MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2016

This management's discussion and analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2016 and December 31, 2015 for Alaris Royalty Corp. ("Alaris" or the "Corporation"). The financial statements of the Corporation 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. 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, 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 period ended December 31, 2016, the gain on the redemption of the LifeMark, Solowave and MAHC units, the impairment of the KMH units, the write off of the interest on the KMH promissory notes, one-time penalties and fees related to the CRA GST audit and the unrealized foreign exchange gains and losses are considered by management to be non-recurring charges. Adjusting for these non-recurring items allows management to assess EBITDA from ongoing operations.

Earnings Coverage Ratio refers to EBITDA of a Partner (as defined below) 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 divided by the sum of capital expenditures, interest, income taxes paid and dividends.

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 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 interim financial statements, excerpts of which are available below, and annual audited statements, complete versions of both 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, 2016	2016	2015	% Change
Revenue per share	$2.75	$2.44	+12.7%
Normalized EBITDA per share	$2.40	$2.10	+14.3%
Net cash from operating activities per share	$2.02	$1.64	+23.2%
Dividends per share	$1.620	$1.565	+3.5%
Basic earnings per share	$1.83	$1.70	+7.6%
Fully diluted earnings per share	$1.81	$1.68	+7.7%
Weighted average basic shares outstanding (000's)	36,336	33,960	

The Corporation had another successful year in 2016, deploying over $108 million CAD contributed to three new partners in Sandbox Acquisitions, LLC and Sandbox Advertising, LP (collectively "Sandbox" - US$22 million), M-Rhino Holdings, LLC, operating as Providence Industries ("Providence" - US$30 million) and Matisia LLC ("Matisia" - US$18 million) and two follow on contributions to current Partners: US$4.35 million to an affiliate of LMS Limited Partnership ("LMS") and US$6.5 million to a subsidiary of Federal Resources Supply Company ("Federal Resources"). Following year end the Corporation, through its subsidiary Salaris USA Royalty Inc. ("Salaris USA"), contributed US$4 million to C&C Communications LLC ("ccComm"). Alaris continues to experience strong results in its key performance metrics with increases in each of revenue, Normalized EBITDA, net cash from operations, and dividends, on a per share basis for the year ended December 31, 2016 (the Corporation used Normalized EBITDA rather than EBITDA to back out the non-cash foreign exchange gains and losses, gains and losses on the redemption or sale of the Corporation`s financial interest in partners no longer with Alaris, and non-recurring items including impairment of preferred units, bad debts and penalties and fees).

Net Cash from operating activities per share increased by 23.2%. Net Cash from operating activities was $73.3 million compared to $58.8 million in dividends paid during the year ending December 31, 2016, an actual payout ratio of 80.3%. This includes the impact of distributions from Partners that were not received in the current year but that are expected to be paid in the next twelve months of $11.2 million (SM, Labstat, SCR and Agility).

Based on unaudited information to be confirmed by audits of each Partner, the Corporation experienced organic growth from its Partners with weighted average net annual performance metric resets for 2016 increasing by an estimated 2%, which is expected to result in increases to our existing revenue base for 2017.

Revenues from Partners for the year ended December 31, 2016 totaled $100.0 million (including $11.2 million in revenue accrued for SM, SCR, Agility and the Labstat sweep – $1 million of the $2.1 million sweep has already been collected with the remaining due in April 2017) compared to $82.8 million in the prior year period. The increase of 20.8% is a result of the addition of new Partners and follow on contributions, year over year performance metric adjustments from each of the Partners as described below, partially offset for redemptions by Partners in 2015 and 2016 as well as lower accrued revenue for Kimco and SCR in the period. See "Private Company Partner Update" for more information on the individual Partners' performance.

Partner Revenue (000's)	Year ended December 31, 2016	Year ended December 31, 2015	% Change	Comment
Sequel LLC	$ 15,937	$ 14,796	+7.7%	Same program sales increase July 1/16
DNT	13,921	8,017	+73.6%	Contribution closed June 2015
Federal Resources	10,122	4,653	+117.5%	Contribution closed June 2015, additional contribution April 2016
Planet Fitness	8,250	7,207	+14.5%	+5% same club sales increase Jan 1/16, additional $5M contribution late 2015
Mid-Atlantic HealthCare	7,958	-	+100.0%	Contribution closed Dec 2015, redeemed in Dec 2016
Group SM	6,377	6,703	-4.9%	6% reduction in reset in January 2016
Labstat	5,500	5,575	-1.3%	Increase in taxes and capex decreased the cash sweep marginally
Solowave	5,160	6,490	-20.5%	Redemption of all units in September 2016
LMS	4,653	4,168	+11.7%	Gross profit -4% Jan 1/16, additional contribution of $4.35M USD in March 2016
Providence	4,420	-	+100.0%	Contribution closed April 2016
Agility Health	4,074	4,076	-0.0%	Same clinic sales -3.0% offset by strengthening USD
Sandbox	3,507	-	+100.0%	Contribution closed March 2016
SCR	3,008	6,400	-53.0%	Pause in distributions beginning June 2016
Kimco	2,816	6,007	-53.1%	Gross revenue -6% Jan 1/16,stopped monthly accrual July 1, 2016
End of the Roll	1,219	1,177	+3.5%	Increase in in same store sales May 1/16
Matisia	835	-	+100.0%	Contribution closed October 2016
LifeMark Health	730	4,197	-82.6%	Redeemed in Jan 2016
KMH	-	1,890	-100.0%	No payments accrued in 2016
Killick	-	538	-100.0%	Redeemed in Jan 2015
Subtotal	$ 98,486	$ 81,895	+20.3%	
Interest	1,556	952	+63.5%	Interest on promissory notes, Group SM increased notional outstanding
Total	$ 100,042	$ 82,846	+20.8%	

Finance costs of $5,881,981 in the period were 83.5% higher compared to $3,205,244 in the prior year period. During the year ended December 31, 2016, the Corporation started with $77 million drawn on the credit facility and drew down to fund contributions to Sandbox, Providence and Matisia, which was partially offset by the redemptions of LifeMark, Solowave and Mid-Atlantic. The higher average debt outstanding resulted in an increase in finance costs.

Salaries and benefits were $3,360,999 in the period up 19.1% compared to $2,822,459 in the prior year period. The increase is due to a higher number of total employees as base salaries remain unchanged.

For the year ending December 31, 2016, the Corporation recorded non-cash stock based compensation expenses totaling $4,368,640 (2015 - $3,535,268) which included: $3,245,830 to amortize the fair value of the Corporation's restricted share unit plan (the "RSU Plan") (2015 -$2,340,386) and $1,122,810 to recognize the fair value of outstanding stock options (2015 - $1,194,882). The increase in non-cash stock based compensation expenses compared to the prior year period was due to new options and RSUs issued in the past eighteen months in accordance with the Corporation's compensation plan as well as lower than normal expenses in the third quarter of 2015 (prior year) due to the departure of a member of the management team in Q2 2015.

Corporate and office expenses were $3,296,509 compared to $2,849,447 in the prior year and include office rent, travel and corporate administrative expenses. The 15.7% increase was due to costs associated with a higher total number of employees.

