corporation recognized a net realized and unrealized loss from investments of $84.9 million, caused by the impact that COVID-19 has had and will continue to have on our Partner's operations. This unrealized loss was the main cause of the overall loss in the period of $42.7 million. Offsetting this fair value loss was an increase in revenues mainly due to the $9.2 million of additional distributions paid by SBI at the time of their redemption in January as a result of redeeming their preferred units prior to the three-year anniversary of the investment, which would have otherwise occurred in Q3 2020.

In Q4 2019, the Corporation recognized a loss on assets held for sale of $45.9 million, relating to the Sandbox sale as well as a $6.2 million reduction in the investments at fair value. These were partially offset by a $2.5 million realized gain from the Unify follow-on contribution. In Q3 2019, 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.

OUTSTANDING SHARES

At June 30, 2020, the Corporation had authorized, issued and outstanding, 35,583,883 voting common shares.

During the six months ended June 30, 2020, 31,343 shares were issued on the vesting of RSUs and no options were granted, issued or exercised.

On March 20, 2020, the Corporation announced it had received approval from the Toronto Stock Exchange ("TSX") to establish a normal course issuer bid ("NCIB") program. Under the NCIB, the Corporation may purchase for cancellation up to 3,473,720 common shares. The program commenced on March 24, 2020 and will remain in effect until March 23, 2021 or such earlier time as the NCIB is completed or terminated at the option of the Corporation. During the six months ended June 30, 2020, the Corporation purchased 1,156,541 common shares for cancellation for a total cost, including transaction costs, of $10.1 million under the NCIB. The weighted-average price of the shares repurchased, including transaction costs, was $8.69 per share.

At June 30, 2020 and July 28, 2020, 392,332 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 June 30, 2020 all 1,433,866 options outstanding were out of the money.

At July 28, 2020, the Corporation had 35,583,883 common shares outstanding.

INCOME TAXES

The provision for income tax (deferred and current) differs from that which would be expected by applying statutory rates. A reconciliation of the difference is as follows:

Income Tax Expense	For the three months ended June 30			For the six months ended June 30	
	2020		2019	2020	2019
Earnings before income taxes	$ 17,958		$ 26,236	$ (36,326)	$ 38,334
Combined federal and provincial statutory income tax rate	26.43%		26.59%	26.43%	26.59%
Expected income tax provision	$ 4,746		$ 6,976	$ (9,601)	$ 10,193
Rate differences of foreign jurisdictions	(1,267)	-	(2,916)	(5,605)	(5,811)
Non-taxable portion of capital gains	(621)	-	(12)	(1,254)	280
Non-deductible expense and other	35	-	243	346	133
Non-deductible interest	12,638	-	-	14,638	-
Change in unrecognized deferred tax assets	(1,101)	-	3,575	4,058	3,907
Prior period adjustment	(7)	-	(3,596)	219	(3,596)
Actual income tax provision	**$ 14,423**		**$ 4,270**	**$ 2,801**	**$ 5,106**

On April 8, 2020, the U.S. Treasury Department and IRS published the final regulations ("Regulations") addressing hybrid financing arrangements. The key impact that these Regulations have on Alaris is that certain interest payments made by the Corporation's U.S. entities are no longer deductible beginning with the Corporation's 2019 tax year. The 2019 impact of these Regulations is an increase to total income tax expense of $11 million which has been recorded in the current quarter. After considering the previous installments of U.S. income tax and the deductions available to the Corporation's U.S. entities, Alaris has a remaining balance owing in respect of the 2019 tax year of approximately $1.8 million. For 2020, the Corporation's U.S. entities incurred non-deductible interest expense of $14.7 million, resulting in an increase in total income tax expense of $3.6 million of which $1.6 million relates to the three months ended June 30, 2020.

