



## MANAGEMENT DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") should be read in conjunction with the audited financial statements for the years ended December 31, 2012 and December 31, 2011 for Alaris Royalty Corp., ("Alaris" or the "Corporation"). The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and are recorded in Canadian dollars. (See "Transition to International Reporting Standards" under "New Accounting Pronouncements" in this Management's Discussion and analysis). 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 and Normalized EBITDA, to assist in assessing the Corporation's financial performance. The terms EBITDA and Normalized EBITDA (the "Non-IFRS Measures") 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. Items include expenses incurred in connection with the reduction of interests in two of the private businesses with which the Corporation has transacted.

The Corporation has provided a reconciliation of net income to EBITDA and Normalized EBITDA in this MD&A. These Non-IFRS measures should only be used in conjunction with the Corporation's annual audited statements, excerpts of which are available below, while complete versions are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## OVERVIEW

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The Corporation earns its revenues by providing capital to private businesses (individually, a “**Private Company Partner**” and collectively the “**Partners**”). The Corporation’s revenue consists of royalties and preferred distributions (“**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 eight employees.

## RESULTS OF OPERATIONS

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### *Year Ended December 31, 2012 Compared to Year Ended December 31, 2011*

2012 was another significant year as the Corporation continued to focus on its five main investing pillars aimed at providing a more secure dividend stream to shareholders:

#### **Diversification:**

- The addition of two new Partners, Labstat International Limited Partnership (“**Labstat**”) in June 2012 and Agility Health LLC (“**Agility**”) in December 2012.

#### **Growth:**

- The addition of two new Partners, Labstat and Agility
- Follow on investments into KMH Limited Partnership (“**KMH**”) in November and December 2012 and Killick Aerospace Limited Partnership (“**Killick**”) in December 2012
- Increased dividend twice for a total increase of 10.5% and provided an annual return to shareholders of 39%

#### **Reducing Volatility:**

- Negotiated collars on the maximum increase or decrease of the annual distributions from Labstat and Agility.
- Organic growth in annual distributions from Partners of 2.2%

#### **Visibility:**

- Revenues from the Corporation’s nine partners for 2013 are already determined and the Corporation has predictable and low General and Administrative expenses.

#### **Liquidity:**

- The Corporation’s float increased 18% and daily trading volume continues to grow

Revenues for the year ended December 31, 2012 reflect distributions from transactions involving each of Alaris’ Partners for that year. In 2012, revenues from the Partners totaled \$32.1 million compared to \$21.5 million in the year ended December 31, 2011. The increase of 49% compared to the prior year is a result of year over year performance metric adjustments from each of the current Partners and the addition of new Partners. Revenues from LifeMark were \$6.89 million compared to \$9.22 million in the prior year, a decrease of 25.4%. Alaris sold approximately 50% of its interest in LifeMark on June 9, 2011, with the remaining distribution increasing 4% per year starting July 1, 2012. LifeMark’s physiotherapy business is not economy dependent as people will continue to get hurt and require rehabilitative services. Revenues from LMS Reinforcing Steel Group (“**LMS**”) were \$2.00 million compared to \$1.68 million in the prior year, an increase of 19.3% due to the year over year performance adjustment based on the change in gross profit for LMS effective Jan 1, 2012. Revenues from End of the Roll Carpet & Vinyl (“**End of the Roll**”) were \$1.17 million in the year compared to \$1.25 million in the prior year, a decrease of 6.4% as a result of the same store sales adjustment to the annual royalty effective May 1, 2012. Revenues from KMH were \$4.76 million compared to \$1.28 million for the prior year. The 271.4% increase is due to follow-on contributions late in 2011 and two further contributions in 2012. Revenues from Solowave Design Limited Partnership (“**Solowave**”) commenced in December 2010 and were \$4.96 in the year compared to

\$5.0 million in the prior year, based on a 0.8% decrease in same customer net sales performance for Solowave's 2011 fiscal year. Revenues from Killick commenced in July 2011 and were \$4.39 million in the year compared to \$2.08 million in the prior year. The distributions increased 3.1% based on the increase in gross revenues for Killick's 2011 fiscal year effective July 1, 2012 and were received for a full year in 2012 compared to a half year in 2011. Revenues from Quetico LLC ("Quetico") commenced in November 2011 and were \$4.25 million in the year compared to \$0.45 million in the prior year. Revenues from Labstat commenced in June 2012 and were \$3.61 million for the year. Revenues from Agility commenced in December 2012 and were \$0.07 million in the year. Revenues from MEDIchair Ltd. ("MEDIchair") were nil in the year compared to \$0.53 for the prior year as the MEDIchair royalty was sold on June 9, 2011. See "Private Company Partner Update" for more information on the individual Partners' performance.