Legal and Accounting fees were $2,512,724 compared to $2,262,792 in the prior year, an 11.0% increase was due higher accounting and legal fees as a result of the KMH process and due diligence costs associated to transactions that did not close.

The Corporation recorded earnings of $66.5 million, EBITDA of $92.3 million and Normalized EBITDA of $87.1 million for the year ended December 31, 2016 compared to earnings of $57.9 million, EBITDA of $75.6 million and Normalized EBITDA of $71.4 million for the year ended December 31, 2015. The 22.1% increase in Normalized EBITDA is a result of the addition of three new Partners in the past twelve months: Sandbox (March 2016), Providence (April 2016), and Matisia (October 2016) and follow on investments to Federal Resources, and LMS, offset by the redemptions for LifeMark (March 2016), Solowave (September 2016) and MAHC (December 2016).

Reconciliation of Net Income to EBITDA (thousands)	Year ended December 31, 2016	Year ended December 31, 2015
Earnings	$ 66,553	$ 57,861
Adjustments to Net Income:		
Amortization and depreciation	279	203
Finance costs	5,882	3,205
Income tax expense	19,589	14,315
EBITDA	92,303	75,585
Normalizing Adjustments		
Gain on disposal of investment	(20,271)	(2,792)
Foreign exchange loss/(gain)	5,030	(25,446)
Impairment of Preferred Units	7,000	20,460
Bad Debt Expense	2,442	3,570
Penalties and Fees	656	-
Normalized EBITDA	$ 87,160	$ 71,377

Normalizing adjustments in the current period includes $20.3 million of gains on redemptions (LifeMark - $18.6 million, Solowave - $1.6 million and MAHC $0.1 million) during the year ended December 31, 2016. The current year results included the impairment of the KMH, LP (“KMH”) units of $7.0 million from early in 2016, the write-off of bad debt related to KMH distributions and an allowance for Kimco long-term receivable. The Corporation recorded a $3.5 million realized gain ($4.1 million realized loss in 2015) and an unrealized (non-cash) gain on foreign exchange contracts of $4.6 million compared to an unrealized loss of $3.8 million in the prior year period as the value of the USD decreased slightly from December 31, 2015, increasing the mark to market value of the forward contracts. The Corporation also had an unrealized (non-cash) loss of $13.1 million compared to an unrealized gain of $33.4 million in the prior year period due to the impact of the change in the US exchange rate from December 31, 2015 to December 31, 2016 on the USD loan to the Corporation’s wholly-owned US subsidiary, US denominated debt and the Federal Resources loan receivable.

A portion of the $29.5 million of cash held at December 31, 2016 was used to satisfy the dividend declared in December 2016 (paid January 15, 2017). Additionally, approximately $5.5 million was contributed to C&C Communication LLC (“ccComm”) in January 2017.

The Corporation has recorded a $4.9 million deferred tax asset and a $22.5 million deferred tax liability on its balance sheet. The $4.9 million asset reflects investment tax credits that will be utilized in future years. The deferred income tax liability reflects the future income tax impact inherent in the Corporation’s assets and liabilities.

Quarter Ended December 31, 2016 Compared to Quarter Ended December 31, 2015

Three Months Ended December 31	2016	2015	% Change
Revenue per share	$0.75	$0.64	+17.2%
Normalized EBITDA per share	$0.69	$0.56	+23.2%
Net cash from operating activities per share	$0.86	$0.64	+34.4%
Dividends per share	$0.405	$0.405	+0.0%
Basic earnings per share	$0.60	$0.57	+5.3%
Fully diluted earnings per share	$0.59	$0.57	+3.5%
Weighted average basic shares outstanding (000's)	36,365	36,116	

Net cash from operating activities of $0.86 per share was an increase of 34.4% compared to Q4 2015. The increase is a result of additional revenue recognized on the MAHC redemption, a realized foreign exchange gain on US denominated debt and the receipt of income tax receivable. Dividends paid were $0.405 per share during three months ended December 31, 2016, an actual payout ratio of 47.2% in the quarter.

Revenues from Partners for the three months ended December 31, 2016 totaled $27.3 million (including $1.6 million in revenue accrued for SM and $0.5 million for the Labstat sweep) compared to $23.0 million in the three months ended December 31, 2015. The increase of 18.6% compared to the prior period is a result of new Partners added in the past twelve months as well as a net increase in the performance metric adjustments from each of the Partners as described below. See "Private Company Partner Update" for more information on the individual Partners' performance.

Partner Revenue (000's)	Quarter ended December 31, 2016	Quarter ended December 31, 2015	% Change	Comment
Mid-Atlantic HealthCare	$ 5,982	$-	+100.0%	Contribution closed Dec 2015 and redemption in Dec 2016
Sequel LLC	4,085	3,939	+3.7%	Same program sales increase July 1/16
DNT	3,505	3,504	+0.0%	Difference due to FX
Federal Resources	2,621	2,344	+11.8%	Additional $6.9M contribution in April 2016
Planet Fitness	2,077	1,989	+4.4%	+5% same club sales increase Jan 1/16, additional $5M contribution late 2015
Group SM	1,594	1,600	-0.4%	6% reduction in reset on Jan 1/16
Providence	1,502	-	+100.0%	Contribution closed April 2016
LMS	1,188	1,056	+12.5%	Gross profit -4% Jan 1/16, additional contribution of $4.35M USD in March 2016
Labstat	1,025	1,075	-4.7%	Pause in distributions beginning June 2016
Agility Health	1,021	1,060	-3.7%	Same clinic sales -3.0%, distributions restarted in Oct 2016
Sandbox	1,100	-	+100.0%	Contribution closed March 2015
Matisia	835	-	+100.0%	Contribution closed Sept 2016
End of the Roll	293	284	+3.1%	Increase in in same store sales May 1/16
Solowave	-	1,623	-100.0%	Redemption of all units in September 2016
SCR	-	1,600	-100.0%	Pause in distributions beginning June 2016
Kimco	-	1,572	-100.0%	Stopped monthly accrual July 1, 2016
LifeMark Health	-	1,070	-100.0%	Redeemed in Jan 2016
Subtotal	$ 26,829	$ 22,716	+18.1%	
Interest	430	274	+57.0%	Interest on promissory notes, Smi increased notional outstanding
Total	$ 27,259	$ 22,990	+18.6%	

Finance costs were $1,483,151 compared to $852,957 in the prior year, the 73.9% increase was due to a larger amount of debt outstanding in 2016.

Salaries and benefits were $600,073 in the period up 18.5% compared to $506,441 in the prior year period. The increase is due to a higher number of total employees than the comparable period.

In the three months ending December 31, 2016 the Corporation recorded non-cash stock based compensation expenses totaling $470,816 (2015 - $888,881) which included: $498,558 to amortize the fair value of the Corporation's restricted share unit plan (the "RSU Plan") (2015 -$545,500) and negative $27,741 to recognize the fair value of outstanding stock options (2015 - $343,380). 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.

Corporate and office expenses were $644,445 compared to $611,405 in the prior year and include office rent, travel and corporate administrative expenses. The 5.4% increase was due to increased administration costs associated with a higher total number of employees.

