MANAGEMENT DISCUSSION AND ANALYSIS

For the period ended March 31, 2017

This management's discussion and analysis ("**MD&A**") should be read in conjunction with the unaudited financial statements for the three months ended March 31, 2017 and March 31, 2016 for Alaris Royalty Corp. ("**Alaris**" or the "**Corporation**"). The Corporation's unaudited condensed consolidated financial statements and the notes thereto have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting" and are recorded in Canadian dollars. These financial statements do not contain all disclosure required by IFRS for annual financial statements and, accordingly, should also be read in conjunction with the most recently prepared annual consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards. 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 March 31, 2017, 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 the Normalized EBITDA of a Partner divided by such Partner's sum of debt servicing (interest and principal), unfunded maintenance capital expenditures and distributions to Alaris.

Per Share values, other than earnings per share, refer to the related financial statement caption as defined under IFRS or related term as defined herein, divided by the weighted average basic shares outstanding for the period.

Fixed Charge Coverage Ratio refers to EBITDA 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

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

Three Months Ended March 31	**2017**	**2016**	**% Change**
Revenue per share	$0.57	$0.68	-16.2%
Normalized EBITDA per share	$0.50	$0.56	-10.7%
Net cash from operating activities per share	$0.41	$0.39	+5.1%
Dividends per share	$0.405	$0.405	+0.0%
Basic earnings per share	$0.33	$0.57	-42.1%
Fully diluted earnings per share	$0.32	$0.57	-43.9%
Weighted average basic shares outstanding (000's)	36,451	36,303	

The first three months saw a small deployment of capital (USD$4 million) into a new Partner ccCommunications LLC ("ccComm") in January with continued progress on the Partners currently experiencing some challenges including: the replacement of the senior lender and the subsequent restart of partial distributions scheduled for June 2017 for SM; the restart of partial distributions for SCR scheduled for July 2017; the continuing monthly distributions from Agility alongside meaningful additional payments on the unpaid distribution balance; subsequent to quarter end KMH entered into an investment agreement with a third party to fund a recapitalization of the Canadian business (subject to Ontario Ministry of Health and Alaris approval), the key transaction in the KMH strategic process; and improving and profitable monthly results from Kimco and SCR were all positive developments for the Corporation.

The three months ended March 31, 2017 was the first quarter in a number of years where there were decreases in both revenue and normalized EBITDA on a per share basis. This was due to a number of redemptions in 2016 that resulted in significant gains and successful conclusions to three of the Corporation's partnerships as well as not recording distributions for Kimco, Group SM and SCR in the current quarter. The redemptions, which generated $20.3 million in gains in 2016, meant lost revenue in the quarter from Solowave of $1.72 million, Mid-Atlantic of $0.68 million and LifeMark of $0.73 million for a total of $3.13 million. Revenue from Kimco and SCR was $3.16 million combined in Q1 of 2016 and nil in the current quarter. Revenue from Group SM was $1.6 million in Q1 of 2016 and nil in the current quarter as the Corporation has taken the position to only record Group SM revenue as received in 2017 though it intends to collect all that is contractually owed in 2017 (which is $1.6 million in Q1 2017). These losses in revenue were partially offset by new revenues of $3.38 million from Sandbox, Providence, Matisia and ccComm as well as new revenue from follow on contributions to LMS and Federal Resources and positive annual distribution resets for DNT, Planet Fitness, Federal Resources and Labstat. The net result was a $3.7 million decrease (15%) in revenue in the current quarter to $20.9 million compared to the prior year period total of $24.6 million (which included $1.6 million in revenue accrued for SM and $1.7 million in revenue accrued for Kimco). See "Private Company Partner Update" for more information on the individual Partners' performance.

Net cash from operating activities of $0.41 per share was an increase of 5.1% compared to Q1 2016. The increase is a result of reduced corporate costs and legal and accounting fees, and a lower realized foreign exchange loss on forward contracts. Dividends paid were $0.405 per share during three months ended March 31, 2017, an actual payout ratio of 98% in the quarter.