Finance costs of \$1,033,392 in the year were lower compared to \$1,235,348 in the prior year because of lower senior debt levels and a 50 basis point decrease in the interest rate on the credit facility compared to 2011.

In the year ending December 31, 2012, the Corporation recorded non-cash stock based compensation expenses totaling \$1,901,683 (2011 - \$1,978,727) that included: \$663,185 to amortize the fair value of the RSU Plan (2011 - \$1,247,452); \$1,154,248 to recognize the fair value of outstanding stock options (2011 - \$578,725); and \$84,250 to recognize the fair value of shares issued to management in lieu of dividends under the RSU Plan (2011 - \$152,550). Also in the year, the Corporation made cash payments based on current dividend rates of \$241,738 to employees and directors in lieu of dividends under the RSU Plan (2011 - \$248,653).

Salaries and benefits were \$1,796,174 in the year compared to \$1,875,508 in the prior year period. The 4.2% decrease is due to a \$175,000 reduction in the bonus pool in 2012 partially offset by modest increases in base salaries and the hiring of the Corporation's eighth employee in September (legal administrative position).

Corporate and office expenses were \$971,072 compared to \$859,727 in the prior year and include office rent, travel and corporate administrative expenses. The 12.9% increase was due to the higher travel and associated costs in 2012 with increased deal flow. Additionally, TSX fees and other regulatory administrative expenses increased along with the market capitalization of the Corporation compared to the prior year.

Legal and accounting expenses were \$1,330,689 for the year compared to \$556,621 for the prior year. The 139.1% (\$774K) increase was due \$320K in expenses on a deal that didn't close as well as additional legal costs associated with establishing and maintaining partnerships in the United States.

Amortization and depreciation include the amortization of the intangible assets and the depreciation of capital assets. The Corporation amortizes its intangible assets over the term of the licensing agreement and depreciates capital assets over the estimated useful lives. The Corporation does not amortize preferred interests in limited partnerships. Since these transactions are treated as financial instruments, they are assessed for objective evidence of impairment at each balance sheet date. The Corporation recorded amortization and depreciation of \$107,633 (2011 - \$143,244) in the year ended December 31, 2012. The amortization expense decreased with the sale of the MEDIchair royalty in June 2011.

The Corporation recorded earnings of \$18.04 million, and EBITDA and Normalized EBITDA of \$25.86 million for the year ended December 31, 2012 compared to earnings of \$34.71 million, EBITDA of \$43.82 million and Normalized EBITDA of \$16.11 million for the year ended December 31, 2011. The decrease in net income and EBITDA can be attributed to the significant gains on the reduction of interest in LifeMark and the sale of the MEDIchair intangible assets in 2011. Normalized EBITDA increased in 2012 due to the addition of new Partners in Quetico (Dec 2011), Labstat (June 2012), Agility (Dec 2012) and follow on investments with KMH (Nov 2012 and Dec 2012) and Killick (Dec 2012).

Reconciliation of Net Income to EBITDA (thousands)	Year ending December 31, 2012	Year ending December 31, 2011
Earnings	\$18,036	\$34,712
Adjustments to Net Income:		
Amortization and depreciation	108	143
Interest	1,033	1,235
Income tax expense	6,688	7,729
<b>EBITDA</b>	<b>\$25,865</b>	<b>\$43,819</b>
Normalizing Adjustments		
Gain on sale of intangible assets	-	(3,892)
Gain on reduction of LifeMark interest	-	(23,816)
<b>Normalized EBITDA</b>	<b>\$25,865</b>	<b>\$16,111</b>

For the year ending December 31, 2012, dividends were declared for January through May at \$0.095 per common share; June through November at \$0.10 per common share; and for December it was increased to \$0.105 per common share totalling \$24,959,880 for the year. In the prior year, dividends were declared totalling \$18,014,242 for the prior year.

