MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended March 31, 2018

This management's discussion and analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2018 for Alaris Royalty Corp. ("Alaris" or the "Corporation"). The Corporation's consolidated financial statements and the notes thereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and are recorded in Canadian dollars. Certain dollar amounts in the MD&A have been rounded to the nearest thousands of dollars.

This MD&A contains forward-looking statements that are not historical in nature and involve risks and uncertainties. Forward-looking statements are not guarantees as to the Corporation's future results since there are inherent difficulties in predicting future results. Accordingly, actual results could differ materially from those expressed or implied in the forward-looking statements. See "Forward Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to those statements. Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, the factors described under "Risks and Uncertainty". This MD&A also refers to certain non-IFRS measures, including EBITDA, Normalized EBITDA, Earnings Coverage Ratio, Contracted EBITDA, Annualized Payout Ratio, Tangible Net Worth and Per Share values as well as certain financial covenants defined below to assist in assessing the Corporation's financial performance. The terms EBITDA, Normalized EBITDA, Earnings Coverage Ratio, Contracted EBITDA, Annualized Payout Ratio, Actual Payout Ratio, Tangible Net Worth, Fixed Charge Coverage Ratio and Per Share values (the "Non-IFRS Measures") as well as certain financial covenants as defined below are financial measures used in this MD&A that are not standard measures under IFRS. The Corporation's method of calculating the Non-IFRS Measures may differ from the methods used by other issuers. Therefore, the Corporation's Non-IFRS measures may not be comparable to similar measures presented by other issuers. See "Results of Operations" for a reconciliation of EBITDA and Normalized EBITDA to earnings.

EBITDA refers to earnings determined in accordance with IFRS, before depreciation and amortization, net of gain or loss on disposal of capital assets, interest expense and income tax expense. EBITDA is used by management and many investors to determine the ability of an issuer to generate cash from operations. Management believes EBITDA is a useful supplemental measure from which to determine the Corporation's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and dividends.

Normalized EBITDA refers to EBITDA excluding items that are non-recurring in nature and is calculated by adjusting for non-recurring expenses and gains to EBITDA. Management deems non-recurring items to be unusual and/or infrequent items that the Corporation incurs outside of its common day-to-day operations. For the three months ended March 31, 2018 and 2017, the gains on the redemption of the Agility units, increase in fair value of investments, and KMH and Group SM bad debt expense are considered by management to be non-recurring charges. Foreign exchange realized and unrealized gains and losses are recurring but not considered part of operating results and excluded from EBITDA on an ongoing basis. Adjusting for these non-recurring items allows management to assess EBITDA from ongoing operations.

Normalized Earnings refers to earnings excluding items that are non-recurring in nature and is calculated by adjusting for non-recurring expenses, gains, non-cash unrealized gains and losses on foreign exchange items and the net tax impact of the adjustments to earnings. Management deems non-recurring items to be unusual and/or infrequent items that the Corporation incurs outside of its common day-to-day operations. The corresponding tax impact of the all non-recurring items is adjusted in Normalized Earnings. For the three months ended March 31, 2018 and 2017, the gain on the redemption of the Agility units and associated tax impact, increase in fair value of investments, and KMH and Group SM bad debt expense considered by management to be non-recurring charges. Foreign exchange realized and unrealized gains and losses are recurring but not considered part of operating results and excluded from earnings on an ongoing basis.

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

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

Fixed Charge Coverage Ratio refers to EBITDA less unfunded maintenance capital expenditures less income taxes divided by the sum of interest, debt repayments and dividends paid by Alaris.

Contracted EBITDA refers to EBITDA for the previous twelve months excluding proceeds from any disposition of investments and any distributions accrued and not received but including all projected contracted payments from new and existing investments for the twelve-month period following the investment date.

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

Actual Payout Ratio: Actual Payout Ratio refers to Alaris' total cash dividends paid during the period (annually or quarterly) divided by the actual net cash from operating activities Alaris generated for the period.

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

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

OVERVIEW

The Corporation earns its revenues by providing capital to private businesses (individually, a "Private Company Partner" and collectively the "Partners") in exchange for 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, 2018 Compared to Quarter ended March 31, 2017

Three Months Ended March 31	2018	2017	% Change
Revenue per share	$ 0.65	$ 0.57	+14.0%
Normalized EBITDA per share	$ 0.55	$ 0.50	+10.0%
Net cash from operating activities per share	$ 0.58	$ 0.41	+41.5%
Dividends per share	$ 0.405	$ 0.405	+0.0%
Basic earnings per share	$ (0.09)	$ 0.33	-127.3%
Fully diluted earnings per share	$ (0.09)	$ 0.32	-128.1%
Normalized basic earnings per share	$ 0.50	$ 0.36	+38.9%
Weighted average basic shares outstanding (000's)	36,481	36,451	

For the three months ended March 31, 2018, revenue per share increased by 14.0% due to distributions from new partners SBI, Accscient and Heritage, follow on contributions into Federal Resources, Sandbox and ccComm, full distributions from Labstat and positive resets from the majority of our portfolio. This was partially offset by the profitable redemptions of Sequel and Agility.

Normalized EBITDA of $0.55 per share increased by 10.0% on a per share basis compared to the three months ending March 31, 2017 due to higher distributions, partially offset by higher corporate expenses and legal and accounting fees. Net cash from operating activities was $0.58 per share, an increase of 41.5% compared to the three months ended March 31, 2017. The increase is a result of higher distributions, the collection of US$2.9 million of unpaid distributions upon redemption of the Agility units and the timing of tax payments. Dividends paid were $0.405 per share during three months ended March 31, 2018, an actual payout ratio of 69.2% for the period. Excluding the one-time collection of the Agility accrued receivables, the Actual Payout Ratio would have been 83.5%.