Partner Revenue (000's)	Quarter ended March 31, 2017	Quarter ended March 31, 2016	% Change	Comment
Sequel	$ 4,051	$ 4,057	-0.1%	Same program sales increase July 2016 and impact of FX
DNT	3,683	3,608	+2.1%	Gross revenue Reset +6% in Jan 2017
FED	2,796	2,429	+15.1%	Reset +6% in Jan 2017 and additional $6.9M contribution in April 2016
Planet Fitness	2,144	2,138	+0.3%	Same club sales reset +5% in Jan 2017 and impact of FX
Labstat	1,500	1,375	+9.1%	Resumption of full distributions beginning in July 2017 plus 6% reset
Providence	1,489	-	+100.0%	Contribution closed April 2016
LMS	1,206	1,087	+10.9%	Gross profit -1.6% Jan 2017, additional contribution of $4.35M USD in Mar 2016
Sandbox	1,091	270	+304.5%	Contribution closed March 2016
Agility Health	1,012	1,058	-4.3%	Distributions restarted in Oct 2016 and the impact of FX
Matisia	893	-	+100.0%	Contribution closed Sept 2016
End of the Roll	355	344	+3.0%	Increase in in same store sales May 2016
ccComm	171	-	+100.0%	Contribution closed Jan 2017
Solowave	-	1,720	-100.0%	Redemption of all units in Sept 2016
Kimco	-	1,654	-100.0%	Pause in distributions beginning July 2016
Group SM	-	1,594	-100.0%	Recording distributions as received, restart $200K per month June 2017
SCR	-	1,504	-100.0%	Pause in distributions June 2016
MAHC	-	684	-100.0%	Redemption of all units in Dec 2016
LifeMark Health	-	730	-100.0%	Redemption of all units in Jan 2016
	$ 20,391	**$ 24,253**	**-15.9%**	
Interest	490	313	+56.3%	Interest on promissory notes, Group SM increased notional outstanding
Total	**$ 20,881**	**$ 24,566**	**-15.0%**	

Finance costs were $2,014,096 compared to $1,516,730 in the prior year, a 32.8% increase due to a larger average notional debt outstanding in 2017.

Salaries and benefits were $636,351 in the period up 12.6% compared to $565,247 in the prior year period. The increase is due to a higher number of total employees than the comparable period.

For the three months ended March 31, 2017, the Corporation incurred stock-based compensation expenses of $841,126 (2016 - $1,100,517) which includes: $274,436 (non-cash expense) for the RSU Plan expense that is to be amortized over the thirty-six month vesting period of the plan (2016 - $685,474); and $566,690 (non-cash expense) for the amortization of the fair value of outstanding stock options (2016 - $415,043). 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 $721,220 compared to $945,976 in the prior year period and include office rent, travel and corporate administrative expenses. The 23.8% decrease was due to the timing of our annual conference expenses.

Legal and Accounting fees were $538,376 compared to $806,992 in the prior year period, the 33.3% decrease due mostly to lower corporate costs in 2017 compared to 2016 as Alaris incurred higher due diligence costs on transactions that were not completed in 2016.

Deferred income taxes for the three months ended March 31, 2017 were $801,306 compared to $4,319,067 in the prior year, an 81.4% decrease was a result of the future tax impact in our tax basis of our partners.

The Corporation recorded earnings of $11.8 million, EBITDA of $16.5 million and Normalized EBITDA of $18.1 million for the three months ended March 31, 2017 compared to earnings of $20.8 million, EBITDA of $27.8 million and Normalized EBITDA of $21.1 million for the three months ended March 31, 2016. During the past twelve months, the Corporation added four new Partners: Sandbox (March 2016), Providence (April 2016), Matisia (September 2016) and ccComm (January 2017); completed follow on investments to two partners; and experienced positive resets in four of our largest Partners. These were offset by the redemptions for LifeMark (March 2016), Solowave (September 2016) and MAHC (December 2016) and no distributions from Kimco, Group SM and SCR in 2017. The primary driver of the decrease in earnings in the current quarter was due to Alaris realizing a significant and extraordinary gain in the prior year period on the LifeMark redemption ($18.6 million in the first quarter of 2016) which increased earnings and EBITDA significantly in the prior year period.

