ALARIS
ROYALTY CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2017

This management's discussion and analysis ("MD&A") should be read in conjunction with the financial statements for the year ended December 31, 2017 and December 31, 2016 for Alaris Royalty Corp. ("Alaris" or the "Corporation"). The Corporation's consolidated financial statements and the notes thereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and are recorded in Canadian dollars. Certain dollar amounts in the MD&A have been rounded to the nearest thousands of dollars.

This MD&A contains forward-looking statements that are not historical in nature and involve risks and uncertainties. Forward-looking statements are not guarantees as to the 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". This MD&A also refers to certain non-IFRS measures, including EBITDA, Normalized EBITDA, Earnings Coverage Ratio, Contracted EBITDA, Annualized Payout Ratio, 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, Annualized Payout Ratio, Actual Payout Ratio, Tangible Net Worth, Fixed Charge Coverage Ratio and Per Share values (the "Non-IFRS Measures") as well as certain financial covenants as defined below are financial measures used in this MD&A that are not standard measures under IFRS. The Corporation's method of calculating the Non-IFRS Measures may differ from the methods used by other issuers. Therefore, the Corporation's Non-IFRS measures may not be comparable to similar measures presented by other issuers. See "Results of Operations" for a reconciliation of EBITDA and Normalized EBITDA to earnings.

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 years ended December 31, 2017 and 2016, the gains on the redemption of the LifeMark, Solowave, MAHC and Sequel units, the impairment of the KMH and Group SM units, the write off of the interest on the KMH promissory notes, bad debt expense related to unpaid distributions from Group SM, the impairment and accretion of the Phoenix secured note, bad debt expense of the Kimco long-term receivable and promissory note, one-time penalties and fees related to the CRA GST audit (and the subsequent recovered amount) are considered by management to be non-recurring charges. Foreign exchange realized and unrealized gains and losses are recurring but not considered part of operating results and excluded from EBITDA on an ongoing basis. Adjusting for these non-recurring items allows management to assess EBITDA from ongoing operations.

Normalized Earnings refers to earnings excluding items that are non-recurring in nature and is calculated by adjusting for non-recurring expenses, gains, non-cash unrealized gains and losses on foreign exchange items and the net tax impact of the adjustments to earnings. Management deems non-recurring items to be unusual and/or infrequent items that the Corporation incurs outside of its common day-to-day operations. The corresponding tax impact of the all non-recurring items is adjusted in Normalized Earnings. For the year ended December 31, 2017 and 2016, the gain on the redemption of the LifeMark, Solowave, MAHC and Sequel units, the impairment of the KMH and Group SM units, the write off of the interest on the KMH promissory notes, bad debt expense of the Kimco long-term receivable and promissory note, bad debt expense related to unpaid distributions from Group SM, the impairment and accretion of the Phoenix secured note are considered by management to be non-recurring charges. Foreign exchange realized and unrealized gains and losses are recurring but not considered part of operating results and excluded from earnings on an ongoing basis.

Earnings Coverage Ratio refers to the Normalized EBITDA of a Partner divided by such Partner's sum of debt servicing (interest and principal), unfunded maintenance capital expenditures and distributions to Alaris.

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 less income taxes divided by the sum of interest, debt repayments and distributions to Alaris.

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.

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

Actual Payout Ratio: 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.

Tangible Net Worth refers to the sum of shareholders' equity less intangibles.

The Non-IFRS measures should only be used in conjunction with the Corporation's annual audited 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 royalties, preferred distributions and interest ("**Distributions**") received in regular monthly payments that are contractually agreed to between the Corporation and each Private Company Partner. These payments are set for twelve months at a time and adjusted annually based on the audited performance of each Private Company Partner's gross revenue, gross margin, same store sales, or other similar "top-line" performance measure. The Corporation has limited general and administrative expenses with only fourteen employees.

RESULTS OF OPERATIONS

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Year Ended December 31	2017	2016	% Change
Revenue per share	$ 2.44	$ 2.75	-11.3%
Normalized EBITDA per share	$ 2.11	$ 2.25	-6.2%
Net cash from operating activities per share	$ 1.85	$ 2.02	-8.4%
Dividends per share	$ 1.62	$ 1.62	+0.0%
Basic earnings per share	$ 0.33	$ 1.83	-82.0%
Fully diluted earnings per share	$ 0.32	$ 1.81	-82.3%
Normalized basic earnings per share	$ 1.81	$ 1.75	+3.4%
Weighted average basic shares outstanding (000's)	36,447	36,336	

For the year ended December 31, 2017, revenue per share decreased by 11.3% due to a number of successful and profitable partner redemptions in the past twenty-four months ($17.5 million less revenue in 2017 compared to 2016 for Solowave, MAHC, LifeMark, Sequel) and the pause or partial payment of distributions from three existing partners (Group SM, Kimco and SCR). These decreases were partially offset by new partner distributions in 2017 of $12.8 million (Sandbox, MyDyer, Unify (formerly Matisia), SBI, Accscient, ccComm, and follow on transactions with Sandbox and Federal Resources and higher distributions from positive resets ($3.6 million).

Normalized EBITDA of $2.11 per share decreased by 6.2% due to lower distributions as noted above offset by lower overhead. Net cash from operating activities was $1.85 per share, a decrease of 8.4% compared to the year ending December 31, 2016. The decrease is a result of lower distributions as the comparative period included an additional US$3.9 million (approximately CAD$5.3 million and $0.14 per share) of distributions from the MAHC redemption and a larger realized foreign exchange gain, partially offset by lower overhead. Dividends paid were $1.62 per share during year ended December 31, 2017, an actual payout ratio of 87.6% for the year.

Partner Revenue (000's)	Year ended December 31, 2017	Year ended December 31, 2016	% Change	Comment
DNT	$ 14,216	$ 13,921	+2.1%	+6% Gross Revenue in Jan-17, offset by $2M redemption and FX impact
Sequel	12,174	15,937	-23.6%	Redemption of all units in Sept-17
FED	11,074	10,122	+9.4%	+6% Gross Revenue in Jan-17, follow on contribution Apl-16 and Dec-17
Planet Fitness	8,488	8,250	+2.9%	+5% same club sales increase Jan-17, offset by FX impact
Labstat	7,940	5,500	+44.4%	Cash flow sweep significantly higher in 2017, max distributions in 2017
Providence	5,843	4,420	+32.2%	Contribution closed Apl-16
Sandbox	4,909	3,507	+40.0%	Contributions Mar-16, Sept-17 and Dec-17 and +6% reset Jan-17
LMS	4,746	4,653	+2.0%	Gross profit -1% Jan-17, additional contribution of US$4.35M in Mar-16
SBI	4,642	-	+100.0%	Contribution closed Sept-17
Agility Health	3,972	4,074	-2.5%	FX impact
Unify (formerly Matisia)	3,506	835	+319.7%	Contribution closed Oct-16
Accscient	1,926	-	+100.0%	Contribution closed Jun-17
End of the Roll	1,266	1,219	+3.9%	3.9% increase in same store sales May-17
ccComm	883	-	+100.0%	Contribution closed Jan-17, additional contribution of US$2.2M in Aug-17
SCR	600	3,008	-80.1%	Pause in distributions beginning Jun-16, restarted Jul-17 at $100K per month
Group SM	500	6,377	-92.2%	6% reduction in reset in Jan-16, only recognizing revenue as received in 2017
Solowave	-	5,160	-100.0%	Redeemed in Sept-16
Kimco	-	2,816	-100.0%	Stopped monthly accrual Jul-16
MAHC	-	7,958	-100.0%	Redeemed in Dec-16
LifeMark Health	-	730	-100.0%	Redeemed in Jan-16
	$ 86,684	$ 98,486	-12.0%	
Interest & other	2,389	1,556	+53.5%	Increase in Group SM, Kimco and Agility notional oustanding and accretion on long term prom notes
Total	$ 89,073	$ 100,042	-11.0%	

Finance costs were $6.6 million compared to $5.9 million in the prior year, an 11.9% increase due to higher interest rates on US and CDN denominated debt with comparable average debt amounts outstanding (average outstanding debt of $112.2 million for the year ending December 31, 2017 versus $114.9 million for the comparable year in 2016).

Salaries and benefits were $3.4 million in the year, an increase of 0.3% compared to the prior year. The increase is due to a higher number of total employees partially offset by lower variable compensation.

Corporate and office expenses were $2.6 million in the year a decrease of -21.2% compared to $3.3 million in the prior year. The decrease is due to 2016 including $0.7 million of one time penalties and fees related to prior year tax filings and 2017 including the receipt of contested penalties ($0.4 million) on previous tax filings.

Legal and accounting fees were $2.1 million in the year a decrease of -16.6% compared to $2.5 million in the prior year. The decrease is due the Corporation incurring lower accounting and advisory fees related to existing partners in 2017.

For the year ended December 31, 2017 the Corporation incurred stock-based compensation expenses of $3.4 million (2016 - $4.3 million) which includes: $2.2 million (non-cash expense) for the RSU Plan expense that is to be amortized over the thirty-six month vesting year of the plan (2016 - $3.2 million); and $1.2 million (non-cash expense) for the amortization of the fair value of outstanding stock options (2016 - $1.1 million). The lower stock based compensation is a result of a member of the management team leaving the Corporation in Q4, 2016, resulting in forfeited options and RSU's.

The Corporation recorded earnings of $11.9 million, EBITDA of $29.0 million and Normalized EBITDA of $77.0 million for the year ended December 31, 2017 compared to earnings of $66.6 million, EBITDA of $92.3 million and Normalized EBITDA of $81.8 million for the year ended December 31, 2016. The -5.9% decrease in Normalized EBITDA is a result of redemptions as discussed above (LifeMark, Solowave, MAHC and Sequel) and reduced or no distributions from existing partners (SCR, Group SM, Kimco), offset by distributions from new partners (SBI, Accscient, ccComm, Unify) and follow on transactions with Sandbox and Federal Resources, net positive resets and lower corporate costs.

The decrease in earnings is a result of lower revenue (or distribution's from partners) in 2017, $42.5 million of impairment & other charges related to Group SM preferred units ($41.0 million) and discount on KMH promissory note ($1.5 million), bad debt expense on unpaid distributions ($9.8 million), a reserve on the unsecured promissory note ($5.4 million) from Group SM, a $0.5 million bad debt expense on the SHS promissory note, a $5.1 million reserve on the Phoenix promissory note (a note held by Phoenix Holdings Limited a company controlled by the former principals of KMH), a $2.6 million reserve on the Kimco long term accounts receivable and promissory note, and $10.3 million of taxes, partially offset by $26.7 million from the redemption of Sequel Units. The comparable period included a $20.3 million gain on the redemption of LifeMark, Solowave and MAHC units (including $5.3 million in additional distributions on redemption), partially offset by a $7.0 million impairment of KMH units and a $2.4 million bad debt related to KMH distributions and an allowance for Kimco long-term receivable.

The Corporation also normalizes foreign exchange realized and unrealized gains and losses which are recurring but not considered part of operating results. These included a $1.3 million realized gain on foreign exchange contracts (2016 - $3.5 million gain) and a $10.6 million loss on non-cash foreign exchange items (2016 - $8.5 million loss). The foreign exchange loss is the impact of the change in the US exchange rate on the USD loan to the Corporation's wholly-owned US subsidiary, and the Federal Resources loan receivable, offset by the changes in the value of outstanding foreign exchange contracts and external US denominated debt.

Reconciliation of Net Income to EBITDA (thousands)	Year ended December 31, 2017	Year ended December 31, 2016
Earnings	$ 11,882	$ 66,553
Adjustments to Net Income:		
Amortization and depreciation	268	279
Finance costs	6,582	5,882
Income tax expense	10,274	19,589
EBITDA	$ 29,006	$ 92,303
Normalizing Adjustments		
Gain on disposal of investment	(26,575)	(20,271)
Impairment and other charges	42,491	7,000
Bad debt expense	23,430	2,442
Distributions received on redemption (MAHC)	-	(5,318)
Unrealized loss on foreign exchange	10,649	8,502
Realized (gain) on foreign exchange	(1,370)	(3,473)
Accretion of prom. notes & other receivables	(150)	-
Penalties and Fees	(502)	656
Normalized EBITDA	$ 76,979	$ 81,842

Due to the number and magnitude of the non-recurring items, the Corporation is also showing a Normalized Earnings in the following table:

Normalized Earnings	Year ended December 31	
in thousands except on per share basis	2017	2016
Earnings before the undernoted	$ 39,386	$ 100,526
Finance costs	(6,582)	(5,882)
Impairment and other charges	42,491	7,000
Bad debt expense & reserve	23,430	2,442
(Gain)/Loss on redemption	(26,575)	(20,271)
Normalized Earnings pre-tax	$ 72,150	$ 83,816
Total income taxes	(10,274)	(19,589)
Tax normalizations for above items	4,246	(509)
Normalized Earnings	$ 66,122	$ 63,718
Normalized Earnings per share		
Basic	$1.81	$1.75
Fully diluted	$1.80	$1.74

Quarter Ended December 31, 2017 Compared to Quarter Ended December 31, 2016

Three Months Ended December 31	2017	2016	% Change
Revenue per share	$0.59	$0.75	-21.3%
Normalized EBITDA per share	$0.51	$0.54	-5.6%
Net cash from operating activities per share	$0.55	$0.86	-36.0%
Dividends per share	$0.405	$0.405	+0.0%
Basic earnings per share	$0.31	$0.60	-48.3%
Fully diluted earnings per share	$0.31	$0.59	-47.5%
Normalized basic earnings per share	$0.58	$0.64	-9.4%
Weighted average basic shares outstanding (000's)	36,464	36,365	

For the three months ended December 31, 2017, revenue per share decreased by 21.3% due to the $5.3 million of additional distributions received on the redemption of MAHC that occurred late in the prior year period. Excluding the excess MAHC distributions, revenue per share was slightly higher (+0.5%) than the comparable three month period as new partner distributions in 2017 of $4.6 million (SBI, Accscient, ccComm), follow on transactions with (Sandbox and Federal Resources) and higher distributions from positive resets was fully offset by the Sequel ($4.0 million) and MAHC redemption ($0.9 million of normal course distributions) and the recognition of distributions as received from Group SM for an impact of $1.5 million.