Partner Revenue (000's)	Three Months ended March 31, 2018	Three Months ended March 31, 2017	% Change	Comment
DNT	$ 3,626	$ 3,683	-1.5%	+6% Gross Revenue in Jan-18, offset by $2M redemption in 2017 and FX impact
SBI	3,492	-	+100.0%	Contribution closed Sept-17
FED	3,394	2,796	+21.4%	+6% Gross Revenue in Jan-18, follow on contribution Dec-17
Planet Fitness	2,170	2,144	+1.2%	+5% same club sales increase Jan-18, offset by FX impact
Labstat	2,104	1,500	+40.3%	+6% reset and max distributions in 2018 compared to cash flow sweep in 2017
Sandbox	1,813	1,091	+66.2%	Follow on contributions Sept-17 and Dec-17 and +6% reset Jan-18
Providence	1,495	1,489	+0.4%	+5% same customer sales increase, offset by FX impact
LMS	1,180	1,206	-2.1%	FX impact on USD distribution
Accscient	948	-	+100.0%	Contribution closed Jun-17
Unify	871	893	-2.6%	+2% gross revenue increase, offset by FX impact
Agility Health	637	1,012	-37.1%	Redemption of all units in Feb-18
Heritage	526	-	+100.0%	Contribution closed Jan-18
End of the Roll	390	355	+9.9%	3.9% increase in same store sales May-17
ccComm	307	171	+79.6%	Contribution closed Jan-17, additional contribution of US$2.2M in Aug-17
SCR	300	-	+100.0%	Pause in distributions beginning Jun-16, restarted Jul-17 at $100K per month
Sequel	-	4,051	-100.0%	Redemption of all units in Sept-17
Total Distributions	$ 23,252	$ 20,391	+14.0%	
Interest & other	388	490	-20.8%	Decrease in interest from Group SM as interest related to $17 million is accrued when received and none paid in current period
Total Revenue	$ 23,641	$ 20,881	+13.2%	

Finance costs were $2.7 million compared to $2.0 million in the prior year, a 36.3% increase due to higher interest rates on US and CDN denominated debt and a higher weighted average debt outstanding (average outstanding debt of $159.4 million for the three months ending March 31, 2018 versus $97.2 million for the comparable period in 2017).

Salaries and benefits were $0.7 million in the period, an increase of 7.1% compared to $0.6 million in the prior year period. The increase is due to some market increases to salaries for certain members of the management team.

Corporate and office were $1.0 million in the period, an increase of 33.2% compared to $0.7 million in the prior period. The increase is due to the timing of one time annual public company costs.

Legal and accounting fees were $1.1 million in the period an increase of 106.7% compared to $0.5 million in the comparable period. The increase is due to the Corporation incurring higher accounting and legal fees related to existing partners, legal fees on prospective deals which were expensed and corporate matters in 2018 (including the KMH strategic process and the Kimco restructuring).

For the three months ended March 31, 2018 the Corporation incurred stock-based compensation expenses of $0.8 million (2017 - $0.8 million) which includes: $0.5 million (non-cash expense) for the RSU Plan expense that is to be amortized over the thirty-six month vesting period of the plan (2017 - $0.5 million); and $0.3 million (non-cash expense) for the amortization of the fair value of outstanding stock options (2017 - $0.3 million).

The Corporation recorded a loss of $3.1 million, EBITDA of $2.8 million and Normalized EBITDA of $20.1 million for the three months ended March 31, 2018 compared to earnings of $11.8 million, EBITDA of $16.6 million and Normalized EBITDA of $18.1 million for the three months ended March 31, 2017. The 10.9% increase in Normalized EBITDA is a result of the addition of new partners (Heritage, SBI, Accscient), follow on contributions into existing partners (Federal Resources, Sandbox and ccComm) in addition to top of the collar resets for the majority of the portfolio, partially offset by the redemptions (Sequel and Agility) and higher corporate expenses. The loss in the period was due to the reserve on the KMH and Group SM notes.

Reconciliation of Net Income to EBITDA (thousands)	Three Months ended March 31, 2018	Three Months ended March 31, 2017
Earnings / (Loss)	(3,146)	$ 11,849
Adjustments to Net Income:		
Amortization and depreciation	65	67
Finance costs	2,745	2,014
Income tax expense	3,159	2,631
EBITDA	$ 2,823	$ 16,561
Normalizing Adjustments		
Gain / Loss on disposal of investment	(1,742)	-
Increase in investments at fair value	(3,531)	-
Bad debt expense	25,974	-
Unrealized (gain) / loss on foreign exchange	(3,259)	1,234
Realized (gain) / loss on foreign exchange	(139)	349
Normalized EBITDA	$ 20,125	$ 18,144

The Corporation also shows a Normalized Earnings in the below table as certain financial metrics can be impacted on occasion due to redemptions and partner exits:

Normalized Earnings	Three Months ended March 31	
in thousands except on per share basis	2018	2017
Earnings before the undernoted	$ (501)	$ 17,727
Finance costs	(2,745)	(2,014)
Increase in investments at fair value	(3,531)	-
Bad debt expense & reserve	25,974	-
(Gain)/Loss on redemption	(1,742)	-
Normalized Earnings pre-tax	$ 17,455	$ 15,713
Total income taxes	(3,159)	(2,631)
Tax normalizations for above items	3,900	(45)
Normalized Earnings	$ 18,196	$ 13,038
Normalized Earnings per share		
Basic	$0.50	$0.36
Fully diluted	$0.49	$0.35

Private Company Partner Update

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

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

The following is a summary of each of the Partners recent financial results. Included in this summary will be a comment on the Partners' Earnings Coverage Ratio ("ECR"). Because this information from time to time is based on unaudited information provided by Private Company Partner management, each ECR, based on the most current information for the trailing twelve months, will be identified as part of a range. The ranges are: less than 1.0x, 1.0x to 1.2x, 1.2x to 1.5x, 1.5x to 2.0x and greater than 2.0x. A result greater than 1 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 7, 2018. Interest from promissory notes is 2.7% of total revenue from Partners.