Reconciliation of Net Income to EBITDA (thousands)	**Three Months Ended March 31, 2017**	**Three Months Ended March 31, 2016**
Earnings	**$ 11,849**	**$ 20,842**
Adjustments to Net Income:		
Amortization and depreciation	67	69
Finance costs	2,014	1,517
Income tax expense	2,631	5,330
EBITDA	**16,561**	**27,758**
Normalizing Adjustments		
Gain on disposal of investment	-	(18,566)
Foreign exchange loss/(gain)	1,583	11,955
Normalized EBITDA	**$ 18,144**	**$ 21,147**

Normalizing adjustments includes a $1.5 million loss on foreign exchange items, compared to a $12.0 million loss in the comparable 2016 period. The foreign exchange loss is comprised of a $0.3 million realized loss ($1.3 million realized loss in 2016) and an unrealized (non-cash) gain on foreign exchange contracts of $0.9 million compared to a gain of $3.8 million in the prior year period as the value of the USD decreased slightly from December 31, 2016, increasing the mark to market value of the forward contracts. The Corporation also had an unrealized (non-cash) loss of $2.1 million compared to an unrealized loss of $14.5 million in the prior year period due to the impact of the change in the US exchange rate from December 31, 2016 to March 31, 2017 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 May 8, 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 two month period ended February 28, 2017, revenue is slightly ahead and EBITDA trailing the comparable period due to increased direct salaries and 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 March 31, 2017, nor were the deferred payments made in their entirety. 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 September 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 (Agility paid US$100 thousand, and US$125 thousand in March and April respectively, while committing to pay US$150 thousand in each month May to September). Normal distributions re-started in October 2016 and continue today. 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 March 31, 2017.
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.

ccComm

Annual Distribution	US$0.6 million (or 0.8% of annualized revenue)
Description	ccComm is a Sprint retailer with over 50 locations throughout the Northwest and Central U.S. ccComm is expected to use the partnership to pursue a roll-up strategy in which Salaris expects to contribute additional capital to support ccComm's growth program.
Contribution History	In January 2017, the Corporation purchased preferred units in ccComm for US$4 million (CAD$5.4 million). The annual distribution (initial year US$0.6 million) will grow or decline based on net revenue to a cap of +/- 6%.
Performance	ccComm performance in the three month period ended March 31, 2017 has been positive with revenue and EBITDA growth.
Fair Value	The fair value of the units have not changed since investment date. The fair value of the ccComm units will fluctuate each quarter with foreign exchange rates but the underlying valuation of the ccComm units is evaluated each quarter.
ECR	The Earnings Coverage Ratio at March 31, 2017 is consistent with the metric at the investment date and remains between 1.5x and 2.0x.

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 with a mandatory annual redemption amount based on a predetermined formula commencing in 2017. The outstanding portion of the redeemable contribution converts to the same repurchase formula as the other $40 million of units after five years (June 2020).
Performance	Based on audited financial statements for the year ended December 31, 2016 DNT's gross revenue (the reset metric) and EBITDA increased greater than 15% compared to the year ended December 31, 2015, resulting in a maximum 6% increase to the annual distribution effective January 1, 2017. Based on unaudited financial statements provided by management for the two month period ended February 28, 2017, DNT's revenue and EBITDA are slightly behind prior year due the timing of projects. On a trailing twelve months basis, revenue and EBITDA are both significantly ahead of the prior year period.
Fair Value	There was no change in the fair value of the DNT units during the three month period ending March 31, 2017. The fair value of the DNT units in Canadian dollars will fluctuate each quarter with foreign exchange rates.
ECR	The Earnings Coverage Ratio has 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 ten months ended February 28, 2017 (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 that will be adjustable starting in 2018, subject to the same 6% collar.
Performance	Based on audited financial statements for the year ended December 31, 2016 FED’s gross revenue (the reset metric) and EBITDA increased greater than 10% compared to the year ended December 31, 2015, resulting in the maximum 6% increase to the annual distributions effective January 1, 2017. Based on unaudited financial statements provided by management for the two month period ended February 28, 2017, Federal Resource’s revenue and EBITDA is behind last year’s pace as the U.S. federal election, which is expected to have an overall positive on FEDs business, added short-term uncertainty pushing the timing of projects out a few months. However, on a trailing twelve months basis, revenue and EBITDA are both significantly ahead of the prior year period.
Fair Value	The FED Loan was made in June 2015 and the fair value of the FED Loan equals the face value and fair value of US$40 million. There was no change in the fair value of the FED units for the three months ending March 31, 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 declined slightly since the last quarter and remains between 1.0x and 1.5x.