In 2015, the Corporation received a notice of reassessment from the Canada Revenue Agency ("CRA") in respect of its taxation year ended July 14, 2009. The Corporation has since received notices of reassessment from the CRA in respect of its taxation year ended December 30, 2009 through December 30, 2018 (collectively the "Reassessments"). Pursuant to the Reassessments, the deduction of approximately $121.2 million of non-capital losses and utilization of $9.0 million in investment tax credits ("ITCs") by the Corporation was denied, resulting in reassessed taxes and interest of approximately $52.2 million.

The Corporation has received legal advice that it should be entitled to deduct the non-capital losses and claim the ITCs and as such, the Corporation remains of the opinion that all tax filings to date were filed correctly and that it will be successful in appealing 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 CRA. The Corporation has paid a total of $20.2 million in deposits to the CRA relating to the Reassessments to date. The carrying values of the remaining ITCs of $3.0 million at June 30, 2020 are at risk should the Corporation be unsuccessful in defending its position.

The Corporation anticipates that appeals and 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 ITCs in subsequent tax filings.

Certain information contained herein may be considered to be future oriented financial information or financial outlook under applicable securities laws, including statements regarding expected revenues (annually and quarterly) and anticipated expenses. The purpose of providing such information in this MD&A is to demonstrate the visibility 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

This MD&A contains forward-looking information and forward-looking statements (collectively, "forward-looking statements") under applicable securities laws, including any applicable "safe harbor" provisions. Statements other than statements of historical fact contained in this MD&A may be forward looking statements, including, without limitation: management's expectations, intentions and beliefs concerning the growth, results of operations, performance of the Corporation and the Private Company Partners, the future financial position or results of the Corporation, business strategy and plans and objectives of or involving the Corporation or the Partners. Many of these statements can be identified by looking for words such as "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. In particular, this MD&A contains forward-looking statements regarding: the anticipated financial and operating performance of the Corporation's Partners; the impact of COVID-19 on the operations of the Corporation and those of its Partners; the ECR for the Partners; amendments to the Corporation's senior credit agreement; the amount of the Corporation's dividend (both quarterly and on an annualized basis); the use of proceeds from the Corporation's senior credit facility; 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; 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 deploy capital to and attract new private businesses to invest in. To the extent that any forward-looking statements herein constitute a financial outlook, including without limitation, estimated revenue, expenses, 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.

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

Some of the factors that could affect future results and could cause results to differ materially from those expressed in the forward looking statements contained herein include risks relating to: the ongoing impact of the COVID-19 pandemic on the Corporation and its Partners (including, without limitation how many Partners will experience a slowdown or closure of their business and the length of time of such slowdown or closure); management's ability to assess and mitigate the impacts of COVID-19; the dependence of the Corporation on the Partners; risks relating to the Partners and their businesses; reliance on key personnel; general economic conditions, including the ongoing impact of COVID-19 on the Canadian, U.S. and global economies; failure to complete or realize the anticipated benefits of transactions; limited diversification of Alaris' transactions; management of future growth; availability of future financing; inability to close new partner contributions in a timely fashion on anticipated terms, or at all; competition; government regulation; leverage and restrictive covenants under credit facilities; the ability of the Partners to terminate (by way of a redemption) the various agreements with Alaris or a material portion of Alaris investment; unpredictability and potential volatility of the trading price of the common shares; fluctuations in the amount of cash dividends; income tax related risks; ability to recover from the Partners for defaults under the various agreements with Alaris; potential conflicts of interest; dilution; changes in the financial markets; risks associated with the Partners and their respective businesses; a change in the ability of the Partners to continue to pay Alaris at expected Distribution levels or restart Distributions (in full or in part); a failure to collect material deferred Distributions; a material change in the operations of a Partner or the industries in which they operate; a failure to realize the benefits of any concessions or relief measures provided by Alaris to any Partner or to successfully execute an exit strategy for a partner where desired; a failure to obtain by the 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 year ended December 31, 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

Additional information relating to the Corporation, including the Corporation's Annual Information Form, is on available on SEDAR at www.sedar.com or under the “Investors” section of the Corporations website at www.alarisroyalty.com.