### *Three Months Ended December 31, 2012 Compared to Three Months Ended December 31, 2011*

Revenues for the three months ended December 31, 2012 reflect Distributions from transactions involving each of Alaris' nine Partners for that period. In this period, revenues from the Partners totaled \$9.04 million compared to \$5.81 million in the three months ended December 31, 2011. The increase of 55% compared to the prior period is a result of new Partners added in the last twelve months as well as year over year performance metric adjustments from each of the Partners. Revenues from LifeMark were \$1.76 million compared to \$1.69 million in the same prior year period, an increase of 4.0% effective July 1, 2012 as per the Partnership agreement. Revenues from LMS were \$0.51 million in the period compared to \$0.42 million in the prior year period, an increase of 20.2% due to the year over year performance adjustment based on the change in gross profit for LMS effective January 1, 2012. Revenues from End of the Roll were unchanged from the prior year period at \$0.28 million. Revenues from KMH were \$1.52 million in the period compared to \$0.62 million in the same prior year period. The 145.5% increase due to a further investment into KMH of \$27.4 million in the last quarter of 2012. Revenues from Solowave were \$1.24 million compared to \$1.25 million in the same prior year period due to a 0.8% decrease in same customer net sales. Revenues from Killick were \$1.13 million in the period compared to \$1.08 million in the same prior year period due to a 3.1% increase in gross revenues that increased the distributions effective July 1, 2012 and a \$9 million further investment into Killick in December 2012. Revenues from Quetico commenced in November 2011 and were \$1.06 million in the period compared to \$0.45 million for a partial period in 2011. Revenues from Labstat commenced in June 2012 and were \$1.59 million in the period. Revenues from Agility commenced in December 2012 and were \$0.07 million in the period. See "Private Company Partner Update" for more information on the individual Partners' performance.

Interest expense of \$335,172 in the period was 6% lower compared to \$356,581 in the prior year period. In the fourth quarter, the Corporation drew the entire remaining amount on its senior debt facility to fund follow-on investments into KMH (\$27.4 million), Killick (\$9 million) and a new Partnership with Agility (\$12.5 million) but all draws were in December. There was only \$6.5 million outstanding in senior debt at the end of 2011.

In the three months ending December 31, 2012, the Corporation recorded non-cash stock based compensation expenses totaling \$753,620 (2011 - \$387,377) that included: \$298,919 to amortize the fair value of the Corporation's restricted share unit plan (the "RSU Plan") (2011 -\$159,035); \$454,701 to recognize the fair value of outstanding stock options (2011 - \$186,942); and nil to recognize the fair value of shares issued to

management in lieu of dividends under the RSU Plan (2011 - \$41,400). Also in the quarter, the Corporation made cash payments based on current dividend rates of \$62,786 to employees and directors in lieu of dividends under the RSU Plan (2011 - \$65,754). Salaries and benefits were \$271,376 in the quarter, up 27% compared to the prior year period due to modest increases in base salaries effective August 1<sup>st</sup> and a new legal administrative position effective September 1, 2012.

Corporate and office expenses were \$202,506 compared to \$267,396 in the prior year and include office rent, travel and corporate administrative expenses. The 24% decrease was due mostly to a higher than normal run rate of expenses toward the end of 2011 as the international structure was finalized.

Legal and accounting expenses were \$282,244 for the three months ended December 31, 2012 compared to \$178,945 for the prior year period. The 58% increase is due to increased accounting, legal and tax fees related to the international structure.

Depreciation and amortization was comparable to the prior year period.

The Corporation recorded earnings of \$4.93 million and EBITDA of \$7.86 million for the three months ended December 31, 2012 compared to earnings of \$6.37 million and EBITDA of \$4.59 million for the three months ended December 31, 2011. The increase in EBITDA can be attributed to the new transactions with Quetico, Labstat and Agility as well as the follow-on investments with KMH and Killick that would have no revenues associated with them in the same period in 2011. Earnings were higher in 2011 due to a recovery of deferred income tax expense.

Reconciliation of Net Income to EBITDA (thousands)	3 months ending December 31, 2012	3 months ending December 31, 2011
Earnings	\$4,931	\$6,369
Adjustments to Net Income:		
Amortization and depreciation	27	27
Interest	335	357
Income tax expense	2,571	(2,168)
<b>EBITDA</b>	<b>\$7,864</b>	<b>\$4,585</b>

For the three months ending December 31, 2012, dividends were declared in October and November at \$0.10 per common share (voting and non-voting) and in December were increased to \$0.105 per common share totalling \$6,812,676 for the quarter. In the prior year period, dividends were declared totalling \$5,074,216 for the quarter.

A portion of the cash held at December 31, 2012 of \$3.64 million was used to satisfy the dividend declared in December 2012 (payable January 15, 2013).

The Corporation has a \$50 million, interest-only senior debt facility with a two-member Canadian bank syndicate, which was drawn to \$50 million at December 31, 2012. Interest is paid monthly at the lenders' prime rate plus three percent per annum (6.0% at December 31, 2012). During the current quarter, the Corporation drew \$47.5 million for the KMH, Killick and Agility transactions. Subsequent to December 31, 2012, the Corporation repaid \$46 million out of the proceeds of a public offering, and then drew down \$10 million for a contribution to a new Partner.

The Corporation has recorded an \$8.7 million deferred tax asset on its balance sheet to reflect the accounting value of unused tax pools based on the Corporation's internal projections.