Kimco

Annual Distribution	US$5.14 million (or 6.8% 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. Subsequent to the period ending March 31, 2017 the Corporation contributed an additional US$2 million, by way of an unsecured promissory note, to reduce total senior debt outstanding.
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 this amount over the long-term is reasonably assured. Alaris continues to work with the senior lender to help resolve the cash constraints, which led to 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 continue to show revenue increases, expense decreases resulting in EBITDA growth. 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, for the three months ended March 31, 2017 revenue slightly ahead of the prior year and EBITDA is well ahead of the prior year period.
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 March 31, 2017.
ECR	The Earnings Coverage Ratio for Kimco has improved since 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 two months ended February 28, 2017 revenues and EBITDA have both decreased compared to 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 March 31, 2017 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 $1.6 million of the $28 million paid to the Corporation from the sale of two KMH facilities as part of 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. Subsequent to quarter end, KMH entered into an investment agreement with a third party to fund a recapitalization of the Canadian business, the key transaction in KMH's strategic process. The third party has paid a deposit in excess of 50% of the transaction amount held in escrow and the transaction is subject only to Ontario Ministry of Health approval and Alaris consent. This transaction, along with two smaller transactions under way, will provide Alaris with the $26.4 million in proceeds it has been expecting for its units in KMH.
Fair Value	The fair value of the KMH units is unchanged at $26.4 million ($26.9 less the $0.5 million received in Q1 2017) for the three months ended March 31, 2017. 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.
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$6.5 million ($3.4 million fixed, $3.1 million via annual sweep), (or 6.4% 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 two month period ended February 28, 2017, revenue and EBITDA are both well ahead of the comparable period. The Corporation expects total distributions from Labstat of just over $6.5 million for 2017 (up to a

	maximum of $7.9 million based on the maximum 6% increase to the annual distributions). The accrual for the cash flow sweep for 2017 is based on the forecast prepared by management. For the 2016 sweep, $1 million was paid in January 2017 with the remainder paid in early May 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 ending March 31, 2017.
ECR	The Earnings Coverage Ratio has increased 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 4.8% 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 audited financial statements for the period ended December 31, 2016, gross profit, the performance metric used to reset the annual distributions was down 1.6%. Based on unaudited financial statements prepared by management for the two months ended February 28, 2017, revenue and EBITDA are both marginally behind the comparable period. LMS has experienced strong volumes and work on hand across each of its residential, commercial and infrastructure business segments in British Columbia while Alberta work has seen a decline. The recently acquired US business got off to a slower than expected start but has seen some improvement recently. 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 were unchanged during the three month period ending March 31, 2017. The LMS US units' fair value remained at US$4.35 million at March 31, 2017.
ECR	The Earnings Coverage Ratio for LMS decreased slightly 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. 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	Based on unaudited financial statements prepared by management for the two months ended February 28, 2017, revenue and EBITDA are trailing the comparable period as forecast as the beginning of 2016 included significant one time projects.
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 8.6% of annualized revenue)
Description	Planet Fitness, through its affiliates, operates over 50 fitness clubs in Maryland, Tennessee, Florida and Washington (as of March 31, 2017) 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 audited financial statements for the year ended December 31, 2016, Planet Fitness' revenue and EBITDA were both over 30% ahead of the prior year and same facility sales was well in excess of the maximum 5% increase which increased annual distributions by that same 5% effective January 1, 2017. Based on unaudited financial statements provided by management for the two months ended February 28, 2017, Planet Fitness' revenue and EBITDA are both ahead of the prior year.