Accscient

Annual Distribution	US$3.0 million (or 4.0% of annualized revenue)
Description	Accscient provides IT Staffing, Consulting, and Outsourcing services and specializes in Digital Infrastructure Management, Enterprise Resource Planning, Business Intelligence and Database Administration.
Contribution History	In June 2017, the Corporation contributed US$20.0 million into Accscient LLC ("Accscient") (US$14.0 million permanent units and US$6.0 million redeemable units).
Performance	Based on unaudited statements provided by management for the two months ended February 28, 2018, revenue and EBITDA are consistent with the comparable period. The Accscient Distribution will be reset for the first time on January 1, 2019 based on the percentage change in gross profit from 2018 vs 2017 and has a collar of plus or minus 5%.
Fair Value	The fair value of the Accscient units remains unchanged at March 31, 2018. The fair value of the Accscient units will fluctuate each quarter with foreign exchange rates but the underlying valuation of the Accscient units is evaluated each quarter.
ECR	The Earnings Coverage Ratio is consistent with last quarter and remains between 1.2x and 1.5x, unchanged from the previous period and the date of investment.

ccComm

Annual Distribution	US$0.93 million (or 1.2% of annualized revenue)
Description	ccComm is a Sprint retailer with over 65 locations throughout the Northwest and Central U.S.
Contribution History	In January 2017, the Corporation purchased preferred units in ccComm for US$4.0 million. The Corporation contributed an additional US$2.2 million in August 2017 to complete an acquisition of additional Sprint retail locations.
Performance	ccComm's revenue and EBITDA have increased marginally for the two months ended February 28, 2018, compared to the same period in 2017. Distributions (currently US$0.93 million) will increase or decrease based on net revenue to a collar of +/- 6%. Based on unaudited results, the Corporation expects the ccComm Distribution to reset +6%,

	effective January 1, 2018.
Fair Value	The fair value of the ccComm units will fluctuate each quarter with foreign exchange rates but the underlying valuation of the ccComm units is evaluated each quarter. The fair value of ccComm units remains unchanged at March 31, 2018.
ECR	The Earnings Coverage Ratio at March 31, 2018 has decreased slightly from last quarter but remains over 2.0x.

DNT Construction

Annual Distribution	US$11.4 million (or 15.2% 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 in the Austin, San Antonio corridor.
Contribution History	In June 2015, the Corporation purchased preferred units in DNT, for an aggregate acquisition cost of US$70.0 million (US$40.0 million permanent units and US$30.0 million redeemable units).
Performance	Based on unaudited financial statements provided by management for the two months ended February 28, 2018, DNT's revenue and EBITDA are slightly behind the comparable period. Annual increase or decrease in DNT's Distribution to Alaris is subject to a collar of +/- 6% and is based on gross revenues. Based on audited results the 2018 DNT distributions increased +6% effective January 1, 2018.
Fair Value	There was no change in the fair value of the DNT units during the three months ending March 31, 2018. The fair value of the DNT units in Canadian dollars will fluctuate each quarter with foreign exchange rates.
ECR	The Earnings Coverage Ratio has increased slightly since last quarter and remains just below 1.5x (between 1.2x and 1.5x).

End of the Roll Carpet and Flooring

Annual Distribution	CAD$1.27 million (or 1.3% of annualized revenue)
Description	End of the Roll is a Canada-wide retail flooring franchise system and completed its thirteenth fiscal year as an Alaris partner on April 30, 2018.
Contribution History	The Corporation's original contribution of $7.2 million in End of the Roll was in 2005.
Performance	Based on unaudited financial statements for the nine months ended January 31, 2018 (year end of April 30th), revenue and EBITDA are both exceeding the comparable period. Based on audited financial statements for the year ending April 30, 2017, End of the Roll revenue and EBITDA increased compared to the previous year. This resulted in a +3.2% increase to annual distributions effective May 1, 2017.
Fair Value	The End of the Roll transaction is recorded as an intangible asset, amortized over 80 years and is reviewed for impairment when triggers exist. No impairment triggers exist at this time.

ECR	The Earnings Coverage Ratio for End of the Roll has increased since the last quarter and continues to be well over 2.0x.

Federal Resources

Annual Distribution	US$10.69 million (or 14.7% 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.
Contribution History	In June 2015, the Corporation announced a US$7.0 million subscription for preferred stock (the "FED Units") of Federal Resources and a US$40 million secured subordinated loan (the "FED Loan") to Federal Resources, for an aggregate cost of US$47 million. In exchange for the Federal Resources Units and Loan, the Corporation was initially entitled to a combined US$7.1 million of annual distributions. In April, 2016 and December 2017 Alaris made additional contributions of US$6.5 million and US$13.5 million in subsidiaries of Federal Resources. The additional contributions were used to fund or partially fund acquisitions in their industry.
Performance	Based on unaudited financial statements provided by management for the two months ended February 28, 2018, Federal Resource's revenue and EBITDA are both well ahead of the comparable period. Commencing in January, 2017, Alaris became entitled to receive an annual preferred dividend based on an increase to Federal Resources' gross revenues (subject to a +/-6% collar and based on a predetermined formula). Based on unaudited results provided by Federal Resources management, the Corporation expects the distribution to reset +6% effective January 1, 2018.
Fair Value	The Federal Resources Loan was made in June 2015 and the fair value of the Federal Resources Loan equals the face value and fair value of US$40 million. The fair value of the Federal Resources units remains unchanged at March 31, 2018. The fair value of the Federal Resources Units and the Federal Resources Loan in Canadian dollars will fluctuate each quarter with foreign exchange rates.
ECR	The Earnings Coverage Ratio for Federal Resources has increased since the last quarter and remains between 1.2x and 1.5x.

Heritage Restoration, Inc.

Annual Distribution	US$2.3 million (or 3.0% of annualized revenue)
Description	Heritage Restoration, Holdings, LLC ("Heritage") is a leading specialty contractor providing masonry and masonry related services to the commercial building industry. With a focus on the restoration of existing structures, Heritage's services include masonry procurement, installation and restoration, concrete structure restoration, waterproofing and coating repair, Heritage provides quality customer service and workmanship throughout the entire New England area, employing over 100 highly skilled masons; carpenters; and laborers during peak times.
Contribution History	On January 23, 2018, the Corporation entered into subscription and operating agreements with Heritage, pursuant to which the Corporation invested US$15.0 million ("Heritage Contribution") in exchange for preferred units in Heritage (the "Heritage Units"). The Corporation is entitled to an annual distribution of US$2.3 million ("Heritage Distribution") for the first full year following the transaction, which equates to an initial yield of 15%. US$3.0 million of the Heritage Units are redeemable at par at

	any time.
Performance	There has been no change in Heritage's performance since the transaction closed in January 2018.
Fair Value	The fair value of the Heritage Units remains unchanged at March 31, 2018. The fair value of the Heritage units in Canadian dollars will fluctuate each quarter with foreign exchange rates.
ECR	The Earnings Coverage Ratio for Heritage is unchanged from the time of the investment and remains between 1.5x to 2.0x.