Normalized EBITDA of $0.51 per share decreased by 5.6% due to lower distributions as noted above and realized gains offset by lower overhead. Net cash from operating activities was $0.55 per share, a decrease of 36.0% compared to the year ending December 31, 2017. The decrease is a result of lower distributions and a realized gain as the comparative period included an additional US$3.9 million (approximately CAD$5.3 million and $0.14 per share) of distributions from the MAHC redemption and a realized foreign exchange gain of $5.2 million, partially offset by lower overhead. Dividends paid were $0.405 per share during the three months ended December 31, 2017, an actual payout ratio of 76.6%, lower than expected due to the timing of changes in working capital.

Partner Revenue (000's)	Quarter ended December 31, 2017	Quarter ended December 31, 2016	% Change	Comment
SBI	$ 3,509	$-	+100.0%	Contribution closed Aug-17
DNT	3,434	3,505	-2.0%	Gross revenue reset +6% in Jan-17, offset by US$2M redemption, impact of FX
FED	2,783	2,621	+6.2%	Gross revenue reset +6% in Jan-17 and additional $6.9M contribution in Apl-16
Planet Fitness	2,078	2,087	-0.4%	Same club sales reset +5% in Jan-17 and impact of FX
Labstat	1,985	1,025	+93.7%	Gross revenue reset +6% in Jan-17 and significant increase in cash flow sweep
Sandbox	1,491	1,100	+35.5%	Max reset of +6% Jan-17 and additional contribution in Sept-17 and impact of FX
Providence	1,429	1,502	-4.9%	Impact of FX
LMS	1,181	1,188	-0.6%	Gross profit -1.6% Jan-17, and impact of FX
Agility Health	971	1,021	-4.9%	Impact of FX
Accscient	953	-	+100.0%	Contribution closed Jun-17
Unify (formerly Matisia)	857	835	+2.6%	Contribution closed Oct-16
End of the Roll	321	292	+10.0%	Estimate flat same store sales May-17 updated for +3.3% in Q4-17
SCR	300	-	+100.0%	Pause in distributions Jun-16, restarting partial distributions Jul-17
ccComm	290	-	+100.0%	Contribution closed Jan-17, follow on contribution in Aug-17
Group SM	-	1,594	-100.0%	Recording distributions as received
Sequel	-	4,085	-100.0%	Same program sales increase Jul-17 and impact of FX
MAHC	-	5,982	-100.0%	Redemption of all units in Dec-16
	$ 21,582	$ 26,838	-19.6%	
Interest & other	56	430	-87.1%	Interest on promissory notes, offset by negative accretion during the period
Total	$ 21,638	$ 27,268	-20.6%	

Finance costs were $1.6 million compared to $1.5 million in the prior year, a 6.2% increase was due to higher interest rates on US and CDN denominated debt and a higher average debt amount outstanding (average outstanding debt of $127.3 million for the three months ending December 31, 2017 versus to $121.7 million for the comparable period in 2016).

Salaries and benefits were $0.6 million in the period, an increase of 5.0% compared to the prior year period. The increase is due to slightly higher base compensation.

Corporate and office were $0.7 million in the period an increase of 12.5% compared to the comparable three month period. The increase is due to higher travel costs for new and existing investments.

Legal and accounting fees were $0.7 million in the period, an increase of 1.2% compared to the comparable three month period. The increase is due to the Corporation incurring higher corporate legal fees regarding the new banking facility, partially offset by less fees related to existing partners.

For the three months ended December 31, 2017 the Corporation incurred stock-based compensation expenses of $0.8 million (2016 - $0.5 million) which includes: $0.5 million (non-cash expense) for the RSU Plan expense that is to be amortized over the thirty-six month vesting period of the plan (2016 - $0.5 million); and $0.3 million (non-cash expense) for the amortization of the fair value of outstanding stock options (2016 - $0.3 million).

The Corporation recorded earnings of $11.4 million, EBITDA of $8.1 million and Normalized EBITDA of $18.5 million for the three months ended December 31, 2017 compared to earnings of $21.6 million, EBITDA of $28.4 million and Normalized EBITDA of $19.6 million for the three months ended December 31, 2016. The -5.2% decrease in Normalized EBITDA is a result of lower revenue and to slightly higher overhead. Distributions excluding those received on redemption from MAHC were consistent with the comparative period.

The decrease in earnings is a result of lower distributions, a lower foreign exchange gain, and a $13.6 million bad debt expense on promissory notes outstanding (Group SM unsecured note - $5.4 million, SHS promissory note - $0.5 million, Phoenix promissory note - $5.1 million and Kimco long-term receivable - $1.9 million and Kimco promissory note – $0.7 million) partially offset by income taxes increasing earnings by $5.0 million in the three months ended December 31, 2017 compared to a $5.2 million tax expense in the comparable period.

The Corporation also normalizes realized and unrealized foreign exchange gains and losses which are recurring but not considered part of operating results. These included a $0.5 million realized gain on foreign exchange contracts (2016 - $5.2 million gain) and a $2.0 million gain on non-cash foreign exchange items, (2016 - $0.2 million loss). The foreign exchange gain is the impact of the change in the US exchange rate on the USD loan to the Corporation's wholly-owned US subsidiary, and the Federal Resources loan receivable offset by the changes in the value of outstanding foreign exchange contracts, and external US denominated debt.

Reconciliation of Net Income to EBITDA (thousands)	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016
Earnings	$ 11,410	$ 21,645
Adjustments to Net Income:		
Amortization and depreciation	67	71
Finance costs	1,575	1,483
Income tax expense	(4,964)	5,249
EBITDA	$ 8,088	$ 28,448
Normalizing Adjustments		
Gain on disposal of investment	-	(94)
Bad Debt Expense	13,617	1,589
Distributions received on redemption (MAHC)	-	(5,318)
Unrealized (gain) / loss on foreign exchange	(2,081)	149
Realized (gain) on foreign exchange	(852)	(5,227)
Penalties and Fees	(502)	-
Accretion of prom. notes & other receivables	252	-
Normalized EBITDA	$ 18,523	$ 19,547

Due to the number and magnitude of the non-recurring items, the Corporation is also showing a Normalized Earnings in the following table:

Normalized Earnings	Three months ended December 31	
in thousands except on per share basis	2017	2016
Earnings before the undernoted	$ 5,940	$ 28,526
Finance costs	(1,575)	(1,483)
Bad debt expense & reserve	13,617	1,589
(Gain)/Loss on redemption	-	(94)
Normalized Earnings pre-tax	$ 17,982	$ 28,538
Total income taxes	4,964	(5,249)
Tax normalizations for above items	(1,911)	(67)
Normalized Earnings	$ 21,035	$ 23,222
Normalized Earnings per share		
Basic	$0.58	$0.64
Fully diluted	$0.57	$0.63

Private Company Partner Update

The Corporation's interest in each of the Partners consists of a preferred partnership interest, preferred LLC or other equity interest, a loan, or ownership of intellectual property with a return based on distributions or royalties 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. The Corporation has no involvement in the day to day business of each Private Company Partner and has no rights to participate in management decisions. The Corporation does not have any significant influence over any of the Partners nor does it have the ability to exercise control over such Partners except in limited situations of uncured events of default. Instead, the Corporation has certain restrictive covenants in place designed to protect the ongoing payment of the distributions payable to Alaris. In addition, the Partners are required to obtain the consent of Alaris in certain circumstances prior to entering into a material transaction or other significant matters outside the normal course of business. Such transactions include, without limitation, acquisitions & divestitures, major capital expenditures, change of control and incurring additional indebtedness.

For the revenues received in USD, the Corporation has purchased monthly forward contracts locking in approximately 50-75% of the foreign exchange rate for the next twelve months and approximately 25-50% of the following twelve months USD distributions.

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 from time to time is based on unaudited information provided by Private Company Partner management, each Earnings Coverage Ratio, 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 is considered appropriate and the higher the number is, the better the ratio.

Additionally, the Corporation has disclosed the percentage of current annualized revenue based on the expected distributions from each Partner for the next twelve months based on information at March 5, 2018. Interest from promissory notes is 1.6% of total revenue from Partners.

Accscient

Annual Distribution	US$3.0 million (or 4.0% of annualized revenue)
Description	Accscient provides IT Staffing, Consulting, and Outsourcing services and specializes in Digital Infrastructure Management, Enterprise Resource Planning, Business Intelligence and Database Administration. Through its operating businesses (i) Norwin Technologies, (ii) Premier IT Solutions and (iii) Appridat Solutions, Accscient provides these services to its diverse customer base by leveraging a global delivery platform, led by a seasoned management team, to ensure reliable, proven and innovative solutions.
Contribution History	Alaris contributed US$20.0 million (the "Accscient Contribution") into Accscient LLC ("Accscient") in exchange for an annualized distribution of US$3.0 million (the "Accscient Distribution"). The Accscient Contribution is made up of US$14.0 million of permanent units (the "Permanent Units") as well as US$6.0 million of redeemable units (the "Redeemable Units"). The Redeemable Units can be redeemed at par at any time up to the third anniversary following the closing of the Accscient Contribution at Accscient's discretion. After the third anniversary the Redeemable Units will have the same repurchase metrics as the Permanent Units.
Performance	Based on unaudited statements provided by management for the year ended December 31, 2017, revenue and EBITDA are consistent with the comparable period. The Accscient Distribution will be reset for the first time on January 1, 2019 based on the percentage change in gross profit from 2018 vs 2017 and has a collar of plus or minus 5%.
Fair Value	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. The fair value of the Accscient units remains at US$20.0 million at December 31, 2017.
ECR	The Earnings Coverage Ratio declined slightly from last quarter and remains between 1.2x and 1.5x, unchanged from the previous period and the date of investment.

Agility Health

Annual Distribution	US$3.06 million (or 4.1% of annualized revenue)
Description	Agility Health is a health care company specializing in providing physical and occupational therapy and speech pathology services to health care providers and employers through 37 hospital clinics, 34 long term care facilities and 70 outpatient clinics across the United States.
Contribution History	Since December 2012, the Corporation has purchased preferred LLC units in Agility Health, LLC (“Agility”) for an aggregate acquisition cost of US$20.1 million. The Corporation also loaned US$1 million by way of a demand promissory note in the current period to assist with liquidity during the strategic process that is currently underway. Annual growth and decline in Agility’s distributions to Alaris is capped at 6% and is based on the change in same clinic sales.
Performance	Subsequent to December 31, 2017, the Corporation successfully redeemed all of its units in Agility as a result of the sale of Agility to a third party. Total consideration to Alaris was US$26.7 million which consists of US$22.23 million for redemption of preferred units (US$2.2 million premium over cost base), US$2.58 million of accrued distributions and US$1.58 million of outstanding promissory notes and interest. See page 20 for additional details.
Fair Value	The fair value of the Agility units will fluctuate each quarter with foreign exchange rates but the underlying valuation of the Agility units is evaluated each quarter. The fair value of the Agility units was increased by US$0.7 million from US$20.1 million to US$20.8 million during the three month period to reflect the redemption amount received subsequent to December 31, 2017.

ccComm

Annual Distribution	US$0.93 million (or 1.2% of annualized revenue)
Description	ccComm is a Sprint retailer with over 65 locations throughout the Northwest and Central U.S. ccComm is expected to use the partnership to pursue a roll-up strategy in which Salaris expects to contribute additional capital to support ccComm’s growth program.
Contribution History	In January 2017, the Corporation purchased preferred units in ccComm for US$4 million (CAD$5.4 million). The Corporation contributed an additional US$2.2 million (CAD$2.75 million) in August 2017 to complete an acquisition of additional Sprint retail locations.
Performance	ccComm revenue and EBITDA have increased in the year ended December 31, 2017 compared to the same period in 2016. The combined annual distribution (currently US$0.93 million) will grow or decline based on net revenue to a cap of +/- 6%. Based on unaudited results, the Corporation expects the ccComm distribution to reset +6%, effective January 1, 2018.
Fair Value	The fair value of the units are unchanged with their original contribution amount. The fair value of the ccComm units will fluctuate each quarter with foreign exchange rates but the underlying valuation of the

	ccComm units is evaluated each quarter.
ECR	The Earnings Coverage Ratio at December 31, 2017 has increased from last quarter and is now over 2.0x.