Legal and Accounting fees were $599,711 compared to $744,599 in the prior year, a 19.5% decrease was due mostly to lower corporate costs in 2016 and 2015 had higher due diligence costs on transactions that were not completed.

Deferred income taxes for the three months ended December 31, 2016 were $3.7 million compared to $7.6 million for the three months ended December 31, 2015 as a result of the future tax impact in our tax basis of our partners.

The Corporation recorded earnings of $21.7 million, EBITDA of $28.5 million and Normalized EBITDA of $24.9 million for the three months ended December 31, 2016 compared to earnings of $20.6 million, EBITDA of $25.4 million and Normalized EBITDA of $20.2 million for the three months ended December 31, 2015. The 23.2% increase in Normalized EBITDA is a result of the addition of new Partners in the past twelve months: MAHC (December 2015), Sandbox (March 2016), Providence (April 2016), Matisia (September 2016), follow on investments to two partners and an additional two years of distributions received on the MAHC redemption. These were partially offset by the redemptions for LifeMark (March 2016) and Solowave (September 2016) and MAHC (December 2016) and lower distributions from Kimco and SCR in 2016.

Reconciliation of Net Income to EBITDA (thousands)	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015
Earnings	$ 21,724	$ 20,550
Adjustments to Net Income:		
Amortization and depreciation	71	63
Finance costs	1,483	853
Income tax expense	5,249	3,925
EBITDA	28,527	25,391
Normalizing Adjustments		
Gain on disposal of investment	(94)	-
Unrealized foreign exchange loss/(gain)	(5,078)	(5,153)
Bad Debt Expense	1,589	-
Normalized EBITDA	$ 24,944	$ 20,237

Normalizing adjustments include gains on the redemption of the MAHC units in December totalling $0.1 million and an allowance of $1.6 million related to the Kimco long-term receivable. The Corporation recorded a $5.2 million realized gain ($1.8 million realized loss in 2014) and an unrealized (non-cash) loss on foreign exchange contracts of $0.4 million compared to a loss of $0.5 million in the prior year period as the value of the USD decreased slightly from December 31, 2015, increasing the mark to market value of the forward contracts. The Corporation also had an unrealized (non-cash) gain of $0.2 million compared to a gain of $7.7 million in the prior year period due to the impact of the change in the US exchange rate from December 31, 2015 to December 31, 2016 on the USD loan to the Corporation's wholly-owned US subsidiary, US denominated debt and the Federal Resources loan receivable.

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 or gross profit) 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 generally 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 the foreign exchange rate for the next twelve months and approximately 40-60% of the following twelve months.

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 1.5x, 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 7, 2017. Interest from promissory notes is 1.6% of total revenue from Partners.

Agility Health

Annual Distribution	US$3.06 million (or 4.0% 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. 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	Based on unaudited statements provided by management for the year ended December 31, 2016, revenue is flat and EBITDA is behind the prior year due to reductions in reimbursement rates for some services as well as increased general and administrative costs. Agility has notified the Corporation that it is evaluating recapitalization alternatives, to effect a repurchase of the Corporation's preferred units. In order to facilitate this process and provide Agility with the flexibility to execute on its business plan while completing such review Agility asked Alaris for a deferral on payments of the distribution for the period of March 2016 through September 2016. Alaris agreed to permit this deferral upon certain conditions, while also reserving its rights and remedies available to it under its agreements with Agility. The strategic process is still underway and the units were not repurchased by December 31, 2016, nor were the deferred payments made. Normal distributions restarted in October, 2016 and have continued into 2017. When the unpaid distributions were not paid, and the strategic process was not completed on a timely basis, Alaris issued a notice of default giving Agility 90 days to complete the repurchase. This was further

	extended until April 30, 2017, as they work towards a strategic alternative. The extension is conditional on a monthly requirement to reduce the unpaid distributions while continuing to pay the regular distributions. Alaris has full step-in rights (subject to certain rights of the senior lender) relating to its investment in Agility if the event of a default is not followed by a repurchase of Alaris' units in a defined period of time. The Corporation currently expects a repurchase of its units at a premium to its investment cost and fair value (expecting a redemption of US$22.3 million) as well as collection of the unpaid distributions.
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 remains at US$20.1 million at December 31, 2016.
ECR	The actual Earnings Coverage Ratio for Agility is above 1.0x since distributions were not paid from March to September 2016 but when considering all distributions owing, the Earnings Coverage Ratio is still below 1.0x.

DNT Construction

Annual Distribution	US$11.1 million (or 14.6% 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. With its head office in Austin, Texas, DNT employs over 650 people during peak season and is one of the largest service providers of its kind in the Austin market while also holding significant market share in San Antonio. These markets are attractive, fast growing and have diverse economies with major industry employers including healthcare, government, technology and education. Both Austin and San Antonio have strong employment rates and significant job growth at rates above 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. Annual growth or decline in DNT's annualized distributions to Alaris is capped at 6% and is based on gross revenues. US$30 million of the preferred units are redeemable at par at a minimum of US$5 million per year starting in 2017 and converts to our normal repurchase after three years (June 2018).
Performance	Based on unaudited financial statements provided by management for the year ended December 31, 2016, DNT's revenue and EBITDA are both more than 10% ahead of the prior year due to a strong start to 2016 compared to weather delays at the start of the year in 2015 which impacted gross revenues and margins in the prior year, as well as continued strong results throughout the remainder of 2016.
Fair Value	There was no change in the fair value of the DNT units during the three month period ending December 31, 2016. For the year ending December 31, 2016 the Corporation increased the fair value of DNT by US$3.1 million based on a maximum 6% reset and enhanced forecasted growth. The fair value of the DNT units in Canadian dollars will fluctuate each quarter with foreign exchange rates.
ECR	The Earnings Coverage Ratio has decline slightly since last quarter and remains between 1.5x and 2.0x.

End of the Roll Carpet and Flooring

Annual Distribution	CAD$1.23 million (or 1.2% of annualized revenue)
Description	End of the Roll is a Canada-wide retail flooring franchise system and completed its eleventh fiscal year as an Alaris partner on April 30, 2016. 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 eight months ended December, 2016 (year end of April 30th), revenue and EBITDA are consistent with the prior year.
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 improved since the last quarter and continues to be well over 2.0x.

Federal Resources

Annual Distribution	US$8.35 million (or 11.0% 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. According to Federal Resources' management, CBRNE products are one of the highest growth product categories in the defense procurement budget with CBRNE threats representing the most widely anticipated global threat over the next 10 years. Federal Resources was founded in 1986 and employs 150 people.
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. Annual interest on the FED Loan is fixed at US$7.05 million to Alaris. Commencing in January, 2017, Alaris will also be entitled to receive an annual preferred dividend based on an increase to Federal Resources' gross revenues (subject to a 6% collar and based on the combined capital contribution to Federal Resources of US$47 million). Such annual dividend will be adjusted (up or down) each year based on any increases or decreases in Federal Resources' gross revenues for its immediately preceding fiscal year, subject to a maximum increase or decrease of six percent (6%) per year. On April 29, 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$910,000.
Performance	Based on unaudited financial statements provided by management for the year ended December 31, 2016, Federal Resource's revenue was ahead by over 10% and EBITDA by over 25% compared to the previous year as they focused on their margins and training services.