Kimco

Annual Distribution	US$1.2 million (or 1.6% of annualized revenue). Full annual distribution would be US$5.14 million.
Description	Kimco has been providing commercial janitorial services since the 1970s. Kimco provides janitorial services to over 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. The Corporation contributed an additional US$4.0 million in 2017, by way of an unsecured promissory note, to reduce Kimco's total senior debt outstanding. Kimco is currently paying 8% per annum on the debt. In the three months ended March 31, 2018, the Corporation loaned US$6.0 million to replace Kimco's existing subordinated debt. The Corporation will receive interest of 12% per annum on the outstanding debt.
Performance	During the three months ended March 31, 2018 Kimco completed a debt refinancing, resulting in a new senior lender replacing existing senior debt and subordinated debt. The Kimco refinancing closed on March 30th, 2018 and, as a result, Kimco commenced monthly distributions to Alaris of USD$100,000 (USD$1.2 million annually) in April 2018. In addition to the fixed monthly distributions, Alaris has put in place a quarterly sweep mechanism to provide for additional distributions; the quarterly sweep is subject to satisfying a prescribed fixed charge coverage ratio and a minimum liquidity threshold. Under the new capital structure, including Alaris' US$1.2 million preferred distribution, and based on Kimco's trailing twelve month financial performance, Kimco will have an earnings coverage ratio between 1.2x and 1.5x. This will provide excess cash flow to distribute in the quarterly sweep or fund growth and working capital. Based on unaudited financial statements provided by Kimco management, for the two months ended February 28, 2018, revenue is consistent with prior year and EBITDA is ahead of the comparable period due to cost efficiencies implemented by the new management group.
Fair Value	The fair value of the Kimco units are unchanged for the three months ended March 31, 2018. 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.
ECR	The Earnings Coverage Ratio for Kimco under the new capital structure with partial payments of US$1.2 million annually has increased since last quarter and is between 1.2x and 1.5x. When including Alaris' full distributions the Earnings Coverage Ratio has improved since last quarter but remains below 1.0x.

Labstat

Annual Distribution	CAD$8.4 million, (or 8.6% annualized revenue)
Description	Labstat is a global leader in regulation-driven analysis of tobacco smoke and products as well as deemed tobacco products such as electronic cigarettes.
Contribution History	The Corporation purchased partnership units in Labstat International, ULC ("Labstat") for an aggregate acquisition cost of $47.2 million over two tranches.
Performance	In February 2014, Alaris agreed to temporarily restructure the form of its distributions, reducing the fixed portion on all preferred equity contributed with a variable portion in the form of a cash sweep up to the maximum that would have been paid under the original agreement provided certain financial covenants and performance targets continued to be met. In July 2017, the arrangement for modified distributions was extended to December 31, 2018. As of January 1, 2018. Labstat is paying the full contractual distribution of $701 thousand per month ($8.4 million annually) after considering the maximum 6% increase to distributions effective January 1, 2018. Based on unaudited financial statements prepared by Labstat's management for the two months ended February 28, 2018, revenue and EBITDA are consistent with the comparable period. The $4.2 million accrual for the cash flow sweep earned in 2017 was received subsequent to March 31, 2018. The increase in revenue resulted in a +6% reset increasing the 2018 distributions to $8.4 million to be received in equal monthly installments.
Fair Value	There was no change in the fair value of the Labstat units during the three months ending March 31, 2018.
ECR	The Earnings Coverage Ratio has is consistent with last quarter and remains in the 1.5x to 2.0x range and includes the full distributions owed to the Corporation.

LMS Reinforcing Steel Group

Annual Distribution	CAD$5.2 million (or 5.0% of annualized revenue)
Description	LMS is a western Canadian concrete reinforcing steel fabricator and installer with operations in British Columbia, Alberta and Southern California.
Contribution History	The Corporation's original contribution into LMS was in 2007 subsequent to which it has since contributed a total of $54 million. The Corporation completed a follow on contribution in 2016 (to a U.S. affiliate) of US$4.35 million to help LMS fund an acquisition.
Performance	Based on unaudited financial statements prepared by LMS management for the two months ended February 28, 2018, revenue and EBITDA are ahead of the comparable two month period.
Fair Value	The fair value of the LMS Canadian units and LMS US units remain unchanged for the three month period ending March 31, 2018. The fair value of the LMS US units in Canadian dollars will fluctuate each quarter with foreign exchange rates.
ECR	The Earnings Coverage Ratio for LMS has increased since last quarter and is now between 1.2x and 1.5x.

Planet Fitness

Annual Distribution	US$6.86 million (or 9.1% of annualized revenue)
Description	Planet Fitness, through its affiliates, operates over 55 fitness clubs in Maryland, Tennessee, Florida and Washington as a franchisee of Planet Fitness®.
Contribution History	In November 2014, the Corporation purchased preferred units in Planet Fitness, for an aggregate acquisition cost of US$35 million. In July 2015, the Corporation purchased an additional US$5 million of preferred units.
Performance	Based on unaudited financial statements provided by Planet Fitness management for the two months ended February 28, 2018, Planet Fitness' revenue and EBITDA are both ahead of the prior year due to organic growth of their existing clubs. Based on audited results, the 2018 Planet Fitness distribution increased +5% effective January 1, 2018.
Fair Value	The Corporation increased the fair value of the Planet Fitness units by US$2.7 million during the three months ending March 31, 2018 as Planet Fitness expects to redeem a portion of the units (approximately US$25.0 million which includes the repurchase premium) in the near term. The Corporation increased the value of the units by the agreed upon repurchase price associated with the units being redeemed. 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 decreased slightly from last quarter and is now between 1.5x and 2.0x.