DNT Construction

Annual Distribution	US$11.1 million (or 14.7% of annualized revenue)
Description	DNT specializes in turnkey civil construction services to residential, commercial and municipal end markets including excavation, the installation of wet and dry utilities such as electrical, gas, sewage and water as well as paving and the building of retaining walls. DNT operates in the Austin, San Antonio corridor, two diverse markets that have diverse economies which have significantly out grown the U.S. National average.
Contribution History	In June 2015, the Corporation purchased preferred units in DNT, for an aggregate acquisition cost of US$70 million. US$30 million of the preferred units were redeemable at par with a mandatory annual redemption amount based on a predetermined formula commencing in 2017. During the year ended December 31, 2017, DNT redeemed US$2 million of the redeemable units as per a formula in the operating agreement. The Redeemable Units can be redeemed at par at any time up to the fifth anniversary following the closing of the DNT Contribution at DNT's discretion. After the fifth anniversary the Redeemable Units will have the same repurchase metrics as the Permanent Units.
Performance	Based on unaudited financial statements provided by management for the year ended December 31, 2017, DNT's revenue is ahead of the prior year and EBITDA is behind the comparable period. Annual growth or decline in DNT's annualized distributions to Alaris is capped at 6% and is based on gross revenues. Based on unaudited results, the Corporation expects the 2018 DNT distribution to reset +6%.
Fair Value	There was no change in the fair value of the DNT units during the year ending December 31, 2017. The fair value of the DNT units in Canadian dollars will fluctuate each quarter with foreign exchange rates.
ECR	The Earnings Coverage Ratio has decreased slightly since last quarter and is now just below 1.5x (between 1.2x and 1.5x).

End of the Roll Carpet and Flooring

Annual Distribution	CAD$1.27 million (or 1.3% of annualized revenue)
Description	End of the Roll is a Canada-wide retail flooring franchise system and completed its twelfth fiscal year as an Alaris partner on April 30, 2017. The renovation industry has been relatively stable year over year and End of the Roll's results reflect that.
Contribution History	The Corporation's original contribution of $7.2 million in End of the Roll was in 2005. Same store sales is the top-line performance metric on which the annual payments to the Corporation are reset.
Performance	Based on unaudited financial statements for the seven months ended November 30, 2017 (year end of April 30th), revenue and EBITDA are both exceeding the comparable period. Based on audited financial statements for the year ending April 30, 2017, End of the Roll revenue and EBITDA increased compared to the previous year. This resulted in a +3.2% positive reset.

Fair Value	The End of the Roll transaction is recorded as an intangible asset, amortized over 80 years and is reviewed for impairment when triggers exist. No impairment triggers exist at this time.
ECR	The Earnings Coverage Ratio for End of the Roll has increased since the last quarter and continues to be well over 2.0x.

Federal Resources

Annual Distribution	US$10.61 million (or 13.9% of annualized revenues)
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. In particular, Federal Resources specializes in the provision of detection and protection equipment to end-users dealing with chemical biological, radiological, nuclear and explosive ("CBRNE") threats.
Contribution History	In June 2015, the Corporation announced a US$7.0 million subscription for preferred stock (the “FED Units”) of Federal Resources and a US$40 million secured subordinated loan (the “FED Loan”) to Federal Resources, for an aggregate cost of US$47 million. In exchange for the FED Units and Loan, the Corporation was initially entitled to a combined US$7.1 million of annual distributions. In April, 2016 Alaris made an additional contribution of US$6.5 million in exchange for preferred units in a subsidiary of Federal Resources providing an annual distribution of US$0.9 million, which will be adjustable starting in 2018, subject to the same +/-6% collar. In December 2017, Alaris made a third contribution of US$13.5 million in exchange for preferred units in a subsidiary of Federal Resources providing an annual distribution of US$1.8 million, which will be adjustable in 2019, subject to the same +/-6% collar and a no call period of 18 months. The contribution was used to fund an acquisition.
Performance	Based on unaudited financial statements provided by management for the year ended December 31, 2017, Federal Resource’s revenue and EBITDA have increased +6% compared to 2016. Commencing in January, 2017, Alaris became entitled to receive an annual preferred dividend based on an increase to Federal Resources' gross revenues (subject to a +/-6% collar and based on a predetermined formula). Based on unaudited results, the Corporation expects the FED distribution is expected to reset +6% in 2018.
Fair Value	The FED Loan was made in June 2015 and the fair value of the FED Loan equals the face value and fair value of US$40 million. During the year ending December 31, 2017, the fair value of the FED units increased by US$2.64 million (US$1.3 million for the three months ended December 31, 2017) as expectations for future distributions increased. The fair value of the FED Units and the FED Loan in Canadian dollars will fluctuate each quarter with foreign exchange rates.
ECR	The Earnings Coverage Ratio for FR has increased slightly since the last quarter and remains between 1.2x and 1.5x.

Kimco

Annual Distribution	US$5.14 million (or 0.0% of annualized revenue as no current distributions are being paid)
Description	Kimco has been providing commercial janitorial services since the 1970s. The majority of Kimco's services are generated under long-term contracts (generally 1-3 years) to more than 375 customers, 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 million in December 2015 and US$2 million in November 2016. Annual growth or decline in Kimco`s annualized distributions to Alaris is capped at 6% and is based on gross revenue. The Corporation contributed an additional US$4 million for the year ended December 31, 2017, by way of an unsecured promissory note ("Kimco Prom Note"), to reduce Kimco's total senior debt outstanding. Interest of 8% is being paid on a monthly basis on the Kimco Prom Note.
Performance	As disclosed previously, Kimco was in breach of certain financial covenants with its senior lenders which resulted in the distribution to Alaris being suspended in July 2015. At December 31, 2016, US$4.4 million of unpaid Kimco distributions that Alaris expects to eventually collect were moved from trade and other receivables into long-term promissory notes and other receivables. The Corporation believes the repayment of this amount over the long-term is reasonably assured. Kimco management has made significant improvements in the company's cost structure in order to improve cash flow management. Subsequent to December 31, 2017, Kimco is in the process of replacing its senior lender with a new bank paving the way to the restart of some level of distributions in 2018. As part of the refinancing the Corporation is expected to replace US$6 million of subordinated debt in Kimco, paying cash interest of 12% interest per annum. During the current year, Kimco completed a transaction with Alaris' support that saw the common equity owned by previous management sold to the group that was brought in to oversee a turnaround of the business, a positive indication of the long-term prospects of the business. Based on unaudited financial statements provided by Kimco management, for the year ended December 31, 2017 revenue is consistent with prior year and EBITDA is ahead of the comparable period due to cost efficiencies implemented by the new management group.
Fair Value	The fair value of the Kimco units in Canadian dollars will fluctuate each quarter with foreign exchange rates but the underlying fair value will be evaluated each quarter in USD. The fair value of the Kimco units are unchanged for the year ended December 31, 2017.
ECR	The Earnings Coverage Ratio for Kimco has improved since last quarter but remains below 1.0x based on the last twelve months (subsequent to management changes) when considering all distributions owed to Alaris.

Labstat International

Annual Distribution	CAD$8.4 million, (or 8.6% annualized revenue)
Description	Labstat is a global leader in regulation-driven analysis of tobacco smoke and products as well as deemed tobacco products such as electronic cigarettes.
Contribution History	The Corporation purchased partnership units in Labstat International, ULC ("Labstat") for an aggregate

	acquisition cost of $47.2 million over two tranches. Annual growth and decline in Labstat's distributions to Alaris are capped at 6% and is based on the change in gross revenues.
Performance	In February 2014, Alaris agreed to temporarily restructure the form of its distributions, reducing the fixed portion to 7.50% on all preferred equity contributed with a variable portion in the form of a cash sweep up to the maximum that would have been paid under the original agreement provided certain financial covenants and performance targets continued to be met. In July 2017, the arrangement for modified distributions was extended to December 31, 2017 with a higher fixed monthly payment ($350 thousand per month compared to the previous $285 thousand per month) and a quarterly catch up of the variable portion compared to an annual catch up under the previous arrangement. Based on unaudited financial statements prepared by management for the year ended December 31, 2017, revenue and EBITDA are both considerably ahead of the comparable period. The Corporation has accrued total distributions from Labstat of $7.94 million for 2017. The $4.2 million accrual for the cash flow sweep earned to date in 2017 is expected to be received in April 2018. The increase in revenue resulted in a positive +6% reset increasing 2018 distribution to $8.4 million to be received in equal monthly installments.
Fair Value	During the year ended December 31, 2017, the fair value of the Labstat units was increased by $12.1 million as the Corporation adjusted the 2017 distribution to the full $7.9 million compared to the original forecast of $6.5 million, which also increased our expectation of distributions in future periods.
ECR	The Earnings Coverage Ratio has increased significantly since last quarter and is now in the 1.5x to 2.0x range and includes the full distributions owed to the Corporation.

LMS Reinforcing Steel Group

Annual Distribution	CAD$4.9 million (or 5.0% of annualized revenue)
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 $54 million. The Corporation completed a follow on contribution in 2016 (to a U.S. affiliate) of US$4.35 million to help LMS fund an acquisition in a new market where they have similar customers. Total gross profit is the reset performance metric on which the annual distributions to the Corporation are reset. A portion of the annual distributions from LMS reset on January 1st and the remainder on April 1st based on the December year end results from the previous year.
Performance	Based on unaudited financial statements prepared by management for the year ended December 31, 2017, revenue is slightly ahead with EBITDA slightly trailing the comparable period.
Fair Value	The fair value of the Canadian LMS units were increased by $1.0 million due to a better than expected reset for 2018. Earlier in the year the fair value of the units were decreased by $875 thousand due to the 2017 distributions resetting -1.2% compared to flat as originally expected. The LMS US units' fair value remain unchanged at US$4.35 million at December 31, 2017.
ECR	The Earnings Coverage Ratio for LMS is consistent with last quarter and remains at the high end of the range between 1.0x and 1.2x.

PF Growth Partners

Annual Distribution	US$7.3 million (or 9.5% of annualized revenue)
Description	Planet Fitness, through its affiliates, operates over 55 fitness clubs in Maryland, Tennessee, Florida and Washington (as of December 31, 2017) as a franchisee of Planet Fitness®. Planet Fitness has grown to become one of the top 3 largest non-corporate affiliated franchisees in the Planet Fitness® system.
Contribution History	In November 2014, the Corporation purchased preferred units in Planet Fitness, for an aggregate acquisition cost of US$35 million. In July 2015, the Corporation purchased an additional US$5 million of preferred units. Annual growth or decline in Planet Fitness' annualized distribution is capped at 5% and is based on same club sales.
Performance	Based on unaudited financial statements provided by management for the year ended December 31, 2017, Planet Fitness' revenue and EBITDA are both considerably ahead of the prior year due to organic growth of their existing clubs. Based on unaudited results, the Corporation expects the 2018 Planet Fitness distribution to reset +5% effective January 1, 2018.
Fair Value	The fair value of the Planet Fitness units increased by US$0.7 million for the three months ended December 31, 2017 for a total of US$1.2 million in the year ended December 31, 2017 as expectations for future distributions continued to increase. The fair value of the Planet Fitness units in Canadian dollars will fluctuate each quarter with foreign exchange rates.
ECR	The Earnings Coverage Ratio for Planet Fitness is consistent with last quarter and remains above 2.0x.

Providence Industries

Annual Distribution	US$4.73 million (or 6.3% of annualized revenues)
Description	Providence is a leading provider of design, engineering, development, manufacturing and sourcing services for international apparel companies and retailers. The Company utilizes its extensive global network of sourcing and manufacturing partners to provide value-added sourcing excellence to customers, combined with rapid speed to market. In addition, Providence's unique design expertise and focus on innovation enables customers to remain at the forefront of evolving fashion trends.
Contribution History	In April 2015, the Corporation contributed US$30.0 million to Providence. Annual growth or decline in Providence's annualized distributions of US$4.5 million to Alaris is capped at 5% and is based on the change in same customer sales.
Performance	Based on unaudited financial statements provided by management for the year ended December 31, 2017, Providence's revenue and EBITDA are both significantly ahead of the prior year, resulting in a maximum reset of +5% beginning January 1, 2018.
Fair Value	The fair value of the Providence units increased by US$0.5 million during the three month period ending December 21, 2017, for a total increase of US$2.0 million for the year ended December 31, 2017 as expectations for future distributions have continued to increased. The fair value of the Providence units in Canadian dollars will fluctuate each quarter with foreign exchange rates.
ECR	The earnings coverage ratio for Providence has decreased slightly since last quarter and remains well over 2.0x.

Sandbox

Annual Distribution	US$5.4 million (or 7.4% of annualized revenues)
Description	Sandbox offers a wide range of marketing and advertising services including strategic marketing and planning, creative development for all media and digital strategy solutions including CRM and data analytics for clients in a variety of industries within the US and Canada. Sandbox has decades of proven results and is owned and managed by highly experienced advertising professionals with global experience. Sandbox focuses on serving clients primarily in highly specialized industries such as life sciences, agriculture and financial services.
Contribution History	In March 2016, the Corporation announced the purchase of preferred units in Sandbox for an aggregate acquisition cost of US$22 million in exchange for US$3.3 million of initial distributions. The Corporation contributed an additional US$6.0 million in September 2017 to finance an acquisition completed by Sandbox and an a further US$7.0 million in December 2017 to fund a performance earn out, in exchange for a combined distribution of US$1.9 million. Annual growth or decline in Sandbox's annualized distributions of US$5.4 million to Alaris is capped at 6% and is based on the change in net revenue.
Performance	Based on unaudited financial statements provided by management for the year ended December 31, 2017, revenue and EBITDA are both ahead of the comparable period. Based on unaudited results, the Corporation expects the 2018 Sandbox distribution to reset +6%.
Fair Value	The fair value of the Sandbox units increased by US$0.2 million during the three month period ending December 21, 2017, for a total increase of US$1.2 million for the year ended December 31, 2017 as expectations for future distributions have continued to increased. The fair value of the Sandbox units in Canadian dollars will fluctuate each quarter with foreign exchange rates.
ECR	The Earnings Coverage Ratio has decreased slightly since last quarter and is now between 1.2x and 1.5x.