Fair Value	The FED Loan was made in June 2015 and the fair value of the FED Loan equals the face value of US$40 million. There was no change in the fair value of the FED units for the three months ending December 31, 2016 but during the year ended December 31, 2016, the Corporation increased the fair value of the FED units by US$1.3 million due to a maximum reset of 6% in 2017.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 remained consistent since the last quarter and remains between 1.0x and 1.5x.

Kimco

Annual Distribution	US$4.81 million (or 6.3% of annualized revenue)
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.
Performance	As disclosed previously, Kimco has been facing cash constraints since 2015. Kimco is in breach of certain financial covenants with its senior lenders which has resulted in the distribution to Alaris being suspended. 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 the promissory note over the long-term is reasonably assured. Due to the long-term collection horizon the company discounted the receivable over a five year period resulting in a US$1.2 million allowance for doubtful accounts, recorded through earnings. Alaris continues to work with the senior lender to help resolve the cash constraints, which has led to some recent changes to Kimco management and in the company's cost structure in order to improve cash flow management and set a clear path to the resumption of distributions. Recent monthly results have been positive. At this time, Alaris cannot provide an estimate as to the timing for the resumption of distributions, but we will update the market as new information becomes available. Based on unaudited financial statements provided by Kimco management, revenue was approximately 2% ahead of the prior year but due to significant cost overruns and mismanagement, EBITDA was well behind the prior year. Q4 results showed considerable improvement and the 2017 forecast prepared by management shows revenue flat and EBITDA returning to levels that would allow a certain level of distributions once the bank covenants are met.
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 three months ended December 31, 2016. For the year ending December 31, 2016 the Corporation reduced the fair value of the Kimco units by US$11.6 million to US$23.1 million.

ECR	The Earnings Coverage Ratio for Kimco is consistent with last quarter but remains below 1.0x for the last twelve month period when considering all distributions owed to Alaris.

KMH Cardiology

Annual Distribution	CAD$0
Description	KMH is a private healthcare company operating twelve diagnostic imaging clinics (nuclear medicine, cardiology and MRI) in Ontario and eight clinics in the United States.
Contribution History	Alaris first contributed $5.0 million in 2010 and another $49.8 million since that time for a total of $54.8 million of preferred partnership units in KMH Limited Partnership ("KMH") in five separate contributions.
Performance	Based on unaudited internal financial statements provided by KMH's management for the eleven months ended November, 2016, revenues and EBITDA are both slightly ahead of the prior year. KMH ceased paying regular distributions to the Corporation in November 2014. As part of the negotiations for a redemption of the KMH units, accrued interest on outstanding promissory notes in the amount of $0.8 million was recorded as bad debt expense during the second quarter of 2016. The $3.5 million promissory note is still outstanding at December 31, 2016 and is expected to be collected. Alaris continues to work with stakeholders of KMH to find a viable solution to recapitalize the business. A strategic process has been ongoing and resulted in a number of different options which will provide Alaris with a meaningful value for its units in KMH. As the Corporation does not have formal step-in rights as it has with other Partners, the strategic process has taken considerably longer than anticipated. Over one year ago, the Corporation formally gave KMH notice of default and demanded that KMH repurchase the preferred units and repay the outstanding promissory notes and accrued interest. As mentioned last period, the current arrangement would result in a $28 million cash payment for the Corporation's preferred units (plus the $3.5 million promissory note) and we continue to expect that amount today (less the $1.1 million of the $28 million paid to the Corporation from the sale of a KMH facility which was one of the components in the strategic process). The Corporation has seen continued but slow progress on the contemplated transactions and is seeking to finalize this arrangement as soon as possible. Given the length of time this process has taken Alaris cannot provide comments on expected timing but will provide an update when new information becomes available.
Fair Value	The fair value of the KMH units is unchanged at $26.9 million ($28 million less the $1.1 million received in Q4 2016) for the three months ended December 31, 2016. In the absence of regular cash distributions to support a discounted cash flow valuation, the Corporation has used a liquidation value supported by third party valuations received during the strategic process to approximate the current valuation. The Corporation previously recognized a permanent impairment of $7 million (recognized through earnings) during the year ended December 31, 2016.
ECR	The Earnings Coverage Ratio for KMH is below 1.0x if all distributions currently owed to the Corporation are included but none have been paid since March 2015.

Labstat International

Annual Distribution	CAD$5.5 million ($3.4 million fixed, $2.1 million via annual sweep), (or 5.5% 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	Since June 2012, the Corporation has 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 7.25% 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. This arrangement expires in June 2017 after which the distributions are expected to increase up to or closer to the originally scheduled amounts. Annualized fixed distributions of $3.42 million are scheduled again for the first half of 2017. Based on unaudited financial statements prepared by management for the year ended December 31, 2016, revenue is ahead by 18% and EBITDA finished the year 10% above the comparable period. The Corporation expects total distributions from Labstat of just over $5.5 million for 2017 (up to a maximum of $7.5 million based on the maximum 6% increase to the annual distributions). The accrual for the cash flow sweep for 2016 is based on the forecast prepared by management. $1 million of the sweep was paid in January 2017 with the remainder to be paid in April 2017 as per the terms of the agreement with Labstat.
Fair Value	The fair value of the Labstat units were unchanged during the three month period. The Corporation increased the fair value of Labstat $2.2 million to $49.2 million earlier in the December 31, 2016 fiscal year.
ECR	The Earnings Coverage Ratio has declined slightly since last quarter and continues to be in the 1.0x to 1.5x range.

LMS Reinforcing Steel Group

Annual Distribution	CAD$4.9 million (or 4.9% of annualized revenue)
Description	LMS is a western Canadian based (with operations now also in Southern California) concrete reinforcing steel fabricator and installer.
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, 2016, revenue is modestly ahead of the prior year, while gross profit and EBITDA are modestly behind the prior year. LMS has experienced strong volumes and work on hand across each of its residential, commercial and infrastructure business segments in British Columbia while some of the Alberta work has seen a decline. The recently acquired US business has seen some early improvement. LMS benefited from increased volume and consistent margins over the past few years, and based on work on hand, LMS management expects continued success throughout the 2017 fiscal year due to infrastructure spending in Alberta and British Columbia, and operating improvements and volume increases out of LMS' US facility.
Fair Value	The fair value of the Canadian LMS units was reduced by $3 million to $30.2 million during the three and twelve months ended December 31, 2016 as future growth assumptions for Western Canada operations have been reduced. The LMS US units' fair value remained at US$4.35 million at December 31, 2016.
ECR	The Earnings Coverage Ratio for LMS improved since last quarter and remains between 1.0x and 1.5x.