Providence Industries

Annual Distribution	US$4.73 million (or 6.3% of annualized revenues)
Description	Providence is a leading provider of design, engineering, development, manufacturing and sourcing services for international apparel companies and retailers.
Contribution History	In April 2015, the Corporation contributed US$30.0 million to Providence.
Performance	Based on unaudited financial statements provided by management for the two months ended February 28, 2018, Providence's revenue and EBITDA have decreased versus the comparable period. Based on unaudited results provided by Providence management, the Corporation expects the 2018 Providence distribution to increase +5% effective January 1, 2018.
Fair Value	There was no change in the fair value of the Providence units during the three months ending March 31, 2018. The fair value of the Providence units in Canadian dollars will fluctuate each quarter with foreign exchange rates.
ECR	The earnings coverage ratio for Providence has decreased since last quarter and remains well over 2.0x.

Sandbox

Annual Distribution	US$5.6 million (or 7.4% of annualized revenues)
Description	Sandbox offers a wide range of marketing and advertising services including strategic marketing and planning, creative development for all media and digital strategy solutions including CRM and data analytics for clients in a variety of industries within the US and Canada.
Contribution History	In March 2016, the Corporation announced the purchase of preferred units in Sandbox for an aggregate acquisition cost of US$22 million. The Corporation contributed an additional US$6.0 million in September 2017 to finance an acquisition completed by Sandbox and a further US$7.0 million in December 2017 to fund a performance earn out.
Performance	Based on unaudited financial statements provided by Sandbox management for the two months ended February 28, 2018, revenue and EBITDA are both ahead of the comparable period. Based on unaudited results, the Corporation expects the 2018 Sandbox distribution to increase +6% effective January 1, 2018.
Fair Value	There was no change in the fair value of the Sandbox units during the three months ending March 31, 2018. The fair value of the Sandbox units in Canadian dollars will fluctuate each quarter with foreign exchange rates.
ECR	The Earnings Coverage Ratio has decreased slightly since last quarter and remains between 1.2x and 1.5x.

SCR Mine Services

Annual Distribution	CAD$1.8 million (or 1.8% of annualized revenue). Full annual distribution would be CAD$5.6 million.
Description	SCR Mining and Tunneling, LP ("SCR") provides mining, surface and underground construction, electrical and mechanical services to the Canadian mining industry.
Contribution History	In May 2013, the Corporation purchased partnership units in SCR for an aggregate acquisition cost of $40 million.
Performance	Based on unaudited financial statements provided by management for the two months ended February 28, 2018, SCR's revenue has increased and EBITDA is flat versus the comparable period. SCR has significant cash on its balance sheet to invest in capex and working capital as the business continues to rebound. Effective April 1, 2018 the Corporation and SCR have agreed to increase the fixed monthly distribution from $100 thousand per month to $150 thousand ($1.8 million annually) along with a variable cash sweep based on available free cash flow; the exact structure, and terms of those amendments are still being finalized.
Fair Value	There was no change in the fair value of the SCR units during the three months ending March 31, 2018.
ECR	The Earnings Coverage Ratio for SCR has declined slightly since the last quarter and remains below 1.0x when considering full distributions but at the current distribution rate of $1.8 million the Earnings Coverage Ratio is between 1.2x and 1.5x.

SBI

Annual Distribution	US$11.05 million (or 14.7% of annualized revenue)
Description	SBI is a management consulting firm specializing in sales and marketing that is dedicated to helping companies reach their sales objectives. SBI conducts in-depth market research and partners with business leaders to develop strategies that enhance performance and drive results. Through evidence-based methods, SBI creates actionable procedures that, once embraced and adopted, result in lasting success.
Contribution History	In August 2017, the Corporation contributed US$85.0 million in SBI, in return for an annualized distribution of US$11.05 million. The distribution will reset based on gross revenue with a collar of +/- 8%, with the first reset in January 2019. The SBI Contribution is made up of US$75.0 million of permanent units as well as US$10.0 million of redeemable units. The Redeemable Units can be redeemed at par at any time up to the third anniversary following the closing of the SBI Contribution at SBI's discretion. After the third anniversary the Redeemable Units will have the same repurchase metrics as the Permanent Units.
Performance	Based on unaudited information provided by SBI management for the three months ended March 31, 2018, revenues and EBITDA are trailing the prior year.
Fair Value	The fair value of the SBI units were unchanged during the three month period ending March 31, 2018. The fair value of the SBI units in Canadian dollars will fluctuate each quarter with foreign exchange rates.
ECR	The Earnings Coverage Ratio for SBI has decreased since last quarter and is now between 1.0x and 1.2x based on actual results since the August 31, 2017 contribution. SBI has no senior debt and a strong backlog. The Corporation expects an increasing Earnings Coverage Ratio over the coming periods based on SBI's current book of business.

Unify

Annual Distribution	US$2.8 million (or 3.7% of annualized revenue)
Description	Unify is a management consulting firm that works with companies to provide innovative, customized consulting solutions across four primary service lines: Business Intelligence, Enterprise Resource Planning Services, Project Leadership & Product Management, and Organizational Change Management
Contribution History	In October 2016, Salaris USA (wholly owned subsidiary of Alaris USA Inc.) made a contribution of US$18.0 million (comprised of US$12 million of permanent units and US$6 million of redeemable units) to Unify LLC (the "Unify Contribution").
Performance	Based on unaudited financial statements prepared by Unify management for the three months ended March 31, 2018, revenue and EBITDA are consistent with the comparable period and exceeded forecast amounts. The Unify Distribution will reset based on Same Client Revenue with a collar of +/- 5%, and based on audited results for 2017, the 2018 distribution increased +2% effective January 1, 2018.
Fair Value	There was no change in the fair value of the Unify units during the three months ending March 31, 2018. The fair value of the Unify units in Canadian dollars will fluctuate each quarter with foreign

	exchange rates.
ECR	The Earnings Coverage Ratio for Unify has increased since last quarter and is now over 2.0x.