SCR Mine Services

Annual Distribution	CAD$1.2 million (or 1.2% of annualized revenue). Full annual distribution would be CAD$5.6 million.
Description	SCR provides mining, surface and underground construction, electrical and mechanical services to the Canadian mining industry.
Contribution History	In May 2013, the Corporation purchased partnership units in SCR Mining and Tunneling, LP ("SCR") for an aggregate acquisition cost of $40 million. Annual growth or decline in SCR's distributions to Alaris is capped at 6% and are based on net revenue.
Performance	Based on unaudited financial statements provided by management for the year ended December 31, 2017, SCR's revenue and EBITDA has improved significantly versus the comparable twelve month period. SCR has significant cash on its balance sheet to invest in capex and working capital as the business continues to rebound. For 2017, SCR restarted distributions of $100 thousand per month beginning July 2017 ($100 thousand distribution received for each month from July to December 2017). The Corporation intends to amend the agreement with SCR to include a fixed portion of $100 thousand per month and a variable format based on available free cash flow with the ability to catch up previously unpaid distributions; the exact

	structure and terms of those amendments are still being finalized.
Fair Value	The fair value of the SCR units were decreased by $4.29 million during the year ended December 31, 2017 as expectations for the timing to return to full distributions has been pushed out but results have continued to improve.
ECR	The Earnings Coverage Ratio for SCR improved since the last quarter and remains below 1.0x when considering full distributions but at the current distribution rate of $1.2 million the Earnings Coverage Ratio is between 1.5x and 2.0x.

SBI

Annual Distribution	US$11.05 million (or 14.7% of annualized revenue)
Description	SBI is a management consulting firm specializing in sales and marketing that is dedicated to helping companies reach their sales objectives. SBI conducts in-depth market research and partners with business leaders to develop strategies that enhance performance and drive results. Through evidence-based methods, SBI creates actionable procedures that, once embraced and adopted, result in lasting success.
Contribution History	In August 2017, the Corporation contributed US$85.0 million in SBI, in return for an annualized distribution of US$11.05 million. The distribution will reset based on gross revenue with a cap of +/- 8%, with the first reset in January 2019. The SBI Contribution is made up of US$75.0 million of permanent units (the “Permanent Units”) as well as US$10.0 million of redeemable units (the “Redeemable Units”). The Redeemable Units can be redeemed at par at any time up to the third anniversary following the closing of the SBI Contribution at SBI’s discretion. After the third anniversary the Redeemable Units will have the same repurchase metrics as the Permanent Units.
Performance	Based on unaudited information provided by management for the year ended December 31, 2017, revenues and EBITDA are consistent with the prior year.
Fair Value	The fair value of the SBI units remained unchanged from the contributed amount. The fair value of the SBI units in Canadian dollars will fluctuate each quarter with foreign exchange rates.
ECR	The Earnings Coverage Ratio for SBI is consistent with the time of investment and is between 1.2x and 1.5x based on actual result since the August 31, 2017 contribution.

Group SM

Annual Distribution	CAD$6.3million (or 0.0% of annualized revenue as no current distributions are being paid).
Description	Group SM is a privately owned company founded in 1972 which specializes in the delivery of integrated scientific, engineering and IT solutions dedicated to the areas of buildings, energy, energy efficiency, environment, industry, infrastructure, natural resources, power, security, telecommunications and materials testing.
Contribution History	Since November 2013, the Corporation has purchased partnership units in SM Group International, LP (“Group SM”) for an aggregate acquisition cost of $40.5 million. Annual growth or decline in Group SM’s distributions to Alaris is capped at 6% and is based on gross revenue. Since June 2015, the Corporation has also loaned $17 million of unsecured promissory notes out of a maximum $17 million demand facility as at December 31, 2017. During the year ended December 31, 2017, an additional $10 million of secured promissory notes was provided to Group SM to provide liquidity in lieu of a senior

	revolving credit facility, the Corporation determined that providing the revolving facility was beneficial to Group SM as opposed to introducing another new external senior debt provider prior to the resolution of the international dispute. The $10 million has first secured position at Group SM with respect to accounts receivable and collectability is not a concern.
Performance	Based on unaudited financial statements for the year ending December 31, 2017, Group SM's revenue and EBITDA were both down versus the comparable period. Group SM was in breach of certain financial covenants and its senior lender suspended the monthly distribution to Alaris beginning in Q3 2015 continuing until March 31, 2017 when the senior lender was replaced with a new lender. Until further notice, the Corporation will record distributions only as received, with $500 thousand received during 2017 and nothing received in the last six months of 2017. The Corporation is working with Group SM management on a long-term plan that will ensure the business can continue to provide services to its customers without interruption. The Corporation will continue to pursue all that is owed to the Corporation, and a strategic process is underway, see page 21 for additional information. During the year ended December 31, 2017, the Corporation collected from Group SM $1.5 million of interest on the unsecured promissory notes representing all interest owed up to December 31, 2016. Interest is current on the secured promissory note.
Fair Value	As discussed above, the fair value of the Group SM units was reduced to nil during the year ended December 31, 2017, and the amounts were charged to Impairment and other charges on the Corporation's income statement.
ECR	The Earnings Coverage Ratio for Group SM is below 1.0x when considering the distributions that should have been paid to Alaris, consistent with the previous quarter.

Unify (formerly referred to as Matisia)

Annual Distribution	US$2.7 million (or 3.6% of annualized revenue)
Description	Unify is a Seattle, Washington-based 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, Salaris USA (wholly owned subsidiary of Alaris USA Inc.) made a contribution of US$18.0 million (comprised of US$12 million of permanent units and US$6 million of redeemable units) to Unify LLC (the "Unify Contribution") in exchange for an annual distribution of US$2.7 million (the "Unify Distribution"). The Redeemable Units can be redeemed at any time at par by Unify, and entitle Alaris to an annual distribution of US$0.9 million out of the US$2.7 million total distributions.
Performance	Based on unaudited financial statements prepared by management for the year ended December 31, 2017, revenue and EBITDA are consistent with the comparable period, and exceeded forecast amounts. The Unify Distribution will reset based on Same Client Revenue with a cap of +/- 5%, based on unaudited results the 2018 distribution is expected to have a positive reset of approximately 2%.
Fair Value	The fair value of the Unify units increase by US$1.2 million to US$19.2 million based on a better than expected 2017.

ECR	The Earnings Coverage Ratio for Unify has increased slightly since last quarter and remains between 1.5x to 2.0x.

SUBSEQUENT EVENTS

Heritage Restoration, Inc.

Annual Distribution	US$2.3 million (or 2.9% of annualized revenue)
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, Heritage provides quality customer service and workmanship throughout the entire New England area, employing over 100 highly skilled masons; carpenters; and laborers during peak times.
Contribution History	On January 23, 2018, the Corporation entered into subscription and operating agreements with Heritage Restoration, Holdings, LLC ("Heritage"), pursuant to which the Corporation invested US$15.0 million ("Heritage Contribution") in exchange for preferred units in Heritage (the "Heritage Units"). The Corporation is entitled to an annual distribution of US$2.25 million ("Heritage Distribution") for the first full year following the transaction, which equates to an initial yield of 15%. US$3.0 million of the Heritage Units are redeemable at par at any time.
Performance	The performance metric dictating the annual percentage change in the Heritage Distribution is gross margin, subject to a 6% collar and will reset for the first time on January 1, 2019. The Heritage Contribution was used to fund the management buyout of the existing shareholder.
ECR	The Earnings Coverage Ratio for Heritage at the time of the investment is between 1.5x to 2.0x.

Increase in Credit Facility

Subsequent to December 31, 2017, the Corporation received an increase in their revolving credit facility which included (i) an increase in capacity to $280 million ($200 million as of December 31, 2017); (ii) an increase in the accordion facility to $70 million ($50 million as of December 31, 2017). The maximum senior debt to contracted EBITDA was increased to 2.5:1 which can extend to 3:1 for a period of 90 days (previously 1.75x with an extension to 2.25x, this amendment was effective for the quarter ending December 31, 2017). The tangible net worth, fixed charge coverage ratio covenants, interest rate spread, and standby fees remained consistent with the prior agreement.

Agility

Subsequent to December 31, 2017, the Corporation successfully redeemed all of its units in Agility as a result of the sale of Agility to a third party. Gross proceeds to Alaris from the Agility Sale consist of: (i) US$22.2 million for the preferred units Alaris holds in Agility LLC, which includes a premium of US$2.1 million over Alaris' original cost of US$20.10 million (currently held at a fair value of $20.0 million); (ii) US$2.9 million for all unpaid distributions up to February 28, 2018; and (iii) US$1.6 million for a loan outstanding, including all principal and interest accrued on such loan. US$1.5 million of the repurchase price to be paid to Alaris will be placed in escrow for 18 months to satisfy indemnification obligations under the transaction. Following the escrow period any remaining escrowed funds will be paid to Alaris. Total proceeds received by the Corporation went toward debt reduction of US$26.5 million (approximately CAD$34.0 million against the CAD$173.5 million outstanding at December 31, 2017.

REDEMPTION OF KMH UNITS

On June 19, 2017, total consideration of $30.5 million ($9.8 million of cash and $20.7 million of secured promissory notes) was exchanged for the redemption of all outstanding preferred units (the “Alaris Preferred Units”) and the outstanding $3.5 million promissory note as a result of the sale of the majority of KMH’s Canadian clinics to a third party (the “Third Party Sale”). The $20.7 million of promissory notes (the “Phoenix Notes”) are issued by Phoenix Holdings Limited (“Phoenix”), a company controlled by the former principals of KMH, and are secured by way of first security on Phoenix’s U.S. business that was carved out of the Third Party Sale, a right to the residual value in certain real estate assets owned by Phoenix and its principals, and a preferred liquidation position on the equity in the Canadian business retained by Phoenix as a result of the Third Party Sale.

As a result of the redemption of all outstanding KMH units, the Corporation has no remaining investments at fair value as of December 31, 2017 relating to KMH. The Corporation expects to receive the $20.7 million Phoenix Notes in three different tranches. The Corporation expects to receive value for the first tranche totaling $12.4 million within the next twelve months with the remaining $8.3 million collected over a longer term period as Phoenix continues with the strategic process and recapitalization of their U.S. business. Subsequent to December 31, 2017, the Corporation has the ability to compel the U.S. business to be sold. Phoenix has acknowledged this right and a strategic process to realize on the debt is under way.

As the redemption of the KMH units and the $3.5 million promissory notes resulted in an extinguishment of financial assets, the Corporation recorded an initial loss of $1.5 million, representing the difference between the carrying value of the assets given up and the fair value of the consideration received. The fair value of the consideration received was calculated as the cash proceeds plus the face value of the short term secured note plus the discounted value of the long-term secured note. The long term secured note of $8.3 million was discounted using a five year term and a 5% discount rate to arrive at the fair value. The fair value difference will be accreted to its face value over its estimated five year term, ($0.2 million was accreted during the twelve months ended December 31, 2017). See Promissory and Other Receivable table later in this note 5 for additional information on the valuation of these notes as at December 31, 2017.

REDEMPTION OF SEQUEL UNITS

On September 1, 2017, Sequel redeemed all units for total proceeds of US$95.9 million (approximately CAD$121 million) (the “Sequel Redemption”). The Corporation received US$91.8 million (approximately CAD$114.8 million) at close, the remainder of the proceeds were received prior to December 31, 2017. The Corporation recognized a US$21.6 million (approximately CAD$26.6 million) gain through earnings as proceeds on redemption (US$95.9 million) exceeded total capital invested (US$74.1 million). The Corporation paid US$12.8 million (CAD$16.0 million) of taxes from the gain on redemption of the Sequel units during the year ended December 31, 2017. These taxes were a direct result of the proceeds on redemption of the Sequel units exceeding the cost basis of the units.

IMPAIRMENT OF GROUP SM UNITS

During the year ended December 31, 2017, Group SM received the final judgment related to an international arbitration process and the amount awarded was substantially less than anticipated. Therefore, Group SM was not in a position to repay the previously accrued $9.8 million in unpaid distributions. The Corporation therefore recorded a $9.8 million bad debt expense in Q3 2017. The fair value of the preferred units were reduced in the year to nil in Q3 2017 as they are subordinate to the secured and unsecured debt on Group SM’s balance sheet. The permanent impairment of $41.0 million of the Group SM units was recorded through the statement of profit or loss.

As of December 31, 2017 the Corporation has $27 million owing from Group SM, including a credit facility and promissory notes ($10 million first priority secured and $17 million of unsecured), outstanding. The smaller judgment also means that the majority of the short-term unsecured notes of $17 million will only be collected after the successful recapitalization or sale of the business, thus moved from current assets to non-current assets. Group SM is currently undergoing a full restructuring process. Subsequent to the restructuring the Corporation believes there will be sufficient enterprise value to repay in full the $27 million of secured and unsecured promissory notes.

BAD DEBT EXPENSE AND RESERVE

During the year ended December 31, 2017, the Corporation recorded a bad debt expense and reserve of $23.4 million, which is comprised of $10.2 million of write offs related to Group SM ($9.8 million) as discussed above and recorded in Q3 2017, and $0.5 million related to the SHS promissory note as a result of the Sears Canada, Inc. bankruptcy proceeding recorded in Q4 2017.