Matisia

Annual Distribution	US$2.7 million (or 3.6% of annualized revenue)
Description	Matisia 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.) announced a contribution of US$18.0 million to Matisia LLC (the "Matisia Contribution") in exchange for an annual distribution of US$2.7 million (the "Matisia Distribution"). The Matisia contribution is comprised of US$12 million of permanent preferred units (the "Permanent Matisia Units") and US$6.0 million of redeemable preferred units ("Redeemable Matisia Units"). This is the first transaction for the Alaris Small Cap Division, which is operated through a wholly owned subsidiary Salaris Small Cap Royalty Corp. ("Salaris") and its subsidiary Salaris USA. The Redeemable Units can be redeemed at any time at par by Matisia, and entitle Alaris to an annual distribution of US$0.9 million out of the US$2.7 million total distributions. The Matisia Distribution will reset +/- 5% based on Same Client Revenue, with the first reset taking place on January 1, 2018.
Performance	The Matisia Contribution closed late in 2016, therefore there is no performance update.
Fair Value	The fair value of Matisia is consistent with the investment amount of US$18.0 million. Growth expectations have remained unchanged from when the transactions was completed.
ECR	The Earnings Coverage Ratio for Matisia is between 1.5x to 2.0x on a proforma basis.

PF Growth Partners

Annual Distribution	US$6.5 million (or 8.5% of annualized revenue)
Description	Planet Fitness, through its affiliates, operates over 50 fitness clubs in Maryland, Tennessee, Florida and Washington (as of December 31, 2016) as a franchisee of Planet Fitness® and has area development agreements ("ADA's") to open over 50 new Planet Fitness® clubs in those same States. Planet Fitness has grown to become one of the top 3 largest non-corporate affiliated franchisees in the Planet Fitness® system. Planet Fitness has a very repeatable, predictable and scalable business model and intends to open additional clubs over the next twelve months and currently employs over 450 individuals company-wide.
Contribution History	In November 2014, the Corporation announced the purchase of 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 distributions of US$6.2 million to Alaris 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, 2016, Planet Fitness' revenue and EBITDA are both over 30% ahead of the prior year. The Corporation therefore expects a positive reset increasing our distribution to approximately US$6.5 million. For 2015, same club sales exceeded the maximum 5% thus increasing the distributions to US$6.22 million for 2016.
Fair Value	The fair value of the Planet Fitness units increased by US$1.0 million during the quarter and US$1.8 million for the year ended December 31, 2016 as the business hit another maximum 5% increase in the annual distribution. 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 has increased since the last quarter and remains between 1.5x and 2.0x.

Providence Industries

Annual Distribution	US$4.5 million (or 5.9% 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. The Company has an experienced management team with significant industry "know-how", which is supported by a talented workforce of over 300 employees. Providence plans to continue to grow with current customers and add new customers that complement its current client and sourcing bases. The Company is headquartered in Long Beach, CA.
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, 2016, Providence's revenue and EBITDA are both significantly ahead of the prior year. The first reset of the annual distributions is not until January 1, 2018.
Fair Value	The Providence units were purchased in April 2016 and no significant changes have occurred so the fair value is what the Corporation paid for the units plus capitalized costs, US$30.5 million. 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 increased since last quarter and is well over 2.0x.

Sandbox

Annual Distribution	US$3.3 million (or 4.3% 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. The company plans to continue to acquire and combine regional marketing communication companies that would complement the entire organization through diversity of clients and industries, skill sets and expertise. Sandbox is headquartered in Chicago, IL with offices in Chicago, Kansas City, Indianapolis, Des Moines, Santa Monica, New York and Toronto.
Contribution History	On March 8, 2016, the Corporation announced the purchase of preferred units in Sandbox for an aggregate acquisition cost of US$22 million. Annual growth or decline in Sandbox's annualized distributions of US$3.3 million to Alaris is capped at 6% and is based on the change in gross revenue.
Performance	Based on unaudited financial statements provided by management for the year ended December 31, 2016, revenue is 5% ahead and EBITDA is approximately 20% behind the prior year as Sandbox integrated several acquisitions and had modest customer turnover.
Fair Value	The Sandbox units were purchased in March 2016 and no significant changes have occurred so the fair value is what the Corporation paid for the units plus capitalized costs, US$22.7 million. The fair value of the Sandbox units in Canadian dollars will fluctuate each quarter with foreign exchange rates.
ECR	The Earnings Coverage Ratio is unchanged and remains between 1.0x and 1.5x.

SCR Mine Services

Annual Distribution	CAD$5.66 million (or 5.6% of annualized revenue)
Description	SCR provides mining, surface and underground construction, electrical and mechanical services to the Canadian mining industry.

Contribution History	In May 2013, the Corporation purchased partnership units in SCR 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, 2016, SCR's revenue and EBITDA were both significantly behind prior year results due to the loss of one large customer because of a change in mining techniques as well as a general slowdown in the Canadian mining sector. Recent months have seen modest increases in revenue and positive cash flow and a meaningful increase in new work tenders. SCR has significant cash on its balance sheet, no debt and annual distributions were scheduled at $6.02 million for 2016 after the maximum 6% decline in gross revenue effective January 1, 2016. The Corporation has received $2.5 million of those distributions that were paid in January through May 2016. Beginning in June 2016, distributions ceased being paid to allow SCR to maintain sufficient liquidity to gain market share as the industry moves off historical lows and have the flexibility to bid on new projects that will require working capital investment. While the Corporation hopes to collect unpaid distributions from July to December 2016, no accrual has been made for distributions in the last six months of 2016 as there is uncertainty around the timing of collection (only $0.5 million representing the June 2016 distribution is in trade and other receivables). For 2017, the Corporation intends to amend the agreement with SCR to 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, the Corporation will provide an update once they have been completed.
Fair Value	There was no change in fair value during the three months ended December 31, 2016. The Corporation reduced the fair value of the SCR units by $2.5 million to $30.5 million during the year ended December 31, 2016.
ECR	The Earnings Coverage Ratio for SCR improved since the last quarter and remains below 1.0x.

Sequel

Annual Distribution	US$12.24 million (or 16.1% of annualized revenue)
Description	Sequel is a privately owned company founded in 1999 which develops and operates programs for youth with behavioral, emotional, or physical challenges.
Contribution History	Since July 2013, the Corporation has purchased preferred LLC units in Sequel Youth and Family Services, LLC ("Sequel") for an aggregate acquisition cost of US$73.5 million through two tranches. Annual growth or decline in Sequel's distributions to Alaris is capped at 5% and is based on same program sales.
Performance	Based on unaudited financial statements prepared by Sequel management, for the year ended June 30, 2016, same programs sales increased by approximately 4% and distributions increased accordingly to US$12.2 million for the twelve months ended June 30, 2017. Based on unaudited information for the six months ended December 31, 2016, revenues and EBITDA are both slightly ahead of the prior year. During the quarter ending December 31, 2016 the Corporation was notified by Sequel that they intended to enter into a merger agreement with a third party, whereby it is proposed that Alaris will receive a cash distribution of US$30 million from Sequel as well as retain US$62.2 million of new

	preferred equity in Sequel, a total notional value of US$92.2 million on Alaris' invested capital of US$73.5 million (approximately 7.5x the current annual distribution). It is also proposed that Alaris will receive a continuing annual distribution of US$6.2 million representing a 14.2% yield on Alaris' remaining cost base in Sequel of US$43.5 million. The Sequel Transaction is subject to a number of approvals and conditions with an expected closing in Q2 2017.
Fair Value	The fair value of the Sequel units was increased US$2.8 million to US$81.25 million during the year ended December 31, 2016. The Corporation decided against increasing the fair value to US$92.2 million mentioned above as that transaction was not formally agreed to by Sequel until subsequent to December 31, 2016. The fair value of the Sequel units will also fluctuate each quarter with foreign exchange rates.
ECR	The Earnings Coverage Ratio for Sequel has decreased slightly since last quarter and remains between 1.0x and 1.5x.