REDEMPTION OF AGILITY UNITS

On February 28, 2018, the Corporation successfully redeemed all of its units in Agility as a result of the sale of Agility to a third party. Gross proceeds to Alaris from the Agility Sale consisted of: (i) US$22.2 million for the preferred units Alaris holds in Agility LLC, which includes a premium of US$2.1 million over Alaris' original cost of US$20.1 million; (ii) US$2.9 million for all unpaid distributions up to February 28, 2018; and (iii) US$1.6 million for a loan outstanding, including all interest accrued on such loan. US$1.5 million of the Repurchase Price paid to Alaris was placed in escrow for 18 months to satisfy indemnification obligations under the transaction and is recorded in trade and other receivables. Following the escrow period any remaining escrowed funds will be paid to Alaris.

PROMISSORY NOTES & RESERVES

Group SM

The Corporation has a $17.0 million unsecured demand note (interest at 8%) with Group SM, subordinate to a third party loan. For the year ended December 31, 2017, a reserve of $5.6 million had been recorded to reflect the Corporation's estimate of expected proceeds from this loan. During the quarter ended March 31, 2018, the restructuring process remains underway however Group SM's increasing working capital deficit and ongoing liquidity issues has reduced the Corporation's expected proceeds to be received from this process. As a result the timing and increasing uncertainty surrounding the collection of future cash flow, the Corporation provided a reserve against the remaining carrying value of the promissory notes of $11.6 million during the three month period ending March 31, 2018. The Corporation will continue to use all rights and remedies available to collect on the note.

Phoenix

Phoenix's US assets (formerly KMH) are in negotiation to be sold to a third party. During the three months ended March 31, 2018, a deterioration in certain aspects of the operations of Phoenix US resulted in a significant decrease in the Corporation's expected proceeds from the sales process. Due to the increased uncertainty over timing and magnitude of proceeds that will be generated from the sales process, the Corporation recorded a reserve of the carrying amount of the Phoenix US loan of $10.0 million in the three months ended March 31, 2018. The Phoenix CDN loan of $8.0 million had a carrying value of $3.8 million at December 31, 2017. Security for these assets are comprised of one clinic (undergoing a sales process) and personal assets of Phoenix owners. As a result of a significant deterioration in the value of both assets during the quarter, the Corporation recorded a $3.8 million reserve for the remaining carrying value of the loan in the three months ended March 31, 2018. The Corporation will continue to use all rights, remedies and security available to collect on the notes but given the uncertainty around timing and collection, we have reduced the notes to nil in our financial statements.

None of the notes with Group SM or Phoenix were earning any current interest or contributing to the cash flow of the Corporation.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2018 the Corporation has a $300 million credit facility with a syndicate of Canadian chartered banks, the facility has a four year term with a maturity date in September 2021. During the period, an additional bank joined the lending syndicate and the facility was increased from $280 million to $300 million and at the same time the accordion feature was reduced from $70 million to $50 million. The interest rate is based on a combination of the CAD Prime Rate ("Prime"), Bankers' Acceptances ("BA"), US Base Rate ("USBR") and LIBOR and the applicable spread determined by the Corporations Funded Debt to Contracted EBITDA. The Corporation realized a blended interest rate of 5.5% for the three months ended March 31, 2018. At March 31, 2018, the facility was $150.8 million drawn.

At March 31, 2018, the Corporation met all of its covenants as required by the facility. Those covenants include a maximum funded debt to contracted EBITDA of 2.5:1 (actual ratio is 1.68:1 at March 31, 2018); minimum Tangible Net Worth of $450.0 million (actual amount is $588.6 million at March 31, 2018); and a minimum fixed charge coverage ratio of 1:1 (actual ratio is 1.15:1 at March 31, 2018). The Corporation had US$92.2 million of USD denominated debt as of March 31, 2018 (December 31, 2017 - US$112.7 million).

In each of the first three months of 2018 and 2017, the Corporation declared a dividend of $0.135 per common share, $0.405 per share and $14.8 million in aggregate (2017 - $0.405 per share and $14.7 million in aggregate).

The Corporation had 36,481,247 voting common shares outstanding at March 31, 2018. The Corporation had working capital of approximately $12.9 million at March 31, 2018. 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, 2018 and December 31, 2017 is set forth in the tables below.

Working Capital	31-Mar-18	31-Dec-17
Cash	$ 17,540	$ 35,475
Prepayments	2,105	2,407
Foreign exchange contracts	211	1,430
Trade and other receivables	5,631	8,642
Total Current Assets	$ 25,487	$ 47,954
Accounts payable & accrued liabilities	2,255	1,707
Dividends payable	4,921	4,921
Income tax payable	5,390	588
Total Current Liabilities	$ 12,567	$ 7,217
Net working capital at March 31st	$ 12,921	$ 40,737

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

FINANCIAL INSTRUMENTS

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

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

The Corporation will assess at each reporting period whether there is a financial asset, other than those classified as held for trading, that is impaired. An impairment loss, 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 25-60% 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, 2018, for the next twelve months, the Corporation has total contracts of US$29.6 million average $1.2968 CAD. For the following twelve months, the Corporation has total contracts of US$5.4 million USD average $1.2635 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-18	Total	0-6 Months	6 mo – 1 yr	1 – 2 years	3 – 4 years
Accounts payable and accrued liabilities	$ (2,255)	$ (2,255)	$-	$-	$-
Dividends payable	(4,921)	(4,921)	-	-	-
Income tax (payable) / receivable	(5,390)	(5,390)	-	-	-
Loans and borrowings	(150,847)	-	-	-	(150,847)
Total	$ (163,414)	$ (12,567)	$ -	$ -	$ (150,847)

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 March 31, 2018. 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 March 31, 2018. The Corporation's assessment included documentation, evaluation and testing of its internal controls over financial reporting. Based on that evaluation, the Corporation's management concluded that the Corporation's internal controls over financial reporting are effective as defined by National Instrument 52-109.