## PRIVATE COMPANY PARTNER UPDATE

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The Corporation's interest in each of the Partners consist of a preferred partnership interest or ownership of intellectual property with a return based on a formula linked to a top-line metric (sales or gross profit) rather than a residual equity interest in the net earnings of such entities. The Corporation's role with each of the Partners is passive in all cases. 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. Instead, the Corporation has certain restrictive covenants in place designed to protect the ongoing payment of the annual royalties and 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. Such transactions generally include acquisitions & divestitures, major capital expenditures and incurring additional indebtedness.

**LifeMark** - Physiotherapy and rehabilitation services have not historically seen any significant year over year swings as people will continue to get injured and require the services that LifeMark provides. However, based on the terms of the amended Partnership agreement dated June 9, 2011, the LifeMark distribution will now increase by 4% each period ending June 30. The distributions are now supported by LifeMark's parent company, Centric Health Corporation ("Centric"), a Canadian public company, who will report to Alaris quarterly going forward. For the nine months ended September 30, 2012, Centric's revenues are 160% and EBITDA is 120% ahead of the prior year period results. The significant year over year improvement comes from the impact of the LifeMark acquisition. Centric has the option to repurchase the remaining partnership units owned by the Corporation starting in June 2013 at a fixed price of \$65.5 million. If the units are not repurchased, both the \$65.5 million and the annual distributions (scheduled at \$7.02 million for 2013) will increase by 4% effective July 1, 2013.

**LMS** - Volumes increased significantly in LMS' September 2012 fiscal year and are expected to continue to improve based on work on hand and recent project bidding activity. Based on audited financial statements, for the year ended September 30, 2012, total gross profit dollars were approximately 19% ahead of the prior year due to increased volume and consistent margins. Total gross profit is the top-line performance metric on which the annual distributions to the Corporation are reset. A portion of the annual distributions from LMS will reset on January 1, 2013 and the remainder on April 1, 2013 based on the September 2012 results. LMS management expects continued improvement into its 2013 fiscal year. Including the resets in 2013, distributions are currently scheduled at \$2.82 million for 2013.

**End of the Roll** - End of the Roll completed its seventh fiscal year as an Alaris partner on April 30, 2012. Same store sales results are the top-line performance metric on which the annual payments to the Corporation are reset. Same store sales for End of the Roll decreased 0.8% for the year ended April 30, 2012 as the renovation industry was relatively stable year over year. Based on unaudited financial statements for the eight months ended December 31, 2012, revenues and EBITDA are consistent with prior year results. Distributions are currently scheduled at \$1.17 million for 2013.

**KMH** - In 2012, the Corporation announced the purchase of additional preferred partnership units in KMH Limited Partnership for an aggregate acquisition cost of \$27.4 million, on top of the \$5 million in preferred partnership interests purchased in 2010, and the \$22.4 million in preferred partnership interests in 2011. KMH is a private healthcare company operating twelve diagnostic clinics (nuclear medicine, cardiology and MRI) in Ontario and now nine clinics in the United States. Based on unaudited internal financial statements provided by KMH's management for the year ended November 30, 2012, total revenues are more than 5% ahead of prior year results and EBITDA is significantly ahead of prior year results. Same clinic sales is the top-line performance metric on which the annual distributions to the Corporation are reset but due to a number of transactions with the

Corporation, it was agreed to push the next reset date back until January 1, 2014. Distributions on the KMH preferred units are currently scheduled at \$8.27 million for 2013 after the recent purchase of additional units.

**Solowave** - In December 2010, the Corporation purchased preferred partnership units in Solowave Design Limited Partnership for an aggregate acquisition cost of \$32.5 million. Solowave is a Canadian-based privately held designer and manufacturer of residential, ready-to-assemble wooden play centers. Solowave sells its products under the brands "Big Backyard" and "Cedar Summit Play Systems". Solowave's year end is October 31<sup>st</sup> and based on audited financial statements for the year ended October 31, 2012, revenues were 6% lower and EBITDA was 12% lower than prior year results. Annual growth in Solowave's distributions to Alaris is capped at 6%. There is also a maximum decline in the annual distributions of 6%. The annual distributions go up and down with Same Customer Net Sales and Solowave's same customer net sales declined just over the maximum 6% for the 2012 period. The decline in revenue and EBITDA are a result of softness in the American market that was partially offset by growth in Canadian and international business. Distributions on the Solowave preferred units are currently scheduled at \$4.66 million for 2013.