The Corporation also recorded a $13.1 million reserve on outstanding promissory notes in Q4 2017 with Group SM ($5.4 million), Phoenix ($5.1 million) and Kimco ($2.6 million) as the probability of receiving the entire amount outstanding, and the timing of collection is not certain. The Corporation expects and will continue to pursue recovery of the full notional value for all outstanding promissory notes.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2017 the Corporation has a $200 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. When Funded Debt to Contract EBITDA is below 2.25:1, Prime and USBRs are plus 2.25% and BAs and LIBOR are plus 3.25%. When Funded Debt to Contract EBITDA is above 2.25:1, Prime and USBRs are plus 2.75% and BAs and LIBOR are plus 3.75%, the Corporation realized a blended interest rate of 5.3% for the year ended December 31, 2017. At December 31, 2017, the facility was $173.5 million drawn.

At December 31, 2017, 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 (actual ratio is 1.97:1 at December 31, 2017); minimum tangible net worth of $450.0 million (actual amount is $598.4 million at December 31, 2017); and a minimum fixed charge coverage ratio of 1:1 (actual ratio is 1.07:1 at December 31, 2017).

Subsequent to December 31, 2017, the Corporation received an increase in their revolving credit facility, to a total of $280 million with an accordion of $70 million. The maximum senior debt to contracted EBITDA was increased to 2.5:1 (previously 1.75:1) which can extend to 3:1 for a period of 90 days (previously 2.25:1). The tangible net worth, fixed charge coverage ratio covenants, interest rate spread, standby fees and terms of the accordion facility remained consistent with the prior agreement.

In each month of 2017, the Corporation declared a dividend of $0.135 per common share ($1.62 per share and $59.0 million in aggregate). In each month of 2016, the Corporation declared a dividend of $0.135 per common share ($1.62 per share and $58.8 million in aggregate).

The Corporation had 36,481,247 voting common shares outstanding at December 31, 2017. The Corporation had working capital of approximately $40.7 million at December 31, 2017. 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 working capital (defined as current assets, excluding promissory notes and investment tax credits receivable, less current liabilities) at December 31, 2017 and December 31, 2016 is set forth in the tables below.

Working Capital	31-Dec-17	31-Dec-16
Cash	$ 35,475	$ 29,491
Prepayments	2,407	2,097
Foreign exchange contracts	1,430	-
Trade and other receivables	8,642	16,762
Total Current Assets	$ 47,954	$ 48,350
Accounts payable & accrued liabilities	1,707	3,057
Dividends payable	4,921	4,905
Foreign exchange contracts	-	712
Income tax payable	588	2,007
Total Current Liabilities	$ 7,217	$ 10,682
Net working capital at December 31th	$ 40,737	$ 37,668

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

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Upon initial recognition all financial instruments, including derivatives, are recognized on the balance sheet at fair value. Subsequent measurement is then based on the financial instruments being classified into one of five categories: held for trading, held to maturity, loans and receivables, available for sale and other liabilities. The Corporation has designated its financial instruments into the following categories applying the indicated measurement methods:

Financial Instrument	Category	Measurement Method
Cash and cash equivalents	At fair value through profit or loss	Fair value
Trade and other receivables	Loans and receivables	Amortized cost
Promissory notes and other receivable	Loans and receivables	Amortized cost
Investments at fair value	Available for sale	Fair value
Loan receivable	Available for sale	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Loans and borrowings	Other liabilities	Amortized cost
Foreign exchange contracts	At fair value through profit or loss	Fair value

The Corporation will assess at each reporting period whether there is a financial asset, other than those classified as held for trading, that is impaired. An impairment loss, other than temporary, is included in net earnings.

The Corporation holds derivative financial instruments to hedge its foreign currency exposure. The Corporation has entered into forward contracts equal to the monthly and quarterly flow of funds from the Corporation's US investments. The Corporation matches approximately 50-75% over a rolling twelve month period based on scheduled distributions to the Canadian parent and a portion of the scheduled distributions over a rolling 12 to 24 month period based distributions resulting in an economic hedge of the foreign currency exposure. The fair value of the forward contracts will be estimated at each reporting date and any unrealized gain or loss on the contracts will be recognized in profit or loss. As at December 31, 2017, for the next twelve months, total contracts of US$26.8 million average $1.2969 CAD. For the following twelve months, total contracts of US$6.8 million USD average $1.2716 CAD.

The Corporation records all transaction costs incurred, in relation to the acquisition of investments classified as "available for sale", as an additional cost of the investment. The Corporation applies trade-date accounting for the recognition of a purchase or sale of cash equivalents and derivative contracts.

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

31-Dec-17	Total	0-6 Months	6 mo – 1 yr	1 – 2 years	3 – 4 years
Accounts payable and accrued liabilities	$ (1,707)	$ (1,707)	$-	$-	$-
Dividends payable	(4,921)	(4,921)	-	-	-
Income tax (payable) / receivable	(588)	(588)	-	-	-
Loans and borrowings	(173,464)	-	-	-	(173,464)
Total	$ (180,681)	$ (7,217)	$ -	$ -	$ (173,464)

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

A. Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Corporation's management (including the CEO and CFO) of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures, as defined in National Instrument 52-109. Based on that evaluation, the Corporation's management (including the CEO and CFO) concluded that the Corporation's disclosure controls and procedures were designed to provide a reasonable level of assurance over disclosures of material information and are effective as of December 31, 2017. The Corporation uses the 2013 Committee of Sponsoring Organization of the Treasury Commission (COSO) framework.

B. Management Report on Internal Controls over Financial Reporting

The Corporation's management, (including the CEO and CFO) have assessed and evaluated the design and effectiveness of the Corporation's internal controls over financial reporting as defined in National Instrument 52-109 as of December 31, 2017. The Corporation's assessment included documentation, evaluation and testing of its internal controls over financial reporting. Based on that evaluation, the Corporation's management concluded that the Corporation's internal controls over financial reporting are effective as defined by National Instrument 52-109.

There were no changes in internal controls during the year ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

SUMMARY OF CONTRACTUAL OBLIGATIONS

Other than the senior credit facility described under "Liquidity and Capital Resources", the only material contractual obligation of the Corporation is its leases for office space. The Corporation agreed to a five-year lease commencing July 2015 at its current location with total leasing commitments of $1.1 million.

Contractual Obligations	Total	< 1 year	1 – 3 years	4 – 5 years	> 5 years
Long term debt	$ 173,464	$ -	$ -	$ 173,464	$-
Office lease	1,068	421	647	-	-
Total Contractual Obligations	$ 174,533	$ 421	$ 647	$ 173,464	$-

TRANSACTIONS WITH RELATED PARTIES

The Company had no transactions with related parties for the years ending December 31, 2017 or 2016.

In addition to their salaries, the Corporation also provides long-term compensation in the form of options and RSUs. Key management personnel compensation comprised the following:

Key Management Personnel	2017	2016
Base salaries and benefits	$ 854	$ 876
Bonus	407	519
Share-based payments (non-cash)	2,033	520
Total	$ 3,294	$ 1,916

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Management is required to make estimates when preparing the financial statements. Significant estimates include the valuation of intangible assets and preferred limited partnership units, valuation of accounts receivable and promissory notes and income taxes. Refer to the consolidated financial statements for the year ended December 31, 2017.

The Corporation capitalizes legal and accounting costs relating to a specific transaction once a letter of intent has been signed. The Corporation's transactions structured as limited partnerships are not amortized and will be assessed for objective evidence of impairment at each balance sheet date. The Corporation's intangible assets are being amortized over the 80-year term of the agreements on a straight-line basis.

RECENT ACCOUNTING PRONOUNCEMENTS

IFRS 9: Financial Instruments

On July 24, 2014, the IASB issued the final version of IFRS 9, “Financial Instruments” (“IFRS 9”) to replace IAS 39, “Financial Instruments: Recognition and Measurement” (“IAS 39”).

IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The IAS 39 measurement categories for financial assets will be replaced by fair value through profit or loss (“FVTPL”), fair value through other comprehensive income and amortized cost.

IFRS 9 retains most of the IAS 39 requirements for financial liabilities and the Corporation does not anticipate any changes in classification or measurement of financial liabilities on transition to IFRS 9.

A new expected credit loss model for calculating impairment on financial assets classified at amortized costs replaces the incurred loss impairment model used in IAS 39. The new model will result in more timely recognition of expected credit losses.

When financial assets are impaired by credit losses and the entity records the impairment in a separate account (eg. an allowance account used to record individual impairments or a similar account used to record a collective impairment of assets) rather than directly reducing the carrying amount of the asset, it shall disclose a reconciliation of changes in that account during the period for each class of financial assets.

IFRS 9 is effective for years beginning on or after January 1, 2018. Based on the assessments undertaken to date, the only material change will be to the classification and measurement of investments at fair value. Although the investments at fair value will continue to be measured at fair value, fair value gains or losses will be recorded through profit or loss as opposed to through other comprehensive income. Therefore, on transition to IFRS 9, an adjustment will be made to move cumulative fair value gains or losses from the fair value reserve to retained earnings. No other adjustments to opening retained earnings are anticipated on adoption of IFRS 9 as it relates to classification and measurement of financial assets.

For those financial assets classified and measured at amortized cost, the expected credit loss model will be applied to determine impairment of financial assets. This will therefore apply to trade and other receivables, as well as promissory notes receivable.

The Corporation has compared its existing methodology to determining credit losses and compared to the expected credit loss model that will be applied to assets classified at amortized cost. The Corporation is in the process of finalizing the quantum of this adjustment, however, does not expect it to be material.

IFRS 15: Revenue from Contracts with Customers

Revenue from Contracts with Customers provides guidance on revenue recognition and relevant disclosures, and is effective for annual reporting periods beginning on or after January 1, 2018. Due to the fact that the majority of its revenues are generated from financial instruments and therefore not in the scope of IFRS 15, the Corporation does not expect any material changes to its revenue recognition and does not anticipate any transition adjustments.

SUMMARY OF ANNUAL AND 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.

Annual Results Summary	2017	2016	2015
Revenue	$ 89,073	$ 100,042	$ 82,846
Earnings	11,882	66,553	57,529
Basic and Diluted Income per Share/Unit	Basic - $0.33	Basic - $1.83	Basic - $1.70
	Diluted - $0.32	Diluted - $1.81	Diluted - $1.68
Total Assets	793,418	787,221	788,210
Total Liabilities	188,873	132,523	111,164
Cash Dividends/Distributions declared per	Basic - $1.62	Basic - $1.62	Basic - $1.55
Share/Unit	Diluted - $1.61	Diluted - $1.60	Diluted - $1.53

In 2017, the Corporation recorded $23.4 million in bad debt expense as unpaid distributions from Group SM and the SHS promissory note were written off in addition to a $13.1 million reserve related to promissory notes and other receivables, the Corporation also recorded $42.5 million in impairment and other charges as the fair value of the Group SM units were reduced to nil in the period ($41.0 million) and the long-term Phoenix promissory note was discounted ($1.5 million). The Corporation also realized a $26.6 million gain on the redemption of Sequel.

In 2016, the Corporation recorded a total gain of $20.7 million on the LifeMark, Solowave and MAHC redemptions that increased revenue and earnings and a $7 million impairment charge was recorded for KMH. In 2015 the Corporation recorded a $2.8 million gain on the Killick redemption that increased revenue and earnings in that period and an impairment charge on KMH of $20 million that reduced earnings. In each period, an unrealized (non-cash) foreign exchange gain/loss has impacted earnings.

Quarterly Results Summary	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16	Q3-16	Q2-16	Q1-16
Revenue	$ 21,638	$ 23,775	$ 22,779	$ 20,881	$ 27,259	$ 23,294	$ 24,913	$ 24,566
Earnings	$ 11,410	$ (22,031)	$ 10,656	$ 11,849	$ 21,724	$ 17,026	$ 7,043	$ 20,842
Basic and Diluted Income	$ 0.31	$ (0.60)	$ 0.29	$ 0.33	$ 0.60	$ 0.47	$ 0.19	$ 0.57
(loss) per Share/Unit	$ 0.31	$ (0.60)	$ 0.29	$ 0.32	$ 0.59	$ 0.46	$ 0.19	$ 0.57

In Q4 2017, the Corporation recorded a $13.6 million in bad debt expense as the remainder of the SHS promissory note was written off and a reserve related to the Kimco, Group SM and Phoenix promissory notes and other receivables as the probability surrounding their collectability is not assured. In Q3 2017, the Corporation recorded $9.8 million in bad debt expense as unpaid distributions from Group SM were written off, the Corporation also recorded $41.0 million in impairment charges as the fair value of the Group SM units were reduced to nil in the period and realized a $26.6 million gain on the redemption of Sequel.

In Q4 2016, the Corporation recorded a $0.9 million gain as well as an additional $5.3 million in distributions on the MAHC redemption. In Q3 2016, the Corporation recorded a $1.6 million gain on the Solowave redemption that increased revenue and earnings in that period. In Q2 2016, a $7 million impairment charge on the KMH units was recorded. In each quarter in 2015 and 2016, an unrealized foreign exchange gain/loss has impacted earnings. In Q1 2016, the Corporation recorded an $18.6 million gain on the LifeMark redemption that increased revenue and earnings in that period.

OUTSTANDING SHARES

At December 31, 2017, the Corporation had authorized, issued and outstanding, 36,481,247 voting common shares.