There were no changes in internal controls during the three and nine months ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

SUMMARY OF CONTRACTUAL OBLIGATIONS

Other than the senior credit facility described under "Liquidity and Capital Resources", the only material contractual obligation of the Corporation is its leases for office space. The Corporation agreed to a five-year lease commencing July 2015 at its current location with total leasing commitments of $1.0 million.

Contractual Obligations	Total	< 1 year	1 – 3 years	4 – 5 years	> 5 years
Long term debt	$ 150,847	$ -	$ -	$ 150,847	$-
Office lease	966	426	539	-	-
Total Contractual Obligations	$ 151,813	$ 426	$ 539	$ 150,847	$-

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Management is required to make estimates when preparing the financial statements. Significant estimates include the valuation of intangible assets and preferred limited partnership units, valuation of accounts receivable and promissory notes and income taxes. Refer to the condensed consolidated interim financial statements for the three months ended March 31, 2018.

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

RECENT ACCOUNTING PRONOUNCEMENTS

IFRS 9: Financial Instruments

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Corporation’s consolidated financial statements as at and for the year ended December 31, 2017.

The Corporation has initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from January 1, 2018.

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

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

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

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

IFRS 9 is effective for years beginning on or after January 1, 2018. Based on the assessments undertaken to date, the only material change will be to the classification and measurement of investments at fair value. Although the investments at fair value will continue to be measured at fair value, fair value gains or losses will be recorded through profit or loss as opposed to through other comprehensive income. Therefore, on transition to IFRS 9, an adjustment of $17.0 million was made to move cumulative fair value gains or losses from the fair value reserve to retained earnings.

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

There was no material change from its existing methodology in determining credit losses to the expected credit loss model that will be applied to assets classified at amortized cost. Therefore, there was no transition adjustment required.

IFRS 15: Revenue from Contracts with Customers

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

As a result of the adoption of the standard as outlined above the following there were a number of account policy changes, please see the accompanying condensed consolidated interim financial statements for additional disclosures.

SUMMARY OF QUARTERLY RESULTS

Quarterly Results Summary	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16	Q3-16	Q2-16
Revenue	$ 23,641	$ 21,638	$ 23,775	$ 22,779	$ 20,881	$ 27,259	$ 23,294	$ 24,913
Earnings	$ (3,146)	$ 11,410	$ (22,031)	$ 10,656	$ 11,849	$ 21,724	$ 17,026	$ 7,043
Basic and Diluted Income	$ (0.09)	$ 0.31	$ (0.60)	$ 0.29	$ 0.33	$ 0.60	$ 0.47	$ 0.19
(loss) per Share/Unit	$ (0.09)	$ 0.31	$ (0.60)	$ 0.29	$ 0.32	$ 0.59	$ 0.46	$ 0.19

In Q1 2018, the Corporation recorded a $1.8 million gain on the redemption of the Agility units, a $3.5 million increase in the fair value of investments and a $25.9 million bad debt expense related to the Phoenix and Group SM promissory note and Group SM accounts receivable. In Q4 2017, the Corporation recorded a $13.6 million bad debt expense as the remainder of the SHS promissory note was written off and a reserve related to the Kimco, Group SM and Phoenix promissory notes. In Q3 2017, the Corporation recorded $9.8 million in bad debt expense as unpaid distributions from Group SM were written off, the Corporation also recorded $41.0 million in impairment charges as the fair value of the Group SM units were reduced to nil in the period and realized a $26.6 million gain on the redemption of Sequel.

In Q4 2016, the Corporation recorded a $0.9 million gain as well as an additional $5.3 million in distributions on the MAHC redemption. In Q3 2016, the Corporation recorded a $1.6 million gain on the Solowave redemption that increased revenue and earnings in that period. In Q2 2016, a $7 million impairment charge on the KMH units was recorded. In each quarter in 2018, 2017 and 2016, an unrealized foreign exchange gain/loss has impacted earnings.

OUTSTANDING SHARES

At March 31, 2018, the Corporation had authorized, issued and outstanding, 36,481,247 voting common shares.

For the three months ended March 31, 2018, there were no shares or RSUs issued or exercised. At March 31, 2018, 291,651 RSUs and 2,242,364 stock options were outstanding under the Corporation's long-term incentive compensation plans. The outstanding stock options have a weighted average exercise price of $25.56, and as of March 31, 2018 all 2,242,364 options outstanding are out of the money.

At May 7, 2018, the Corporation had 36,481,247 common shares outstanding.

INCOME TAXES

In 2015, the Corporation received a notice of reassessment from the Canada Revenue Agency in respect of its taxation year ended July 14, 2009. The Corporation has since received notices of reassessment from the Canada Revenue Agency in respect of its taxation year ended December 30, 2009 through December 30, 2016 (collectively the "Reassessments"). Pursuant to the Reassessments, the deduction of approximately $121 million of non-capital losses and utilization of $5.2 million in investment tax credits by the Corporation was denied, resulting in reassessed taxes and interest of approximately $44.6 million. Subsequent to filing the notice of objection for the July 14, 2009 taxation year, Alaris received an additional proposal from the CRA pursuant to which the CRA is proposing to apply the general anti avoidance rule to deny the use of non-capital losses, accumulated scientific research and experimental development expenditures and investment tax credits. The proposal does not impact the Corporation's previously disclosed assessment of the total potential tax liability (including interest) or the deposits required to be paid in order to dispute the CRA's reassessments. The Corporation has received legal advice that it should be entitled to deduct the non-capital losses and as such, the Corporation remains of the opinion that all tax filings to date were filed correctly and that it will be successful in appealing such Reassessments. The Corporation intends to continue to vigorously defend its tax filing position. In order to do that, the Corporation was required to pay 50% of the reassessed amounts as a deposit to the Canada Revenue Agency. The Corporation has paid a total of $19.3 million in deposits to the CRA relating to the Reassessments to date,. It is possible that the Corporation may be reassessed with respect to the deduction of its non-capital losses in respect of its tax filings in respect of the 2017 and 2018 taxation years, on the same basis. The carrying values of the remaining ITC's of $5.0 million at March 31, 2018 and the ITC's claimed in 2017 of $3.8 million are at risk should the Corporation be unsuccessful in defending its position. The Corporation anticipates that legal proceedings through the CRA and the courts will take considerable time to resolve and the payment of the deposits, and any taxes, interest or penalties owing will not materially impact the Corporation's payout ratio.