Fair Value	The fair value of the Planet Fitness units are unchanged during the three months ended March 31, 2017. 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 prepared by management for the year ended December 31, 2016, Providence generated substantial growth in revenue, gross margin and EBITDA over the comparable period in 2015. The substantial increase is due to the growth in demand from their largest customer. Based on unaudited financial statements provided by management for the three month period ended March 31, 2017, 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 for the year ended December 31, 2016, Sandbox' revenue increased by 10% versus the comparable period and EBITDA was down 20% due to integration cost and general administrative costs. The revenue increase is expected to increase the annual distributions by the maximum 5% effective January 1, 2017. Based on unaudited financial statements provided by management for the two months ended February 28, 2017, revenue and EBITDA are both ahead of the comparable period.
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 has increased since last quarter 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 for the year ended December 31, 2016, SCR's revenue and EBITDA were both down significantly. The revenue decrease is expected to decrease the scheduled annual distributions by the maximum 6% effective January 1, 2017. Based on unaudited financial statements provided by management for the two month period ended February 28, 2017, SCR's revenue is down while EBITDA has improved versus the comparable two month period. SCR has significant cash on its balance sheet, no debt and annual distributions are scheduled at $5.3 million for 2017 after the maximum 6% decline in gross revenue effective January 1, 2017. Beginning in June 2016, distributions were suspended 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 or in the first three months of 2017 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, SCR has agreed to restart distributions of $100 thousand per month beginning July 2017. The Corporation intends to amend the agreement with SCR to include a fixed portion of $100 per month and a variable format based on available free cash flow with the ability to catch up previously unpaid distributions; the exact structure and terms of those amendments are still being finalized. The Corporation will provide an update once they have been formalized.
Fair Value	There was no change in fair value during the three months ended March 31, 2017.
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 information provided by management for the eight months ended February 28, 2017, revenues and EBITDA are both significantly ahead of the prior year as a result of two acquisitions. Same clinic sales (our reset metric) for the eight months ended February 28, 2017 is consistent with the comparable period. As mentioned last quarter, 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 which are ongoing, the timing of the transaction is now not expected until Q3 at the earliest.
Fair Value	The fair value of the Sequel units remained unchanged during the period ended March 31, 2017. The Corporation decided against increasing the fair value to US$92.2 million mentioned above as certainty of closing is not assured as of May 8, 2017. 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.

Group SM

Annual Distribution	CAD$6.38 million (or 6.2% 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 of unsecured promissory notes out of a maximum $17 million demand facility as at March 31, 2017. During the quarter an additional $5 million of secured promissory notes was provided to Group SM to provide bridge financing through Group SM's transition to a new senior lender. The $5 million is expected to be repaid in May 2017 as the new senior lender has credit committee approval and is finalizing documentation.
Performance	Based on unaudited financial statements for the year ended December 31, 2016, Group SM's revenue and EBITDA were both down over 15%. The revenue decrease is expected to decrease the scheduled annual distributions by the maximum 6% effective January 1, 2017. Distributions are scheduled at a current annual run rate of $6.38 million (based on a negative -6% decline in their reset effective January 1, 2017). Group SM was in breach of certain financial covenants and its senior lender suspended the monthly distribution to Alaris beginning in Q3 2015 continuing until March 31, 2017 when the senior lender was replaced with a new lender. The new lender has cleared the path to a restart of partial distributions as cash flow permits and SM is currently expecting to pay $200,000 per month starting in June 2017. The Corporation will record distributions as received until the resolution of the ongoing international litigation but it intends to collect all that is contractually owed in 2017 (which was $1.6 million in Q1 2017). 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 recent improvement in credit capabilities are expected to improve Group SM's cash flow position going forward. Upon the eventual successful settlement of an international customer dispute, 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 ($11.6 million at March 31, 2017) and also expects the outstanding principal, and fees on the loans provided to Group SM to be repaid ($23 million at March 31, 2017). If the lawsuit is not settled in Group SM's favor, or the proceeds to Group SM are less than currently expected, other alternatives will have to be utilized to address the cash constraints, such as 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 on major projects, 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.