**Killick** - In December 2012, the Corporation announced the purchase of \$9 million of additional preferred partnership units in Killick Aerospace Partnership in addition to the initial acquisition of units for \$22.4 million. Killick is a Canadian-owned, Dallas-based privately held participant in the global aircraft maintenance, repair and overhaul industry. Killick's year end is December 31<sup>st</sup> and based on unaudited internal financial statements for the year ended December 31, 2012, revenues and EBITDA are well ahead of the prior year results as Killick has continued to find new opportunities, particularly in the parts sales business. Annual growth in Killick's distributions to Alaris is capped at 4% and is based on the change in gross revenues. There is also a maximum decline in the annual distributions of 4%. The distributions increased by 3.1% effective July 1, 2012 based on the audited December 2011 results. The distributions are currently scheduled at \$5.77 million and will reset again on July 1, 2013 based on the audited results for December 2012.

**Quetico** - In November 2011, the Corporation announced the purchase of preferred LLC units in Quetico, LLC for an aggregate acquisition cost of \$26.9 million USD. Quetico is a provider of wholesale, inventory management and third party logistic services. Quetico's year end is December 31<sup>st</sup> and based on unaudited internal financial statements for the year ended December 31, 2012, revenues and EBITDA are significantly ahead of the prior year results. Annual growth in Quetico's distributions to Alaris is capped at 10% and is based on the change in gross revenues. There is also a maximum decline in the annual distributions of 20%. Gross revenues were well in excess of the 10% maximum so distributions from Quetico will increase 10% effective January 1, 2013 and are scheduled at approximately \$4.7 million in Canadian dollars for 2013. The Corporation has purchased monthly forward contracts locking in the foreign exchange rate for all of 2013 and 70% of 2014.

**Labstat** - In June 2012, the Corporation announced the purchase of partnership units in Labstat International, Limited Partnership for an aggregate acquisition cost of \$41.2 million. Labstat is the global leader in regulation-driven analysis of tobacco products. Labstat's year end is December 31<sup>st</sup> and based on unaudited internal financial statements for the year ended December 31, 2012, revenues and EBITDA are consistent with prior year results. Annual growth in Labstat's distributions to Alaris is capped at 6% and is based on the change in gross revenues. There is also a maximum decline in the annual distributions of 6%. The first reset on distributions will not occur until January 1, 2014 based on the audited December 2013 results. Distributions are currently scheduled at \$6.18 million for 2013.

**Agility** - In December 2012, the Corporation announced the purchase of partnership units in Agility Health, LLC for an aggregate acquisition cost of \$12.5 million USD. Agility is a private health care company specializing in rehabilitation services across the United States. Agility's year end is December 31<sup>st</sup> and the distributions to the Corporation will not change until the completion of Agility's 2013 fiscal year. Annual growth in Agility's

distributions to Alaris is capped at 6% and is based on the change in same clinic sales. There is also a maximum decline in the annual distributions of 6%. Distributions are currently scheduled at \$1.99 million in Canadian dollars for 2013. The Corporation has purchased monthly forward contracts locking in the foreign exchange rate for all of 2013 and 70% of 2014.

## LIQUIDITY AND CAPITAL RESOURCES

The Corporation has a \$50.1 million senior credit facility which increased temporarily to \$55.1 million from January 1, 2013 to January 31, 2013 (\$50 million drawn at December 31, 2012) provided by two Canadian chartered banks. The senior facility was renewed on December 31, 2012 at an interest rate of Canadian prime interest rate plus 3%. The senior credit facility is an interest-only, 364-day revolving loan that is due December 31, 2013. The facility carries a three-year term out option in the event the loan is not renewed. Therefore at December 31, 2012, no amount is recorded as a current liability as the first potential principal repayment would be in January 2014 and then only if the facility is not renewed in December 2012. At December 31, 2012, the Corporation met all of its covenants as required by the senior credit facility. Those covenants include a maximum debt to EBITDA of 1.7:1 (1.31:1 at December 31, 2012); minimum tangible net worth of \$240.6 million (\$278.7 million at December 31, 2012); and a minimum fixed charge coverage ratio of 1:1 (1.06:1 at December 31, 2012). Subsequent to December 31, 2012, the Corporation repaid \$46 million of the outstanding senior credit facility using proceeds from a common share offering and then borrowed \$10 million for a contribution to a new Partner.

The Corporation had 22.337 million voting common shares outstanding at December 31, 2012. The Corporation had working capital of approximately \$3.05 million at December 31, 2012. 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 less current liabilities) at December 31, 2012 and 2011 is set forth in the tables below.