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

OUTLOOK

Based on Alaris' current agreements with its partners, the Corporations annualized revenues are estimated at $97.9 million, (distributions for Kimco of US$1.2 million and SCR of $1.8 million are included at their current fixed run rate, however both partners could exceed those amounts through their respective quarterly cash flow sweeps). Total revenue from partners is expected to be $23.5 million in Q2 2018. Annual general and administrative expenses are currently estimated at $8.5 million and include all public company costs.

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

Annualized Cash Flow *(in 000's)*	Comments	Amount ($)	$ / Share
Revenue	$1.30 USD/CAD exchange rate	$ 97,900	$ 2.68
General & Admin.		(8,500)	(0.23)
Interest & Taxes		(23,900)	(0.66)
Net cash flow		$ 65,500	1.80
Annual Dividend		59,000	1.62
Surplus		$ 6,500	$ 0.18
Other Considerations (after taxes and interest):			
SCR & Kimco	Every addtl $2 million in distributions received is $0.05/share	+1,600	+0.05
Planet Fitness	Contemplated partial redemption of US$25.0 million	-1,665	-0.05
New Investments	Every $20 million deployed @ 15%	+1,515	+0.04

The senior debt facility was drawn to $150.8 million at March 31, 2018, with the capacity to draw up to another $149.2 million based on new covenants and credit terms, in addition to the $50 million accordion facility for a total of $199.2 million. The annual interest rate on that debt was approximately 5.5% at March 31, 2018.

Alaris' unique capital structure continues to fill a niche in the private capital markets. Therefore, Alaris continues to attract interest in its capital from private businesses across North America and is confident it will contribute capital to new, and existing Partners in 2018. As a conservative measure, Alaris does not use any estimates for future revenue earned from the contribution of capital into new or existing Partners in its guidance or budgeting process.

Certain information contained herein may be considered to be future oriented financial information or financial outlook under applicable securities laws, including statements regarding expected revenues (annually and quarterly), the Annualized

Payout Ratio and anticipated expenses. The purpose of providing such information in this MD&A is to demonstrate the visibility the Corporation has with respect to its revenue streams, and such statements are subject to the risks and assumptions identified for the business in this MD&A, and readers are cautioned that the information may not be appropriate for other purposes. See also “Forward Looking Statement” 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 2018, including, without limitation, the Earnings Coverage Ratio for the Partners and the Corporation’s Annualized Payout Ratio; the revenues to be received by Alaris in 2018 (on an annual and quarterly basis); the Corporation’s general and administrative expenses and cash requirements in 2018; the CRA proceedings (including the expected timing and financial impact thereof); annualized net cash from operating activities; changes in Distributions from Partners; the proposed resolutions to outstanding issues with certain Partners; the restart of Distributions from any partners not currently paying a Distribution; the timing for collection of deferred or unpaid Distributions; and Alaris’ ability to attract new private businesses to invest in. Many of these statements can be identified by looking for words such as "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. To the extent that any forward-looking statements herein constitute a financial outlook, including without limitation, estimated revenues, and expenses, Annualized Payout Ratio, and changes in distributions from Partners, they were approved by management as of the date hereof and have been included to assist readers in understanding management’s current expectations regarding Alaris’ financial performance and are subject to the same risks and assumptions disclosed herein. There can be no assurance that the plans, intentions or expectations upon which these forward looking statements are based will occur. Forward looking statements are subject to risks, uncertainties and assumptions and should not be read as guarantees or assurances of future performance. Accordingly, readers are cautioned not to place undue reliance on any forward looking information contained in this MD&A. Statements containing forward looking information reflect management’s current beliefs and assumptions based on information in its possession on the date of this MD&A. Although management believes that the expectations represented in such forward looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

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

Some of the factors that could affect future results and could cause results to differ materially from those expressed in the forward looking statements contained herein include risks relating to: the dependence of the Corporation on the Partners; risks relating to the Partners and their businesses; reliance on key personnel; general economic conditions; failure to complete or realize the anticipated benefits of transactions; limited diversification of Alaris’ transactions; management of future growth; availability of future financing; competition; government regulation; leverage and restrictive covenants under credit facilities; the ability of the Partners to terminate the various agreements with Alaris; unpredictability and potential volatility of the trading price of the common shares; fluctuations in the amount of cash dividends; restrictions on the potential growth of the Corporation as a consequence of the payment by Alaris of substantially all of its operating cash flow; income tax related risks; ability to recover from the Partners for defaults under the various agreements with Alaris; potential conflicts of interest; dilution; liquidity of Common Shares; changes in the financial markets; risks associated with the Partners and their respective businesses; a change in the ability of the Partners to continue to pay Distributions to Alaris; a material change in the operations of a Partner or the industries in which they operate; a failure to obtain the benefit of any concessions provided to any Partners; a failure to obtain by the Corporation or the Partners required regulatory approvals on a timely basis or at all; changes in legislation and regulations and the interpretations thereof; litigation risk associated with the CRA's reassessment and the Corporation's challenge thereof; and material adjustments to the unaudited internal financial reports provided to Alaris by the Partners. The information contained in this MD&A, and the Corporations annual management discussion and analysis for the year ended December 31, 2017 including the information set forth under "Risks and Uncertainty", identifies additional factors that could affect the operating results and performance of the Corporation. Without limitation of the foregoing assumptions and risk factors, the forward looking statements in this MD&A regarding the revenues anticipated to be received from the Partners and the Corporation's general and administrative expenses are based on a number of assumptions including no adverse developments in the business and affairs of the Partners that would impair their ability to fulfill their payment obligations to the Corporation and no material changes to the business of the Corporation or current economic conditions that would result in an increase in general and administrative expenses.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward looking statements included in this MD&A are made as of the date of this MD&A and Alaris does not undertake or assume any obligation to update or revise such statements to reflect new events or circumstances except as expressly required by applicable securities legislation.

ADDITIONAL INFORMATION

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