For the year ended December 31, 2017, the Company issued 35,711 common shares upon the exercise of stock options and 109,479 common shares from the exchange of vested RSU’s.

At December 31, 2017, 291,651 RSUs and 2,242,364 stock options were outstanding under the Corporation’s long-term incentive compensation plans. 2,109,671 stock options are out of the money at December 31, 2017. The weighted average exercise price of the outstanding options is $25.56. The Corporation issued 31,966 RSU’s and 1,070,218 stock options with a weighted average exercise price of $21.56 during the year.

At March 5, 2018, the Corporation had 36,481,247 common shares outstanding.

INCOME TAXES

In 2015, the Corporation received a notice of reassessment from the Canada Revenue Agency in respect of its taxation year ended July 14, 2009. The Corporation has since received notices of reassessment from the Canada Revenue Agency in respect of its taxation years ended December 31, 2009 through December 31, 2016 (collectively the “Reassessments”). Pursuant to the Reassessments, the deduction of approximately $121 million of non-capital losses and utilization of $5.2 million in investment tax credits by the Corporation was denied, resulting in reassessed taxes and interest of approximately $44.4 million. Subsequent to filing the notice of objection for the July 14, 2009 taxation year, Alaris received an additional proposal from the CRA pursuant to which the CRA is proposing to apply the general anti avoidance rule to deny the use of non-capital losses, accumulated scientific research and experimental development expenditures and investment tax credits. The proposal does not impact the Corporation's previously disclosed assessment of the total potential tax liability (including interest) or the deposits required to be paid in order to dispute the CRA's reassessments. The Corporation has received legal advice that it should be entitled to deduct the non-capital losses and as such, the Corporation remains of the opinion that all tax filings to date were filed correctly and that it will be successful in appealing such Reassessments. The Corporation intends to continue to vigorously defend its tax filing position. In order to do that, the Corporation was required to pay 50% of the reassessed amounts as a deposit to the Canada Revenue Agency. The Corporation has paid a total of $19.3 million in deposits to the CRA relating to the Reassessments to date, including $3.0 million deposited in 2017. It is possible that the Corporation may be reassessed with respect to the deduction of its non-capital losses in respect of its tax filings in respect of the 2017 taxation year, on the same basis. The carrying values of the remaining ITC’s of $3.0 million at December 31, 2017 and the ITC’s claimed in 2017 of $3.5 million are at risk should the Corporation be unsuccessful in defending its position. The Corporation anticipates that legal proceedings through the CRA and the courts will take considerable time to resolve and the payment of the deposits, and any taxes, interest or penalties owing will not materially impact the Corporation’s payout ratio.

The Corporation firmly believes it will be successful in defending its position and therefore, any current or future deposit paid to the CRA would be refunded, plus interest. The Corporation will continue to file its tax returns by claiming the remaining available investment tax credits in subsequent tax filings.

Tax Year	ITCs Applied	Losses Applied	Estimated tax and
July 2009		$ 10,532	$ 4,310
December 2009		1,916	748
December 2010		14,646	5,486
December 2011		14,992	5,113
December 2012		16,774	4,462
December 2013		22,642	6,519
December 2014		29,153	8,493
December 2015	2,315	10,560	4,417
December 2016	2,905	-	4,836
Balance at December 31, 2017	$ 5,220	$ 121,215	$ 44,384

On December 2017, the United States government enacted the tax Cuts and Jobs Act ("US Tax Reform") with the majority of the legislation being effective January 1, 2018. The impact of this legislation on the Corporation's 2017 financial statements is a reduction in the deferred income tax liability of $6 million as a result of the reduction in the federal income tax rate from 35% to 21%.

In future years the Company will be positively impacted by the reduction in federal income tax rate which will be offset by limitations imposed on the deduction of interest expense. The Corporation does not anticipate that US Tax Reform will have a material impact on the cash taxes it is required to pay. The Corporation estimates the impact of US Tax Reform to the tax provision may be adjusted in the future based on anticipated future regulations and guidance from the U.S Treasury and the Internal Revenue Service.

OUTLOOK

Based on Alaris' current agreements with its partners, it expects revenues of approximately $94 million for 2018, revenue for Kimco (currently nil) and SCR ($100 thousand per month) are included at their current run rate, however the Corporation expects distributions from both partners to exceed the included amount. Total revenue from partners is expected to be $23.5 million in Q1 2018, an increase of 9% compared to $21.6 million in Q4 2017. Annual general and administrative expenses are currently estimated at $8.5 million and include all public company costs.

Including the successful redemption of Agility, the Corporation's Annualized Payout Ratio is now just over 90%. The table below sets out our estimated annualized current run rate of net cash from operating activities alongside the after-tax impact of the various improvements the Corporation is expecting in 2018.

Annualized Cash Flow (in 000's)	Comments	Amount ($)	$ / Share
Revenue	$1.30 USD/CAD exchange rate	$ 94,200	$ 2.58
General & Admin.		(8,500)	(0.23)
Interest & Taxes		(22,000)	(0.60)
Net cash flow		$ 63,700	1.75
Annual Dividend		59,000	1.62
Surplus		$ 4,700	0.13
Other Considerations (after taxes and interest):			
SCR & Kimco	Every addtl $2 million in distributions received is $0.05/share	+1,600	+0.05
New Investments	Every $20 million deployed @ 15%	+1,515	+0.04

The senior debt facility was drawn to $173.5 million at December 31, 2017, the Corporation used the proceeds from the Agility redemption to reduce the debt facility to $139.5 million subsequent to December 31, 2017, with the capacity to draw up to another $136.2 million based on new covenants and credit terms, in addition to the $70 million accordion facility for a total of $206.2 million. The annual interest rate on that debt was approximately 5.3% at December 31, 2017, increased by 0.25% effective January 2018.

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 2018. As a conservative measure, Alaris does not use any estimates for future revenue earned from the contribution of capital into new or existing Partners in its guidance or budgeting process

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

RISK AND UNCERTAINTY

An investment in our securities involves a number of risks. The risks and uncertainties described below are all of the risks that we know about and that we have deemed to be material to our business or results of our operations. When reviewing forward-looking statements and other information contained in this AIF, investors and others should carefully consider these factors, as well as other uncertainties, potential events and industry and company-specific factors that may adversely affect our future results. We operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for Management to predict all risk factors or the impact of such factors on our business. We assume no obligation to update or revise our risk factors or other information contained in this AIF to reflect new events or circumstances, except as may be required by law.

We have organized our risks into the following categories:

- Strategic Risk Factors Relating to our Business
- Operational and Financial Risk Factors Relating to Our Business
- Risk Factors Relating to our Private Company Partners

STRATEGIC RISK FACTORS RELATING TO OUR BUSINESS

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

We are entirely dependent on the operations, assets and financial health of our Private Company Partners through our agreements with them. Our ability to pay dividends, to satisfy our debt service obligations and to pay our operating expenses is dependent on the Distributions received from our Private Company Partners, our sole source of cash flow. Adjustments of Distributions to Alaris from our Private Company Partners are generally based on the percentage change of the Private Company Partner's revenues, same-store sales, gross margin or other similar top-line measure. Accordingly, subject to certain conditions, to the extent that the financial performance of a Private Company Partner declines with respect to the relevant performance measure, cash payments to Alaris will decline. The failure of any material Private Company Partner or collectively a number of non-material Private Company Partners to fulfill its distribution obligations to Alaris could materially adversely affect our financial condition and cash flows. We conduct due diligence on each of our Private Company Partners and the industries they operate in prior to entering into our agreements with them. In addition, we continue to have regular discussions with our Private Company Partners, we receive regular financial and other reports from them and we continue to monitor changes in the industries in which they operate. However, there is a risk that there may be liabilities or other matters that are not identified by us through our due diligence or ongoing communications and monitoring procedures, which may have a material adverse effect on the Private Company Partners and the applicable performance measure.

Our agreements with our Private Company Partners provide us with certain remedies in the event of non-payment of Distributions by the applicable Private Company Partner. In addition, some of our arrangements are secured by the assets of the Private Company Partner (for example, End of the Roll and Federal Resources) or are guaranteed by an affiliated entity. However, our rights to payment, our remedies, and our security interests are generally subordinated to the payment rights and security interests of a Private Company Partner's senior lenders. Specifically, our agreements with a Private Company Partner include a standstill provision limiting our ability to exercise certain remedies until the senior debt is paid or for a specified period of time.

We have numerous positive and negative covenants in place with our Private Company Partners designed to protect our Distributions and typically our prior consent is required for items outside of the ordinary course of business; however, we generally do not have significant voting rights in our Private Company Partners and accordingly our ability to exercise direct control or influence over the operations of our Private Company Partners (except with respect to our consent rights and in circumstances where there has been an uncured event of default and Distribution payments to Alaris have not been made as required) may be limited. The Distributions received by us from the Private Company Partners therefore depend upon a number of factors that may be outside of our control.

There is generally no publicly available information, including audited or other financial information, about our Private Company Partners and the boards of directors and management of these companies are not subject to the same governance and disclosure requirements applicable to Canadian public companies. Therefore, we rely on our Management and third party service providers to investigate these businesses. There can be no assurance that our due diligence efforts or ongoing monitoring procedures will uncover all material information about the privately held businesses necessary to make fully informed decisions. In addition, our due diligence and monitoring procedures will not necessarily ensure that an investment will be successful. Private Company Partners may have significant variations in operating results; may from time to time be parties to litigation; may be engaged in rapidly changing businesses; may expand business operations to new jurisdictions or business lines; may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position; or may be adversely affected by changes in their business cycle or changes in the industries in which they operate.

Numerous factors may affect the quantum of a Private Company Partner's Distribution to Alaris, or the ability of a Private Company Partner to service such distribution obligations, including, without limitation: the failure to meet its business plan; regulatory or other changes affecting its industry; integration issues with respect to acquisitions, new locations or new business lines; a downturn in its industry; negative economic conditions; changes in legislation or regulations governing a business or industry; disruptions in the supply chain; disputes with suppliers, customers, or service providers or changes in arrangements therewith; and working capital and/or cash flow management issues. Deterioration in a Private Company Partner's financial condition and prospects may be accompanied by a material reduction in the distributions or payments received by Alaris. See "*Risk Factors Relating to our Private Company Partners*".

We are subject to risks affecting any new Private Company Partners

If Alaris is successful in partnering with one or more new Private Company Partners, the businesses of these Private Company Partners may be subject to one or more of the risks referred to under "*Risk Factors Relating to our Private Company Partners*" or similar risks and may be subject to other risks particular to such business or businesses. A material change in a Private Company Partner's business and/or their ability to pay the Distribution payable to us could have an adverse effect on our business.

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

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

We have limited diversification in our Private Company Partners

Although Alaris currently has 16 Private Company Partners and diversification has improved since inception, Alaris continues to have limited diversification in its Distributions from Private Company Partners. Alaris does not have stringent fixed guidelines for diversification with respect to our Private Company Partners. At any given point in time, we may have a significant portion of our assets dedicated to a single business or industry. In the event that any such business or industry is unsuccessful or experiences a downturn, this could have a material adverse effect on our business, results from operations and financial condition.

Our business and the business of each of the Private Company Partners are subject to changes in North American and international economic conditions, including but not limited to, recessionary or inflationary trends, capital market volatility, consumer credit availability, interest rates, consumers' disposable income and spending levels, job security and unemployment, corporate taxation and overall consumer confidence. As has been experienced over the last decade, market events and conditions, including disruptions in the international credit markets and other financial systems, may result in a deterioration of global economic conditions. These conditions could cause a decrease in confidence in the broader North American and global credit and financial markets and create a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, from time to time there may be concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions. These factors could negatively impact company valuations and impact the performance of the global economy. A return of any these negative economic events could have a material adverse effect on our Company and our Private Company Partners' business, financial condition, results of operations and cash flows.

In addition, economic conditions in North America and globally may be affected by geopolitical events throughout the world that cause disruptions in the financial markets, either directly or indirectly. In particular, conflicts, or conversely peaceful developments, arising in the Middle-East, Asia, or Eastern Europe and other areas of the world that have a significant impact on the price of important commodities can have a significant impact on financial markets and global economy. Any such negative impacts could have a material adverse effect on our Company and our Private Company Partners' business, financial condition, results of operations and cash flows.

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

Our ability to sustain continued growth depends on our ability to identify, evaluate and contribute financing to suitable private businesses that meet our criteria. Accomplishing such a result on a cost-effective basis is largely a function of Alaris' sourcing capabilities, our management of the investment process, our ability to provide capital on terms that are attractive to private businesses and our access to financing on acceptable terms. As Alaris grows, we will also be required to hire, train, supervise and manage new employees. Failure to manage effectively any future growth or to execute on our business plans to add new Private Company Partners could have a material adverse effect on our business, reputation, financial condition and results of operations.