SM Group

Annual Distribution	CAD$6.0 million (or 6.0% of annualized revenue)
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 out of a maximum $17 million demand facility as at December 31, 2016.
Performance	Based on unaudited information for the year ended December 31, 2016, revenues are behind and EBITDA is ahead of the prior year. Distributions are being accrued at a current annual run rate of $6.4 million. As previously disclosed, early in 2015 Group SM was dealing with cash constraints brought on by several factors, including the funding of a new business segment, declines in profit margin as well as costs associated with a lawsuit against an international customer, which resulted in significantly increased legal expenses and a decrease to its international bonding capability. As a result, Group SM was in breach of certain financial covenants and its senior lender suspended the monthly distribution to Alaris beginning in Q3 2015 and continuing today. A combination of capital injections early in 2016, improvements to the company's cost structure (that have been evident in recent monthly financial reports), and the cessation of the majority of legal costs associated with the lawsuit as well as an anticipated improvement in credit capabilities are expected to improve Group SM's cash flow position going forward. The Corporation remains confident in the management team at Group SM and the long-term prospects for the business remain positive. However, the business is currently constrained by a lack of bonding capabilities on large international contracts while the aforementioned lawsuit is ongoing as well as credit capacity issues on its revolving line of credit. Upon a successful settlement of the lawsuit as mentioned above, resulting in an anticipated significant cash award to Group SM, the Corporation expects collection of all outstanding distributions and promissory note interest from

	2015 and 2016 ($11.2 million at December 31, 2016) and also expects the outstanding principal, and fees on the loans provided to Group SM to be repaid ($18 million at December 31, 2016). If the lawsuit is not settled in Group SM's favor, other alternatives will have to be utilized to address the cash constraints, such as replacing Group SM's current lender or a full sale of the company and Alaris will have to revise its expectations around future distributions and collectability of amounts outstanding. A resolution of the lawsuit will open up international bonding capabilities, regardless of the outcome. Alaris is not directly involved in the process so unfortunately unable to comment on the expected timing of a resolution. An update will be given when a definitive outcome is reached. Subsequent to December 31, 2016, Group SM received a commitment letter from a new lender that will take out the majority of the debt held by the current senior lender. Included in the commitment letter is a clear path to restarting distributions so long as certain financial covenants are met. This letter is not contingent on the resolution of the international dispute and will considerably reduce monthly fees being paid to the current senior lender and improve monthly cash flow.
Fair Value	The fair value of the Group SM units was reduced by $2.4 million to $40.2 million in the three and twelve months ended December 31, 2016 due to expectations of a negative 5% reset for 2016 and lower growth expectations moving forward.
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.

PARTNERS REPURCHASED IN 2016

Mid-Atlantic Healthcare

Description	In December 2016, the Corporation was repurchased by MAHC after almost one year, as our Partner received an unsolicited offer from a strategic competitor. During the life of the investment, the Corporation received US$6.0 million in monthly and owed distributions and sold its units for US$14.3 million, slightly above the investment cost for total gross proceeds of US$20.3 million, a 56.3% Internal rate of return ("IRR").

Solowave

Description	During the year ended December 31, 2016, the Corporation exited the Solowave investment after six successful years as a Partner. Since December 31, 2010, on total capital contributions of $42.5 million, the Corporation received $31.4 million of distributions and sold its units for $44.6 million for total gross proceeds of $76.0 million and an IRR of 17%.

LifeMark

Description	During the year ended December 31, 2016, the Corporation exited the LifeMark investment after eleven successful years as a Partner. Since December 31, 2004, on total capital contributions of $67.5 million, the Corporation received $77.2 million of regular monthly distributions and sold its units for $123.4 million for total gross proceeds of $200.6 million and an IRR of 27%.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2016 the Corporation has a $200 million credit facility, (with an additional $50 million accordion facility) with a syndicate of Canadian chartered banks. The interest rate on the facility is prime plus 2.25% (4.95% at December 31, 2016). At December 31, 2016, the facility had $99.4 million drawn. The covenants on the facility were all met and include a maximum debt to Contracted EBITDA of 1.75:1 (can extend to 2.25:1 for up to 90 days) (December 31, 2016 – 1.40:1), minimum tangible net worth of $450 million (December 31, 2016 - $648.5 million); and a minimum fixed charge coverage ratio of 1:1 (December 31, 2016 – 1.14:1).

For the year ending December 31, 2016, dividends were declared of $1.62 per share and $58,842,317 in aggregate. In the prior year period, dividends were declared totalling $1.56 per share and $52,625,706 in aggregate.

For the three months ending December 31, 2016, dividends were declared of $0.135 per month for a total of $0.405 per share and $14,716,103 in aggregate. In the prior year period, dividends were declared of $0.135 per month for a total of $0.405 per share and $14,564,409 in aggregate.

The Corporation had 36,336,057 voting common shares outstanding at December 31, 2016. The Corporation had working capital of approximately $37.7 million at December 31, 2016. 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, 2016 and December 31, 2015 is set forth in the tables below.

Working Capital	31-Dec-16	31-Dec-15
Cash	$29,490,843	$20,990,702
Prepayments	2,097,070	2,434,451
Income tax receivable	-	3,528,509
Trade and other receivables	16,762,204	10,577,985
Total Current Assets	$48,350,117	$37,531,647
Accounts payable & accrued liabilities	3,057,457	2,138,132
Dividends payable	4,905,368	4,900,869
Foreign exchange contracts	712,349	5,345,488
Income tax payable	2,007,244	1,841,634
Total Current Liabilities	$10,682,418	$14,226,123
Net amount at December 31st	$37,667,699	$23,305,524

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 note receivable	Loans and receivables	Amortized cost
Preferred LP and LLC units	Available for sale	Fair value
Loan receivable	Available for sale	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Bank indebtedness	Other liabilities	Amortized cost
Derivative financial instruments	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 80-100% 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, 2016, for the next twelve months, total contracts of $29.6 million USD average $1.326 CAD. For the following twelve months, total contracts of $14.9 million USD average $1.312 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-16	Total	0-6 Months	6 mo – 1 yr	1 – 2 years	3 – 4 years
Accounts payable and accrued liabilities	$3,057,457	$3,057,457	$-	$-	$-
Dividends payable	4,905,368	4,905,368	-	-	-
Foreign exchange contracts	712,349	560,308	(132,577)	284,618	0
Income tax payable	2,007,244	2,007,244	-	-	-
Loans and borrowings	99,382,999	-	-	-	99,382,999
Total	$110,065,417	$10,530,377	($132,577)	$284,618	$99,382,999

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, 2016. 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, 2016. 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 and provide reasonable assurance regarding the reliability of the Corporation's financial reporting and its preparation of financial statements for external purposes in accordance with International Financial Reporting Standards and are effective as of December 31, 2016.