Fair Value	The fair value of the Group SM units remained unchanged during the three months ended March 31, 2017.
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.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2017 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 March 31, 2017). At March 31, 2017, the facility had $98.6 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) (March 31, 2017: 1.26:1), minimum tangible net worth of $450 million (March 31, 2017: $644.0 million); and a minimum fixed charge coverage ratio of 1:1 (March 31, 2017: 1.20:1).

For the three months ending March 31, 2017, dividends were declared of $0.405 per share and $14,759,875 in aggregate. In the prior year period, dividends were declared totalling $0.405 per share and $14,702,607 in aggregate.

The Corporation had 36,444,137 voting common shares outstanding at March 31, 2017. The Corporation had working capital of approximately $28.4 million at March 31, 2017. Under the current terms of the various commitments, the Corporation has the ability to meet all current obligations as they become due.

WORKING CAPITAL

The Company's working capital (defined as current assets, excluding promissory notes and investment tax credits receivable, less current liabilities) at March 31, 2017 and December 31, 2016 is set forth in the tables below.

Working Capital	**31-Mar-17**	**31-Dec-16**
Cash	$19,536	$29,491
Prepayments	1,477	2,097
Foreign exchange contracts	182	(712)
Trade and other receivables	16,799	16,762
Total Current Assets	**$37,994**	**$47,638**
Accounts payable & accrued liabilities	2,307	3,057
Dividends payable	4,920	4,905
Income tax payable	2,341	2,007
Total Current Liabilities	**$9,568**	**$9,970**
Net amount at March 31st	**$28,426**	**$37,668**

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

FINANCIAL INSTRUMENTS

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

Financial Instrument	Category	Measurement Method
Cash and cash equivalents	At fair value through profit or loss	Fair value
Trade and other receivables	Loans and receivables	Amortized cost
Promissory 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 March 31, 2017, for the next twelve months, total contracts of $28.8 million USD average $1.334 CAD. For the following twelve months, total contracts of $10.2 million USD average $1.3228 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-Mar-17	Total	0-6 Months	6 mo – 1 yr	1 – 2 years	3 – 4 years
Accounts payable and accrued liabilities	($2,307)	($2,307)	$-	$-	$-
Dividends payable	(4,920)	(4,920)	-	-	-
Foreign exchange contracts	182	(28)	316	(118)	12
Income tax payable	(2,341)	(2,341)	-	-	-
Loans and borrowings	(98,620)	-	-	-	(98,620)
Total	**($108,006)**	**($9,596)**	**$316**	**($118)**	**($98,608)**

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

There are no changes in internal controls over financial reporting. A complete discussion of the internal controls over financial reporting can be found under the MD&A that accompany the audited financial statements for the year ended December 31, 2016.

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 $1.4 million.

Contractual Obligations	Total	< 1 year	1 – 3 years	4 – 5 years	> 5 years
Long term debt	98,620	$-	$-	$98,620	$-
Office lease	1,376	413	963	$-	$-
Total Contractual Obligations	$99,996	$413	$963	$98,620	$-

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 at a later date.

SUMMARY OF ANNUAL AND QUARTERLY RESULTS

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

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

Quarterly Results Summary	Q1-17	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15
Revenue	$20,881	$27,259	$22,867	$24,913	24,566	20,683	19,082	17,734
Earnings	$11,849	$21,724	$17,025	$7,043	20,842	20,550	6,466	8,951
Basic and Diluted Income	$0.33	$0.60	$0.47	$0.19	$0.57	$0.57	$0.18	$0.28
(loss) per Share/Unit	$0.32	$0.59	$0.46	$0.19	$0.57	$0.56	$0.18	$0.27

In Q4 2016, the Corporation recorded a $0.9 million gain as well as an additional $5.3 million in distributions on the MAHC redemption. In Q3 2016, the Corporation recorded a $1.6 million gain on the Solowave redemption that increased revenue and earnings in that period. In Q2 2016, a $7 million impairment charge 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 March 31, 2017, the Corporation had authorized, issued and outstanding, 36,444,137 voting common shares.