	2012	2011
Cash	3,638,255	3,888,465
Trade and other receivables	3,417,642	3,443,679
Prepayments	182,811	119,508
<b>Total Current Assets</b>	<b>\$7,238,708</b>	<b>\$7,451,652</b>
Accounts payable & accrued liabilities	1,805,561	1,546,705
Dividends payable	2,345,347	1,850,145
Income taxes payable	40,585	67,590
<b>Total Current Liabilities</b>	<b>\$4,191,493</b>	<b>\$3,464,440</b>
<b>Net Amount at December 31</b>	<b>\$3,047,215</b>	<b>\$3,987,212</b>

Management of the Corporation believes that the Corporation is able to meet 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	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Promissory note receivable	Loans and receivables	Amortized cost
Preferred LP units	Available for sale	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Bank indebtedness	Other liabilities	Amortized cost
Derivative financial instruments	Loans and receivables	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 its investment in Quetico, the Corporation's lone foreign investment. The Corporation matched 100% of the 2013 scheduled distributions to the Canadian parent and 70% of the expected 2014 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 gain or loss on the contracts will be recognized in profit or loss.

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:

	Total	0-6 Months	6 mo – 1 yr	1 – 2 years	3 – 4 years
Accounts payable and accrued liabilities	1,805,561	1,805,561	0	0	0
Dividends payable	2,345,347	2,345,347	0	0	0
Income taxes payable	40,585	40,585	0	0	0
Bank indebtedness	50,000,000	0	0	33,333,333	16,666,667
<b>Total</b>	<b>54,191,493</b>	<b>4,191,493</b>	<b>0</b>	<b>33,333,333</b>	<b>16,666,667</b>

The Corporation has sufficient cash on hand to settle all current accounts payable, accrued liabilities, dividends payable and all scheduled repayments 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 to meet all required repayments.

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

### A. Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Corporation's management (including the CEO and CFO) of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures, as defined in National Instrument 52-109. Based on that evaluation, the Corporation's management (including the CEO and CFO) concluded that the Corporation's disclosure controls and procedures were designed to provide a reasonable level of assurance over disclosures of material information and are effective as of December 31, 2012.

## B. Management Report on Internal Controls over Financial Reporting

The Corporation's management, (including the CEO and CFO) have assessed and evaluated the design and effectiveness of the Corporation's internal controls over financial reporting as defined in National Instrument 52-109 as of December 31, 2012. The Corporation's assessment included documentation, evaluation and testing of its internal controls over financial reporting. Based on that evaluation, the Corporation's management concluded that the Corporation's internal controls over financial reporting are effective and provide reasonable assurance regarding the reliability of the Corporation's financial reporting and its preparation of financial statements for external purposes in accordance with Canadian GAAP and are effective as of December 31, 2012.

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

### SUMMARY OF CONTRACTUAL OBLIGATIONS

Other than the senior credit facility described under "Liquidity and Capital Resources", the only material contractual obligation of the Corporation is its lease for office space. The Corporation agreed to a new seven-year lease at a new location that commenced in 2009. Annual leasing costs will be approximately \$160,000.

Contractual Obligations	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long term debt	50,000,000	0	50,000,000	0	0
Office lease	651,554	166,354	485,199	0	0
Total Contractual Obligations	50,651,554	166,354	50,485,199	0	0

### TRANSACTIONS WITH RELATED PARTIES

In 2011, the Corporation formed a wholly-owned subsidiary, Alaris Cooperatief, U.A., a cooperative in The Netherlands. The Corporation also formed a wholly-owned subsidiary of the Corporation, Alaris USA Inc, a Delaware Corporation. All intercompany loans, interest and dividends have been eliminated upon consolidation. All transactions with related parties are recorded at exchange amount. Related party transactions are measured at fair value.

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

	2012	2011
Base salaries and benefits	678,414	638,610
Bonus	660,000	900,000
Share-based payments (non-cash)	1,112,955	1,204,925
	<b>\$2,451,369</b>	<b>\$2,744,535</b>

### CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Management is required to make estimates when preparing the financial statements. Significant estimates include the amount of liabilities for services provided but not yet invoiced, stock-based compensation expenses, future income tax amounts, valuation of intangible assets and preferred limited partnership units and valuation of outstanding warrants.

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

### **Transition to International Financial Reporting Standards**

The Corporation has adopted International Financial Reporting Standards (“IFRS”) for its 2011 and 2012 fiscal years as required by the Accounting Standards Board of the Canadian Institute of Chartered Accountants. The Corporation provided information on its transition to IFRS in its 2010 Annual Management’s Discussion and Analysis. The assessments and impacts discussion in the 2010 Annual Management’s Discussion and Analysis remains largely unchanged.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Corporation, except for IFRS 9, Financial Instruments, which becomes mandatory for the Corporation’s 2015 consolidated financial statements and could change the classification and measurement of financial assets. The Corporation does not plan to adopt this standard early and the extent of the impact has not been determined.