Internal controls over financial reporting, no matter how well designed, have inherent limitations and can only provide reasonable assurance with respect to financial statement presentation and may not prevent or detect all misstatements.

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 annual leasing commitments of $1.5 million.

Contractual Obligations	Total	< 1 year	1 – 3 years	4 – 5 years	> 5 years
Long term debt	$99,382,999	$-	$-	$99,382,999	$-
Office lease	1,478,885	39,143	1,376,542	$-	$-
Total Contractual Obligations	$100,861,884	$39,143	$1,376,542	$99,382,999	$-

TRANSACTIONS WITH RELATED PARTIES

The Company had no transactions with related parties for the years ending December 31, 2016 or 2015.

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	2016	2015
Base salaries and benefits	$876,492	$876,492
Bonus	519,480	360,000
Share-based payments (non-cash)	520,397	2,611,211
Total	$1,916,369	$3,847,703

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, the amount of liabilities for services provided but not yet invoiced, stock-based compensation expenses, valuation of accounts receivable and promissory notes and future income tax amounts.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Corporation, except for IFRS 9, Financial Instruments, effective for fiscal years beginning on or after January 1, 2018, which could change the classification and measurement of financial assets. The Corporation does not plan to adopt this standard early and is currently analyzing the impact of the standard and will disclose the impact in its first quarter 2017 interim financial statements.

SUMMARY OF ANNUAL AND QUARTERLY RESULTS

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

Annual Results Summary	2016	2015	2014
Revenue	$ 100,042	$ 82,846	$ 69,305
Earnings	66,553	57,529	49,049
Basic and Diluted Income per Share/Unit	Basic - $1.83	Basic - $1.70	Basic - $1.61
	Diluted - $1.81	Diluted - $1.68	Diluted - $1.58
Total Assets	787,221	788,210	579,897
Total Liabilities	132,523	111,164	50,217
Cash Dividends/Distributions declared per Share/Unit	Basic - $1.62	Basic - $1.55	Basic - $1.469
	Diluted - $1.60	Diluted - $1.53	Diluted - $1.44

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

Quarterly Results Summary	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15
Revenue	$27,259	$22,867	$24,913	$24,566	20,683	19,082	17,734	19,763
Earnings	$21,724	$17,025	$7,043	$20,842	20,550	6,466	8,951	21,803
Basic and Diluted Income (loss) per Share/Unit	$0.60	$0.47	$0.19	$0.57	$0.57	$0.18	$0.28	$0.68
	$0.59	$0.46	$0.19	$0.57	$0.56	$0.18	$0.27	$0.66

In Q4 2016, the Corporation recorded a $0.9 million gain 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 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; in Q1 2015 the Corporation recorded a $2.8 million gain on the Killick redemption that increased revenue and earnings in that period.

OUTSTANDING SHARES

At December 31, 2016, the Corporation had authorized, issued and outstanding, 36,336,057 voting common shares.

For the three month period ended December 31, 2016 no additional shares were issued. For the year ended December 31, 2016 the Company issued 32,821 common shares upon the exercise of stock options vested and 500 common shares from the exchange of RSU's.

At December 31, 2016, 301,664 RSUs and 1,726,182 stock options were outstanding under the Corporation's long-term incentive compensation plans. 669,799 stock options are out of the money at December 31, 2016. The weighted average exercise price of the outstanding options is $26.94.

Subsequent to December 31, 2016, the Corporation issued 35,711 common shares upon the exercise of stock options and 72,369 common shares from the exchange of RSUs.

At March 7, 2017, the Corporation had 36,444,137 common shares outstanding.

CRA UPDATE

In 2015, the Corporation received a notice of reassessment from the Canada Revenue Agency in respect of its taxation year ended July 14, 2009. In 2016, the Corporation received a notice of reassessment from the Canada Revenue Agency in respect of its taxation years ended December 31, 2009 through December 31, 2015 (the "Reassessments"). Pursuant to the Reassessments, the deduction of approximately $121 million of non-capital losses and utilization of $2.3 million in investment tax credits by the Corporation was denied, resulting in reassessed taxes and interest of approximately $40.1 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 its July 14, 2009 tax return, and each return filed after that date, were filed correctly and it will be successful in appealing such Reassessment. The Corporation intends to vigorously defend its tax filing position. In order to do that, the Corporation was required to pay 50% of the reassessed amount as a deposit to the Canada Revenue Agency. The Corporation paid $10.7 million in deposits in 2015 and an additional $4.3 million in 2016 relating to these reassessments. 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 subsequent to December 31, 2016, on the same basis. Remaining investment tax credits of $4.9 million at December 31, 2016 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 of approximately $4.9 million at December 31, 2016.

Tax Year	ITCs Applied	Pools Applied	Tax, interest & penalties
2009 – 2014	-	110,655	34,456
Dec-15	2,315	10,560	5,620
Total	$2,315	$121,215	$40,076

SUBSEQUENT EVENTS

Subsequent to December 31, 2016, the Corporation contributed US$4 million to C&C Communications LLC ("ccComm") for an annualized distribution of US$0.6 million.

Subsequent to December 31, 2016, the Corporation also gave formal consent to Sequel to enter into a merger agreement with a third party, whereby Alaris will receive a cash distribution of US$30 million from Sequel as well as retain US$62.2 million of new preferred equity in Sequel, a total notional value of US$92.2 million on Alaris' invested capital of US$73.5 million (approximately 7.5x the current annual distribution). Alaris will receive a continuing annual distribution of US$6.2 million representing a 14.2% yield on Alaris' remaining cost base in Sequel of US$43.5 million. The Sequel Transaction is subject to approvals and conditions with an expected closing date of Q2 2017.

OUTLOOK

Based on Alaris' current agreements with its partners, it expects revenues of approximately $83.4 million for 2017 (no revenue to be accrued for Kimco or SCR, only amounts received will be recorded). For the first quarter of 2017, those same agreements provide for revenues of approximately $20.9 million for the Corporation. Annual general and administrative expenses are currently estimated at $8.3 million annually and include all public company costs.

The Corporation's annualized payout ratio is just over 100% with no distributions from SM, Kimco, SCR and KMH. The table below sets out our estimated current run rate of net cash from operating activities alongside the after-tax impact of the various resolutions management is working toward:

Annualized Cash Flow *(in 000's)*	Comments	Amount ($)	$ / Share
Revenue	$1.32 USD/CAD exchange rate	$ 83,400	$ 2.30
General & Admins.		(8,300)	(0.23)
Interest & Taxes		(16,500)	(0.45)
Net cash flow		$ 58,600	1.61
Annual Dividend		59,000	1.62
Surplus / (Shortfall)		(400)	(0.01)
Other Considerations:			
KMH	Receive $26.9 million for units reduces interest expense	+1,250	+0.03
SM	Restart distributions & receive $28 million of proceeds	+5,900	+0.16
SCR & Kimco	Every $2 million in distributions received is $0.05/share	+1,600	+0.05
New Investments	Every $20 million deployed @ 15%	+1,515	+0.04
Sequel Roll	Partial Redemption (1)	-5,000	-0.14

(1) Sequel to pay a cash distribution of US$30 million while retaining US$62 million invested in return for annual distributions of US$6.2 million

The above table has been included for illustrative purposes, based on management's current expectations and assumptions. It should not be taken as a guarantee of future performance. See "Forward-Looking Statements" below for information that could cause future results to vary.