For the three month period ended March 31, 2017, the Company issued 35,711 common shares upon the exercise of stock options vested and 72,369 common shares from the exchange of RSU's.

At March 31, 2017, 265,545 RSUs and 2,079,671 stock options were outstanding under the Corporation's long-term incentive compensation plans. 2,079,671 stock options are out of the money at March 31, 2017. The weighted average exercise price of the outstanding options is $26.47.

At May 8, 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 period 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 $40.2 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, 2015, on the same basis. Remaining investment tax credits of $8.5 million at December 31, 2015 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 file its 2016 and 2017 tax returns by claiming the remaining available investment tax credits of approximately $8.5 million (as at December 31, 2015), reducing available investment tax credits to $3.6 million as at March 31, 2017.

Tax Year	ITCs Applied	Pools Applied	Tax, interest & penalties
2009 – 2014	-	110,655	34,579
Dec-15	2,315	10,560	5,639
Total	**$2,315**	**$121,215**	**$40,218**

OUTLOOK

Based on Alaris' current agreements with its partners, it expects revenues of approximately $85.8 million for 2017 (no revenue accrued for Kimco, $100,000 per month for SCR starting July 2017, and $200,000 per month for Group SM starting June 2017). Under those same assumptions, for the second quarter of 2017 those same agreements provide for revenues of approximately $21.2 million for the Corporation. Annual general and administrative expenses are currently estimated at $8.3 million annually and include all public company costs.

While Alaris continues to be disciplined in its capital deployment in an overheated marketplace, the company does expect to deploy capital in the current quarter based on transactions that are in progress.

The Corporation's Annualized Payout Ratio is approximately 97% with partial distributions from Group SM and no distributions from Kimco and SCR. 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	$ 85,800	$ 2.35
General & Admin.		(8,300)	(0.23)
Interest & Taxes		(16,500)	(0.45)
Net cash flow		**$ 61,000**	1.67
Annual Dividend		59,000	1.62
Surplus		**$ 2,000**	**0.05**
Other Considerations (after taxes and interest):			
KMH	Receive $26.9 million for units reduces interest expense	+1,250	+0.03
SCR	Receive $100K per month starting July 2017	+900	+0.02
SM	Full distributions & receive $28 million of proceeds	+3,600	+0.10
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 is expected to pay a cash distribution of US$30 million to the Corporation with Alaris retaining US$62 million invested in return for annual distributions of US$6.2 million. For more information, refer to the "Our Current Partners" section of Alaris' Annual Information Form, dated March 31, 2017.

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 $98.6 million at March 31, 2017, with the capacity to draw up to another $100 million based on current covenants. The annual interest rate on that debt was approximately 4.95% at March 31, 2017 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.

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 (Agility, KMH); the impact of SM refinancing its senior debt; the timing and structure of the Sequel transaction; (including the amount to be received by Alaris); expected capital deployment by the Corporation; the impact and timing of cost reduction strategies, working capital improvement and other cash flow initiatives of certain Partners; expected resets to Distributions payable to Alaris; the restart of Distributions from Group SM and SCR; the timing for collection of deferred or unpaid Distributions; and Alaris' ability to attract new private businesses to invest in. Many of these statements can be identified by looking for words such as "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. To the extent that any forward-looking statements herein constitute a financial outlook, including without limitation, estimated revenues), and expenses, Annualized Payout Ratio, and changes in distributions from Partners, they were approved by management as of the date hereof and have been included to assist readers in understanding management's current expectations regarding Alaris' financial performance and are subject to the same risks and assumptions disclosed herein. There can be no assurance that the plans, intentions or expectations upon which these forward looking statements are based will occur. Forward looking statements are subject to risks, uncertainties and assumptions and should not be read as guarantees or assurances of future performance. Accordingly, readers are cautioned not to place undue reliance on any forward looking information contained in this MD&A. Statements containing forward looking information reflect management's current beliefs and assumptions based on information in its possession on the date of this MD&A. Although management believes that the expectations represented in such forward looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

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