## SUMMARY OF ANNUAL RESULTS

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

	2012	2011	2010
Revenue	32,106	49,274	16,659
Earnings	18,036	34,712	7,401
Basic and Diluted Income per Share/Unit	Basic - \$0.86 Diluted - \$0.84	Basic - \$2.04 Diluted - \$1.97	Basic - \$0.56 Diluted - \$0.54
Total Assets	332,941	246,478	227,803
Total Financial Liabilities	54,191	9,964	32,018
Cash Dividends/Distributions declared per Share/Unit	Basic - \$1.18 Diluted - \$1.16	Basic - \$1.06 Diluted - \$1.02	Basic - \$0.96 Diluted - \$0.93

Revenue and earnings for the year ended December 31, 2011 were increased by the \$27.7 million in pre-tax gains on the reduction of the Corporation’s interest in LifeMark and the sale of its interest in MEDlchair. Before that adjustment, basic and fully-diluted income per share in 2011 was \$0.67 and \$0.65, respectively.

The Corporation has sufficient cash flow to pay out dividends but due to a number of non-cash items including depreciation and amortization, deferred income tax expense and stock based compensation expense, dividends paid can exceed earnings. Below is a table showing cash from operations from the audited statement of cash flows compared to dividends paid in the year. In 2011, the gains from the reduction of interest in LifeMark allowed the Corporation to temporarily go above 100%.

	2012	2011	2010
Net cash from operating activities	26,464	14,610	12,377
Dividends/distributions paid	24,465	17,560	12,035
Payout ratio	92%	120%	99%

## SUMMARY OF QUARTERLY RESULTS

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

	Q4-12	Q3-12	Q2-12	Q1-12	Q4-11	Q3-11	Q2-11	Q1-11
Revenue	9,037	8,792	7,239	7,038	5,815	4,842	32,957	5,635
Earnings	4,931	4,868	4,160	3,957	6,369	2,721	22,710	2,925
Basic and Diluted	\$0.22	\$0.22	\$0.21	\$0.20	\$0.36	\$0.16	\$1.34	\$0.17
Income (loss) per Share/Unit	\$0.22	\$0.21	\$0.20	\$0.20	\$0.35	\$0.16	\$1.30	\$0.17

All periods reflect the implementation of IFRS. Q4-2011 includes a recovery of deferred income taxes of \$2.3 million. Q2-2011 includes the significant gains from the LifeMark Transaction.

## OUTSTANDING SHARES

At December 31, 2012, the Corporation had authorized, issued and outstanding, 22,336,642 voting common shares.

In the year ended December 31, 2012, the Corporation issued: 2,515,000 shares by way of short form prospectus; 50,625 shares as a result of the exercise of options; 5,157 shares under the Restricted Share Unit ("RSU") Plan; and 290,650 shares that vested to management under the RSU Plan.

At December 31, 2012, 205,181 restricted share units and 1,406,161 stock options were outstanding under the Corporation's long-term incentive compensation plans. The weighted average exercise price of the outstanding options is \$16.92.

Subsequent to December 31, 2012, the Corporation issued 2,461,000 shares by way of short form prospectus; 198,400 shares as a result of the exercise of options; 31,250 shares that vested to Directors under the RSU Plan; and 182,821 shares by private placement to the owners of a new Partner. At March 13, 2013, the Corporation had 25,209,113 common shares outstanding.

## SUBSEQUENT EVENTS

Subsequent to December 31, 2012, the Corporation entered into a partnership agreement with SHS Services Management effective March 2, 2013. Pursuant to the Partnership, Alaris contributed \$15,000,000 to SHS in exchange for an annual preferred distribution of \$2,500,000.

Subsequent to December 31, 2012, the Corporation loaned \$6 million pursuant to convertible promissory notes to LMS. The first note (\$3 million) can be repaid up until December 30, 2013 and thereafter can be converted into additional preferred LMS Units at Alaris' option. The second note (\$3 million) automatically converts to preferred LMS Units on December 31, 2013. For the purposes of calculating the distributions on the new LMS Units in 2014, the base rate on the promissory notes is set at 16% and will be adjusted by the change in gross profit along with the distributions on the original LMS Units.

## OUTLOOK

Alaris' agreements with the Partners provide for payments estimated to provide the Corporation approximately \$44.7 million of revenues for 2013. For the first quarter of 2013, those same agreements call for revenues of approximately \$10.8 million for the Corporation. Annual general and administrative expenses are currently estimated at \$4.0 million annually and include all public company costs. The senior debt facility was drawn to \$50 million at December 31, 2012 but was reduced to \$14 million subsequent to year end. The annual interest rate on that debt was approximately 6.0% at December 31, 2012. Cash requirements after net income are expected to be minimal, as current capital expenditures consist of office furniture and computer equipment.