The senior debt facility was drawn to $99.4 million at December 31, 2016, with the capacity to draw up to another $80 million based on current covenants. The annual interest rate on that debt was approximately 4.95% at December 31, 2016 and remains at that level today.

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 2017. 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, 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 FACTORS

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 and our security interests are generally subordinated to the payment rights and security interests of a Private Company Partner's senior and/or lenders.

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 or new business lines; a downturn in its industry; negative economic conditions; 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 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

Taxation

The Corporation has been subject to tax reassessments by the CRA for the years 2009 through 2015 and could be subject to similar reassessments on future tax filings. If the Corporation is unsuccessful in defending any such reassessments it may have to pay additional taxes for prior periods and may incur financial penalty. See the “CRA Update” section in the Management Discussion & Analysis for further information regarding ongoing tax reassessments.

International Structure

Alaris has established Alaris Coop, Alaris USA, Salaris Coop 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.

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 new 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.

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 currency

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. 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 would be one reason why Alaris could not meet its obligations under the forward contracts. This could be as a result of 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 recently amended its credit facility to allow 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. The majority of Alaris' U.S. dollar investments were made at a much lower USDCAD exchange rate than the current spot USDCAD rate. Therefore, Alaris has significant unrealized gains on its U.S. dollar denominated investments to date, which, when/if they become realized gains (on the repurchase of our units) these may result in significant cash taxes being paid by us on those realized gains.

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, 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) beginning in 2016, has annually reported, and will continue to annually report, information to the Canada Revenue Agency ("CRA") about their US "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, causing 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 Sequel

Referral Loss	Sequel receives referrals from many sources and relies on these referrals to drive its business. Though Sequel has a well-diversified referral base and does not have significant exposure to a single referral source, the loss of a few major referral sources could have an adverse effect on Sequel's revenues.
Regulatory Environment	The healthcare industry in the United States is regulated at the federal, state and municipal levels. In order for Sequel to operate its business and obtain reimbursement from third party payors, they must obtain and maintain a variety of licenses, permits and certifications and accreditations. Failure to meet the regulatory requirements could have an adverse effect on Sequel's financial performance.
Healthcare Reform	Sequel relies on income generated from treating patients covered by health insurance, whether it is a government source or third party payor. If there were to be a material adverse change in the United States healthcare system as it relates to the coverage of mental and behavioral health it could have an adverse effect on Sequel's financial performance.

Reimbursement Rate Reductions	Although Sequel does not have significant concentration from a single payor source, a reduction in the reimbursement rate by any of the payors in the industry could have an adverse effect on Sequel's financial performance.

Risks Relating Specifically to SMi

Conducting Business in Countries Prone to Political Instability, Corruption and Civil Unrest	SMi conducts business in countries which are prone to political instability, corruption and civil unrest. Any of these could lead to a negative impact on SMi's revenue and cash flow if they affect the business in any way.
Geographic Revenue Concentration	A significant amount of SMi's revenue is generated in the province of Quebec. SMi's business could be impacted if the Province of Quebec is affected by a prolonged period of stagnant or contracting economic activity; significant or prolonged bad weather or; the implementation of regulations which significantly impacts the industry in which the SMi operates, to name a few.
Quebec's Regulatory Environment	As a result of the unethical business practices of certain construction and engineering firms in Quebec, and the Charbonneau Inquiry which followed, certain regulations have been put in place to deter and prevent unethical business practices, specifically the need for Autorité des marchés financiers ("AMF") certification to bid on public projects larger than $10 million in size. Although SMi is currently approved to bid on this work, if it is not able to meet the requirements regulators have put in place it could have an impact on its business.
Balance Sheet	SMi needs to maintain a healthy balance sheet in order to continue to bid and be awarded larger contracts as many larger contracts require performance guarantees, bonds or letters of credit. A decline in credit worthiness could affect its ability to obtain these financial instruments which in turn could affect its ability to generate new revenue. SMi also needs to ensure that it collects its accounts receivable in a consistent and timely manner or it risks having working capital issues due to the nature of its business and the fact that their revolving credit facility uses accounts receivable as a borrowing base. An increase in day's sales outstanding can impact both the cash flows of the business and its borrowing base on its credit facility both of which could have an impact on distributions to Alaris.
Unethical behavior by Consortium Partners	SMi periodically bids on projects as a part of a consortium. If any member of the consortium partakes in unethical business practices, or is accused of corruption of any kind, it could have a negative effect on SMi's reputation as well as its financial position.
Failure to replace legacy contracts	SMi relies on revenues generated from long term contracts to fund the operations of SMi as well as the distributions payable to Alaris. New contracts to replace legacy revenue are sought out and entered into frequently. However, if SMi fails to replace the revenue from a significant legacy contract following its completion or termination it could affect its ability to fund the distribution payable to Alaris, as well as other commitments and operations.
Failure to have a positive settlement of outstanding lawsuit	As previously disclosed, SMi had incurred significant one-time costs associated with an outstanding lawsuit that it stands to be the beneficiary of, which along with other factors resulted in breach of certain financial covenants. As a result, its senior lender suspended the monthly distribution to Alaris and it has also not been able to receiving bonding for large international projects. Upon a successful settlement of the lawsuit resulting in significant financial award to SMi, the Corporation expects collection of all outstanding distributions from 2015 and 2016 in fiscal 2017 and also expects the outstanding principal on the loans provided to SMi to be repaid in 2017, as well as the resumption of regularly scheduled distributions to Alaris assuming its existing lender has been refinanced and that the health of the business supports cash payments. If the lawsuit is not settled in SMi's favor, other alternatives will have to be utilized to address the cash constraints and capital owed to Alaris and SMi's senior lender. A resolution of the lawsuit

	in SM's favour, regardless of cash award, will open up international bonding capabilities, regardless of the outcome.

Risks Relating Specifically to DNT

Exposure to residential development	During certain times, DNT chooses to have a higher percentage of its revenue generated from new residential development projects than commercial or infrastructure projects. Although it is DNTs 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

The business model for a number of our Private Company Partners includes an acquisition strategy involving the acquisition of businesses and assets. In addition, a Private Company Partner's business could launch a new business line or service offering. Achieving the benefits of acquisitions 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 or new business lines 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 or new business lines 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. 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 2017, including, without limitation, the earnings coverage ratio for the Partners; the revenues to be received by Alaris in 2017 (on an annual and quarterly basis); the Corporation's general and administrative expenses and cash requirements in 2017; the CRA proceedings (including the expected timing and financial impact thereof); the Corporation's payout ratio; changes in distributions from Partners; the proposed resolutions to outstanding issues with certain partners; anticipated repurchases by Partners; the impact of SM refinancing its senior debt; the timing and structure of the Sequel transaction; (including the structure, amount to be received by Alaris and the timing thereof); the impact and timing of cost reduction strategies, working capital improvement and other cash flow initiatives of certain Partners; expectations regarding the repurchase price to be paid by Agility for our preferred units; expected resets to Distributions payable to Alaris; 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 2017; 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 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, 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.