We face competition with other investment entities

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

OPERATIONAL AND FINANCIAL RISK FACTORS RELATING TO OUR BUSINESS

We are subject to tax related risks

CRA Re-Assessment

In 2015, the Corporation received a notice of reassessment from the Canada Revenue Agency in respect of its taxation year ended July 14, 2009. The Corporation has since received notices of reassessment from the Canada Revenue Agency in respect of its taxation years ended December 31, 2009 through December 31, 2016 (collectively the "Reassessments"). Pursuant to the Reassessments, the deduction of approximately $121 million of non-capital losses and utilization of $5.2 million in investment tax credits by the Corporation was denied, resulting in reassessed taxes and interest of approximately $44.4 million. Subsequent to filing the notice of objection for the July 14, 2009 taxation year, Alaris received an additional proposal from the CRA pursuant to which the CRA is proposing to apply the general anti avoidance rule to deny the use of non-capital losses, accumulated scientific research and experimental development expenditures and investment tax credits. The proposal does not impact the Corporation's previously disclosed assessment of the total potential tax liability (including interest) or the deposits required to be paid in order to dispute the CRA's reassessments. The Corporation has received legal advice that it should be entitled to deduct the non-capital losses and as such, the Corporation remains of the opinion that all tax filings to date were filed correctly and that it will be successful in appealing such Reassessments. The Corporation intends to continue to vigorously defend its tax filing position. In order to do that, the Corporation was required to pay 50% of the reassessed amounts as a deposit to the Canada Revenue Agency. The Corporation has paid a total of $19.3 million in deposits to the CRA relating to the Reassessments to date, including $3.0 million deposited in 2017. It is possible that the Corporation may be reassessed with respect to the deduction of its non-capital losses in respect of its tax filings in respect of the 2017 taxation year, on the same basis. The carrying values of the remaining ITC's of $3.0 million at December 31, 2017 and the ITC's claimed in 2017 of $3.5 million are at risk should the Corporation be unsuccessful in defending its position. The Corporation anticipates that legal proceedings through the CRA and the courts will take considerable time to resolve and the payment of the deposits, and any taxes, interest or penalties owing will not materially impact the Corporation's payout ratio.

The Corporation firmly believes it will be successful in defending its position and therefore, any current or future deposit paid to the CRA would be refunded, plus interest. The Corporation will continue to file its tax returns by claiming the remaining available investment tax credits in subsequent tax filings.

International Structure

Alaris has established Alaris Coop, Alaris USA, and Salaris USA for the purpose of financing and entering into arrangements with potential Private Company Partners in the United States and other jurisdictions on a tax efficient basis. Our corporate structure for this purpose was implemented having regard to the complex corporate and tax laws and regulations of Canada, The Netherlands and the United States, as well as the income tax conventions between those countries to date, and our understanding of the current administrative practices and policies of the taxation authorities of each such jurisdiction, as well the structure of our Private Company Partners. Such laws, regulations and conventions are subject to change from time to time. There is a possibility that such a change may be made, including with retroactive or retrospective effect. In addition, such structure is subject to assessment and possible adjustment by any of the taxation authorities of such jurisdictions based on differences of interpretation of the applicable tax laws and the manner in which such laws have been implemented. Furthermore, certain changes in the structure and business practices of our Private Company Partners could impact our structure. Although we are of the view that the corporate structure has been implemented correctly and is being managed and monitored properly, there can be no assurance that the tax authorities of such jurisdictions will agree. If such tax authorities successfully challenge any aspect of our financing and corporate structure, or if for business reasons we are not able to implement our structure fully, our operating results could be adversely affected.

In early January 2017, the CRA began an international tax audit of Alaris with respect to its 2013, 2014 and 2015 taxation years. In December 2017, the CRA issued a letter proposing adjustments relating to intercompany services provided by Alaris to its foreign subsidiaries. Alaris strongly disagrees with the CRA's assessment and intends to vigorously defend its tax filing position. The two parties continue to work through this matter, and currently, Alaris has not formally been reassessed by the CRA.

General

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

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

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

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

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

Alaris and our Partners are subject to significant regulation

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

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

The amount of dividends paid by us will depend upon numerous factors, including Distributions received, profitability, debt covenants and obligations, foreign exchange rate, the availability and cost of acquisitions, fluctuations in working capital, the timing and amount of capital expenditures, applicable law and other factors which may be beyond our control. Dividends are not guaranteed and will fluctuate with our performance and the performance of our Private Company Partners. There can be no assurance as to the levels of dividends to be paid by us, if any. The market value of the Common Shares may deteriorate if we are unable to pay dividends in accordance with our dividend policy in the future, or not at all, and such deterioration may be material.

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

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

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

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

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

Interest expense has been estimated for the purpose of estimating our distributable cash based on current market conditions that are subject to fluctuations. Such fluctuations could result in an unanticipated material increase in interest rates that could in turn have a material adverse effect on cash available to pay dividends to Shareholders.

We are subject to fluctuations in the US/Canadian dollar pairing (USD/CAD)

At this point in time, the majority of our Distributions are paid to us in United States dollars. However, our dividends are paid to our Shareholders in Canadian dollars. Currently, we have in place currency hedges to manage the risk and economic consequences of foreign currency exchange fluctuations on our monthly cash flows as well as natural hedges such as carrying US dollar denominated debt. However, the Canadian dollar relative to the United States dollar is subject to fluctuations and the currency hedges are for a limited period of time. There can be no guarantee that future hedges will be at rates of USDCAD that fully protect Alaris' cash flows against major fluctuations. As such, failure to adequately manage our foreign exchange risk could adversely affect our business, financial condition and results of operation. In general, where we continue to have a majority of our investments in the U.S., a declining Canadian dollar versus the U.S. dollar is a net benefit to Alaris' monthly cash flows and to the principal value of its investments.

Also, certain of our currency hedges are conducted by way of a forward contract, which come with an obligation to fulfill the contract at a future date. If Alaris did not have adequate USD to sell under the forward contract it would have to pay the difference between the contract price and the current spot price. If the current spot price is in Alaris' favor it could receive a cash benefit from not being able to fulfill its forward contract. However, if the spot to forward price differential is not in Alaris' favor, it could owe a substantial amount of money to the holder of the contract. A significant loss of USD revenue could cause Alaris to fail to meet its obligations under the forward contracts. This could result from a significant decrease in a Partners business, which resulted in a significant decrease in its Distribution to Alaris or if Alaris was repurchased by a material U.S. partner or several US Partners within that time period. Any cash outlay to meet a forward contract obligation could negatively affect Alaris' cash flows.

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

Our Private Company Partners have termination rights which may be exercised

Each of our Private Company Partners has the right to terminate their agreement with Alaris through a repurchase or redemption right that arises after a fixed period of time following the closing of our arrangement with the applicable Private Company Partner. Although Management believes that the repurchase or redemption purchase price would adequately compensate Alaris for the foregone payments, we would be required to reinvest the cash received including possibly investing in our own shares through the repurchase and cancellation of our shares, in order to maintain our dividend levels. There is no assurance that we would be able to successfully identify and complete any such alternative investments or complete any such share repurchase.

We and our Private Company Partners rely heavily on key personnel

The success of Alaris and of each of our Private Company Partners depends on the abilities, experience, efforts and industry knowledge of their respective senior management and other key employees, including their ability to retain and attract skilled management and employees. The long-term loss of the services of any key personnel for any reason could have a material adverse effect on the business, financial condition, results of operations or future prospects of Alaris or a Private Company Partner. In addition, the growth plans of Alaris and the Private Company Partners described in this document may require additional employees, increase the demand on management and produce risks in both productivity and retention levels. Alaris and the Private Company Partners may not be able to attract and retain additional qualified management and employees as needed in the future. There can be no assurance that Alaris or the Private Company Partners will be able to effectively manage their growth, and any failure to do so could have a material adverse effect on our business, financial condition, results of operations and future prospects.

Our share price is unpredictable and can be volatile

A publicly traded corporation will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Common Shares will trade cannot be predicted. The market price of the Common Shares could be subject to significant fluctuations in response to variations in quarterly and annual operating results, the results of any public announcements we make, general economic conditions, unexpected volatility in Global stock markets and other factors beyond our control.

We may issue additional Common Shares diluting existing Shareholders' interests

We may issue an unlimited number of Common Shares or other securities for such consideration and on such terms and conditions as shall be established by us without the approval of Shareholders. Any further issuance of Common Shares will dilute the interests of existing Shareholders, if the proceeds of such issuances are not being used in a manner that is accretive to Alaris' net cash from operating activities per share. The Shareholders will have no pre-emptive rights in connection with such future issuances.

We are subject to a risk of legal proceedings

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

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

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

Potential investors' ability to invest in Common Shares or to transfer any Common Shares that investors hold may be limited by certain ERISA, U.S. Tax Code and other considerations

Alaris has restricted the ownership and holding of Common Shares so that none of our assets will constitute "plan assets" (as defined in Section 3(42) of ERISA and applicable regulations) of any of the following: (1) an "employee benefit plan" (within the meaning of Section 3(3) of ERISA that is subject to Part 4 of Subtitle B of Title I of ERISA, (2) a plan, individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Tax Code, (3) any other retirement or benefit plan that is not described in (1) or (2), but that is subject any similar law, or (4) an entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement in (1) - (3) pursuant to ERISA, the U.S. Tax Code or similar law.

If the Company's assets were considered to constitute "plan assets" of any of the foregoing entities, non-exempt "prohibited transactions" under Section 406 of ERISA, Section 4975 of the U.S. Tax Code or similar law could arise from transactions the Company enters into in the ordinary course of business, resulting in tax penalties and mandatory rescission of such transactions. Consequently, each recipient and subsequent transferee of common shares will, or will be deemed to, represent and warrant that it is not an entity described in (1)-(4) in the preceding paragraph and that no portion of the assets used to acquire or hold its interest in common shares or any beneficial interest therein constitutes or will constitute the assets of such an entity. Any holding or transfer of common shares in violation of such representation will be void. See "*Ownership and Transfer Restrictions"*.

Foreign Account Tax Compliance Act ("FACTA") Provisions

In general, FATCA imposes due diligence, reporting and withholding obligations on foreign (i.e., non-U.S.) financial institutions and certain foreign (i.e., non-U.S.) non-financial entities. A failure by such an institution or entity to comply with these obligations could subject it to a 30% U.S. withholding tax ("FATCA Tax") on certain its U.S. source income (including interest, dividends, rents, royalties, compensation and other passive income and, beginning in 2019 gross proceeds from the sale or other disposition of property that can produce such type of U.S. source income) and thereby reduce its distributable cash and net asset value. Canada and the United States entered into an Intergovernmental Agreement (the "IGA") on February 5, 2014, which came into force on June 27, 2014, to facilitate compliance with FATCA by Canadian financial and non-financial institutions and entities.

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

Nevertheless, under the Canada IGA Legislation, equity and debt interests that are regularly traded on an established securities market are not treated as "financial accounts". If the Common Shares are regularly traded on an established securities market, Alaris will not be required to provide information to the CRA about U.S. holders of Common Shares. The Common Shares are regularly traded on an established securities market and as such, Alaris does not expect to report information about US holders of its Common Shares to the CRA under FATCA. However, should the Common Shares no longer be considered to be regularly traded on an established securities market, Alaris' reporting obligations under FATCA may change.

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

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

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

Sections 1291 through 1298 of the United States Internal Revenue Code (the “Code”) provide for special (and generally unfavorable for U.S. shareholders) rules applicable to non-U.S. corporations that constitute PFICs. A non-U.S. corporation will constitute a PFIC for any taxable year in which either (1) at least 75% of its gross income for such taxable year is passive income (which would include, among other things and subject to certain exceptions, dividends, interest, royalties, rents, annuities and other income of a kind that would be “foreign personal holding company income”, as defined in Section 954(c) of the Code), or (2) the average percentage of assets, by value (determined on the basis of a quarterly average),held by it during such taxable year which produce passive income or which are held for the production of passive income is at least 50%. For this purpose, the non-U.S. corporation will be considered as receiving directly its proportionate share of the income, and as holding its proportionate share of the assets, of any corporation (whether U.S. or non-U.S.) at least 25% (by value) of the stock of which the non-U.S. corporation owns directly or indirectly.

For any taxable year in which a non-U.S. corporation is a PFIC, and in the absence of an election by a U.S. shareholder of such non-U.S. corporation to either treat such non-U.S. corporation as a “qualified electing fund” (such election, a “QEF Election”) or “mark-to-market” his or her shares of such non-U.S. corporation (such election, an “MTM Election”), such U.S. shareholder will, upon the making of certain “excess distributions” by such non-U.S. corporation or upon the U.S. shareholder’s disposition of his or her shares of such non-U.S. corporation at a gain, be subject to U.S. federal income tax at the highest tax rate on ordinary income in effect for each year to which the income is allocated plus an interest charge on the deemed tax deferral, as if the distribution or gain had been recognized ratably over each day in the U.S. shareholder’s holding period for his or her shares in such non-U.S. corporation while such corporation was a PFIC.

Based upon its (and its subsidiaries’) income and assets in prior tax years, Alaris has taken the position that neither it nor any of its subsidiaries were PFICs for any of its prior taxable years. Furthermore, based on its current and projected operations and financial expectations for the current taxable year, Alaris believes that neither it nor any of its subsidiaries will be a PFIC for the current taxable year. However, the determination of whether Alaris or any of its subsidiaries was (for any prior taxable year) or will be or become (for the current or any future taxable year) a PFIC was and is fundamentally fact-specific in nature and dependent on: (a) the income and assets of Alaris and its subsidiaries over the course of any such taxable year; and (b) the application of complex U.S. federal income tax rules, which are subject to differing interpretations. Consequently, Alaris cannot provide any assurance that: (i) neither it nor any of its subsidiaries was (for any prior taxable year) or will be or become (for the current or any future taxable year) a PFIC; or (ii) that the IRS would not take the position that either Alaris and/or any one or more of its subsidiaries should have been or should be treated as a PFIC for any one or more taxable years despite a contrary reporting position of Alaris or the applicable subsidiary.

If Alaris were to be or become a PFIC for the current or any future taxable year, Alaris does not intend to make available to U.S. shareholders the financial information necessary to make a QEF Election; however, provided the Common Shares were to constitute “marketable stock” (as specifically defined under the MTM Election regulations), a U.S. shareholder should be able to make an MTM Election with respect to his or her Common Shares. Alaris believes that the Common Shares would currently be considered “marketable stock” for this purpose. The making of an MTM Election would result in the electing U.S. shareholder of Common Shares having to recognize as ordinary income or loss each year an amount equal to the difference as of the close of such year (or the actual disposition of the Common Shares) between the fair market value of the Common Shares and the shareholder’s adjusted U.S. federal income tax basis in such shares. Losses would be allowed only to the extent of the net mark-to-market gain previously included in income by the U.S. shareholder under the MTM Election for prior taxable years. If an MTM Election is made, then distributions from Alaris with respect to the Common Shares would be treated as if Alaris were not a PFIC, except that the lower tax rate currently imposed on dividends to individuals would not apply.

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

Our capacity to protect our intellectual property may be limited

We rely on various intellectual property protections, including trademark laws, to preserve our intellectual property rights, for our investment in End of the Roll. To protect our intellectual property, we may become involved in litigation, which could result in substantial expenses, divert the attention of Management, cause significant delays, materially disrupt the conduct of our business or adversely affect our revenues, financial position and results of operations.

RISKS RELATING TO OUR MATERIAL PRIVATE COMPANY PARTNERS

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

Risks Relating Specifically to SBI

A loss of a key revenue generating principal in the business	If SBI were to lose a key member of its revenue generating team to attrition or other reasons there could be a short-term impact on revenue and cash flows. Although key account relationships are held at the company level, losing a top producing principal may result in the loss of future business with companies that a principal may have had in its sales pipeline.
An inability to attract the skilled workforce SBI relies on	SBI must retain and be able to attract the highly skilled workforce it requires to meet the demand of its clients. Management has indicated it has not had and does not expect to have an issue attracting top talent due to its corporate culture and compensation packages. However, an inability to continue to attract high quality employees could impact the business in the short and long-term.
Contracts are short-term in nature	Although some client revenues are reoccurring in nature, the contracts SBI has with clients tend to be short-term (project based) and therefore make long-term planning a bit more difficult. Forecasting the business outside of a 3 to 6 month window is relatively tough and based on historic lead generation and conversation rates. A failure to convert new leads into actionable mandates can have a negative impact on SBI's revenue and cash flow following the completion of existing contracted business. Although SBI tends to differentiate itself from its competitors on processes and procedures rather than price, it does also have to compete on price. If SBI cannot be competitive when bidding on new contracts it may not be able to replace business that is running off.
Exposed to the M&A market in the United States	SBI generates a large portion of its revenue by working for private equity clients with purchase mandates. Although all indicators are pointing to continued momentum in the private equity space, if the level of private equity activity slows down from current record levels SBI may face a decrease in revenues and cash flow.
Highly fragmented industry with low costs to enter	The industry in which SBI competes in is highly fragmented with many small to medium sized businesses as well as a few large well capitalized competitors. The cost to enter this industry is relatively low and therefore the barriers to entry are minimal. Although the cost to enter the industry are low, new entrants to the market must also be able to prove their processes and procedures lead to a successful outcome for its client and therefore new entrants can take a while to gain significant market share. Entry of new competitors or discount pricing strategies by a few large competitors could impact the revenues and margins of SBI's business and lead to lower cash flow.
Needs sufficient cash flow to incentivise principals for performance	The compensation structure of SBI is such that a significant portion of a principal's income comes by way of partner distributions at year end. In order to incentivize minority owner partners as well as principals, SBI needs to have enough cash to pay out meaningful partner distributions on an annual basis going forward.

Risks Relating Specifically to DNT

Exposure to residential development	In the current economic cycle, DNT chooses to have a higher percentage of its revenue generated from new residential development projects than commercial or infrastructure projects. Although it DNT's strategy to focus more of its efforts on the segment of the market with the most current and projected growth, it exposes DNT to a downturn in the new home development segment of the economy, which can have a material impact on its cash flows. In times of economic downturns DNT can shift its focus to commercial

	and infrastructure projects. However, failing to do so in a timely manner to offset lost revenue from the residential segment, or at all, can have a significant impact on DNT's cash flow.
Geographic exposure to Austin and San Antonio	DNT focuses primarily on the Austin and San Antonio regions of the state of Texas. Although these two regions have robust economies, which are diversified among healthcare, technology and education, they are close enough in proximity to be impacted by the same economic and weather related factors. This lack of geographic diversification exposes DNT to more concentrated events than it would otherwise be if it were to be diversified across many regions of the United States.
Bonding requirements	DNT Requires bonding on a significant number of its projects. This requires DNT to maintain a healthy balance sheet or face the risk of not being able to bid on certain new projects. Any lack of ability to bond new projects could have a significant impact on DNT's cash flows.
Seasonality including weather related events	Unusual amounts of rain can impact the business significantly as it prevents DNT from providing its services and in many instances can increase costs for things such as water remediation. The unusual wet weather can also cause "work overs" which can erode margins on certain projects. The unusual wet weather may also cause margins to erode when the work is eventually restarted as it may require overtime hours to complete the work on schedule.
Fixed price contracts	As costs are established on estimates for fixed price contracts, DNT bears the risk for cost overruns. Generally it manages the risk with vigorous pre-bid analysis and through hedging of its materials and fuel costs. However, errors in estimating and unforeseen weather events can cause both labour and materials costs overruns.
Customer concentration	DNT generates a large portion of its revenues from a handful of customers. If DNT fails to win new tenders with these customers or if the customers face financial trouble, which results in the delay or cancelation of new projects, DNT's revenue and cash flows can be negatively impacted until the revenue can be replaced through other sources.

Risks Relating Specifically to Federal Resources

Complex procurement rules and regulations on U.S. government contracts	Federal Resources derives a majority of its revenue from contracts with the U.S. government, as well as other State level and municipal contracts. U.S. government contracts have complex procurement rules and certain regulations. A failure to abide by these rules/regulations can result in penalties such as termination of certain contracts, disqualification from bidding on future contracts and suspension or permanent removal from bidding on U.S. government contracts.
Subject to reviews, audits and costs adjustments by the U.S. government	If a review, audit or cost adjustment conducted by the U.S. government results in an outcome negative to Federal Resources, it could adversely affect their profitability, cash flow or growth prospects.
Contracts can be cancelled at anytime	The U.S. government can cancel contracts at any time through a termination of convenience provision, provided that they cover Federal Resources for costs incurred. Although cost coverage would result in Federal Resources not incurring a loss on the inventory it purchased, it will not make a profit on the sale and will need to find a substantial new customer or customers and sell the product over a prolonged period of time in order to eventually realize a profit on the inventory.
Competition is intense	Federal Resources competes with a number of large established multinational companies. This results in competitive pricing and low profit margins. Successfully winning contracts in a competitive environment can result in losses on certain contracts if certain variables change given the low profit margins Federal Resources operates with.
Seasonality/variability of revenue	Due to the timing of government's budget cycles, the majority of Federal Resources sales can come within a certain time of the year. This requires Federal Resources to manage its cash flows for operations, debt payments and distribution payments to Alaris for the remaining months of a given year out of the cash generated from prior sales. Failure to

	properly manage cash flow from seasonal sales could negatively impact Federal Resources cash flow.
Working capital requirements at certain times of the year can be significant	Due to the amount of inventory Federal Resources has to carry to satisfy certain contracts at certain times of the year, it can result in significant requirements for working capital to fund operations. If Federal Resources fails to have sufficient working capital to support periodic needs it could negatively impact the cash flows of the business and thus payment of Distributions to Alaris.
A decline in U.S. government defense budgets can impact FRS	Given that Federal Resources generates a majority of its revenue from U.S. government defense contracts it could be negatively impacted by a general decrease in defense budget spending in a given year.

RISKS RELATING TO ALL OF OUR PRIVATE COMPANY PARTNERS, GENERALLY

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

How a Private Company Partner is leveraged may have adverse consequences to them

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

Our Private Company Partners rely on key personnel

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

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

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

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

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

Our Private Company Partners may suffer damage to their brand reputations

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

Our Private Company Partners face intense competition

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

Additional franchises and franchise operations may be limited

One of our Private Company Partners, End of the Roll, is a franchisor. The growth of revenues of this company is largely dependent upon its ability to maintain and grow its franchise systems and to execute its current growth strategy for both increasing the number of franchisees and increasing the number of locations. If this company is unable to attract qualified franchisees, its operations could be adversely affected. The slowing of growth could lead potential and existing franchisees to begin to look elsewhere for better opportunities. The growth of the franchise network through adding new franchisees is somewhat dependent upon available personnel.

Additionally, PFGP is a franchisee of Planet Fitness. As such, PGFP's operations depend, in part, on decisions made by the Planet Fitness franchisor, including decisions relating to pricing, advertising, policy and procedures as well as approvals required for acquisitions and territory expansion. Business decisions made by the franchisor could impact PFGP's operating performance and profitability. In addition, PFGP must comply with the terms of its franchise agreements with the franchisor and its applicable land development agreements. A failure to comply with such obligations or a failure to obtain renewals on any expiring franchise agreements could adversely affect PFGP's operations.

Changes in the industry in which the Private Company Partners operate

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

Risks regarding legal proceedings involving our Private Company Partners

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

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

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

FORWARD-LOOKING STATEMENTS

This MD&A contains forward looking statements. Statements other than statements of historical fact contained in this MD&A may be forward looking statements, including, without limitation: management's expectations, intentions and beliefs concerning the growth, results of operations, performance and business prospects and opportunities of the Corporation and the Partners, the general economy, the amount and timing of the declaration and payment of dividends by the Corporation, the future financial position or results of the Corporation, business strategy, proposed acquisitions, growth opportunities, budgets, litigation, projected costs and plans and objectives of or involving the Corporation or the Partners. In particular, this MD&A contains forward looking statements regarding the anticipated financial and operating performance of the Partners in 2018, including, without limitation, the earnings coverage ratio for the Partners and the Corporation's Annualized Payout Ratio; the revenues to be received by Alaris in 2018 (on an annual and quarterly basis); the Corporation's general and administrative expenses and cash requirements in 2018; the CRA proceedings (including the expected timing and financial impact thereof); the Corporation's payout ratio (actual and annualized); 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; the timing for collection of deferred or unpaid Distributions; and Alaris' ability to attract new private businesses to invest in. Many of these statements can be identified by looking for words such as "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. To the extent that any forward-looking statements herein constitute a financial outlook, including without limitation, estimated revenues, and expenses, Annualized Payout Ratio, and changes in distributions from Partners, they were approved by management as of the date hereof and have been included to assist readers in understanding management's current expectations regarding Alaris' financial performance and are subject to the same risks and assumptions disclosed herein. There can be no assurance that the plans, intentions or expectations upon which these forward looking statements are based will occur. Forward looking statements are subject to risks, uncertainties and assumptions and should not be read as guarantees or assurances of future performance. Accordingly, readers are cautioned not to place undue reliance on any forward looking information contained in this MD&A. Statements containing forward looking information reflect management's current beliefs and assumptions based on information in its possession on the date of this MD&A. Although management believes that the expectations represented in such forward looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

Statements containing forward-looking information by their nature involve numerous assumptions and significant known and unknown facts and uncertainties of both a general and a specific nature. The forward looking information contained herein are based on certain assumptions, including assumptions regarding the performance of the Canadian and U.S. economies over the next 24 months and how that will affect our business and our ability to identify and close new opportunities with new Private Company Partners; the continuing ability of the business of the Partners to pay the distributions; the performance of the Private Company Partners; that interest rates will not rise in a material way over the next 12 to 24 months; that the businesses of the Partners will not change in a material way; that the Corporation will experience net positive resets to its annual royalties and distributions from its Partners in 2018; more private companies will require access to alternative sources of capital; and that Alaris will have the ability to raise required equity and/or debt financing on acceptable terms.

Some of the factors that could affect future results and could cause results to differ materially from those expressed in the forward looking statements contained herein include risks relating to: the dependence of the Corporation on the Partners; risks relating to the Partners and their businesses; reliance on key personnel; general economic conditions; failure to complete or realize the anticipated benefits of transactions; limited diversification of Alaris' transactions; management of future growth; availability of future financing; competition; government regulation; leverage and restrictive covenants under credit facilities; the ability of the Partners to terminate the various agreements with Alaris; unpredictability and potential volatility of the trading price of the common shares; fluctuations in the amount of cash dividends; restrictions on the potential growth of the Corporation as a consequence of the payment by Alaris of substantially all of its operating cash flow; income tax related risks; ability to recover from the Partners for defaults under the various agreements with Alaris; potential conflicts of interest; dilution; liquidity of Common Shares; changes in the financial markets; risks associated with the Partners and their respective businesses; a change in the ability of the Partners to continue to pay Distributions to Alaris; a material change in the operations of a Partner or the industries in which they operate; a failure to obtain the benefit of any concessions provided to any Partners; a failure to obtain by the Corporation or the Partners required regulatory approvals on a timely basis or at all; changes in legislation and regulations and the interpretations thereof; litigation risk associated with the CRA's reassessment and the Corporation's challenge thereof; and material adjustments to the unaudited internal financial reports provided to Alaris by the Partners. The information contained in this MD&A, and the Corporations annual management discussion and analysis for the year ended December 31, 2017 including the information set forth under "Risks and Uncertainty", 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.