The Corporation plans to continue to seek out and enter into transactions accretive to the Corporation's earnings per share in the current Private Company Partners and other private businesses.

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, subject to the risks identified for the business, and readers are cautioned that the information may not be appropriate for other purposes. See also "Forward Looking Information" below.

## RISKS AND UNCERTAINTY

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

We have organized our risks into the following categories:

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

### *Strategic Risk Factors Relating to Our Business*

#### **We have limited diversification in our Private Company Partners**

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

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

A key element of our growth plan is adding new Private Company Partners and making additional investments in the initial Private Company Partners in the future. Our ability to identify and complete new investment opportunities is not guaranteed. Achieving the benefits of future investments will depend in part on successfully identifying and capturing such opportunities in a timely and efficient manner and in structuring such arrangements to ensure a stable and growing stream of distributions.

## **We depend upon the operations and assets of our Private Company Partners.**

We are entirely dependent on the operations and assets of our Private Company Partners through our agreements with them. Our ability to pay dividends, to satisfy our debt service obligations and to pay our operating expenses is dependent on the Distributions received from our Private Company Partners, our sole source of cash flow. Distributions to Alaris from our Private Company Partners are generally based on a percentage of the Private Company Partner's revenues, same-store sales, gross margin or other similar top-line measure. Accordingly, subject to certain conditions, to the extent that the financial performance of a Private Company Partner declines with respect to the relevant performance measure, cash payments to Alaris will decline. The failure of any Private Company Partner to fulfill its distribution obligations to Alaris could materially adversely affect our financial condition and cash flows.

Our agreements with our Private Company Partners provide us with certain remedies in the event of non-payment of Distributions by the applicable Private Company Partner. In addition, some of our arrangements (in particular, End of the Roll) are secured by the assets of the Private Company Partner. However, our rights to payment and our security interests are generally subordinated to the payment rights and security interests of a Private Company Partner's commercial lenders.

We do not have significant influence over any of our Private Company Partners or their operations nor do we have the ability to exercise control over such Private Company Partners. The Distributions received by us from our Private Company Partners therefore depend upon a number of factors that may be outside of our control.

There is generally no publicly available information, including audited or other financial information about our Private Company Partners and the boards of directors and management of these companies are not subject to the same governance and disclosure requirements applicable to public companies. Therefore, although our Private Company Partners are required to provide Alaris with regular financial and operating information on a monthly and annual basis pursuant to our agreements with them, investors must rely on Alaris Management and its consultants to investigate and monitor the Private Company Partners.[ Consider combining with risk factor on pg. 35, delete sentence if so and replace with the following: (Rider 26 A) Therefore, we rely on our Management and consultants to investigate these businesses. There can be no assurance that our due diligence efforts will uncover all material information about the privately held businesses necessary to make fully informed decisions. Private Company Partners may have significant variations in operating results; may from time to time be parties to litigation; may be engaged in rapidly changing businesses; may expand business operations to new jurisdictions, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position; or may be adversely affected by changes in the business cycle. Numerous factors may affect the quantum of a Private Company Partner's distribution obligations to Alaris, or the ability of a Private Company Partner to service such distribution obligations, including the failure to meet its business plan, a downturn in its industry or negative economic conditions. Deterioration in a Private Company Partner's financial condition and prospects may be accompanied by a material reduction in the distributions or payments received by Alaris. See "*Risk Factors Relating to our Private Company Partners*".

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

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

**We are subject to risks affecting any new Private Company Partners**

If Alaris is successful in partnering with one or more new Private Company Partners, the businesses of these Private Company Partners may be subject to one or more of the risks referred to under "*Risk Factors Relating to our Private Company Partners*" or similar risks and may be subject to other risks particular to such business or businesses.

**We may be adversely affected by general economic and political conditions**

Our business and the business of each of the Private Company Partners are subject to changes in national or North American economic conditions, including but not limited to, recessionary or inflationary trends, equity market levels, consumer credit availability, interest rates, consumers' disposable income and spending levels, job security and unemployment, and overall consumer confidence. Market events and conditions in the last 3 years, including disruptions in the international credit markets and other financial systems and the American and European Sovereign debt level resulted in a deterioration of global economic conditions. These conditions have caused a decrease in confidence in the broader U.S. and global credit and financial markets and created a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns remain about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions have caused the broader credit market to further deteriorate and stock market to decline substantially. This volatility may in the future affect our ability to obtain equity or debt financing on acceptable terms. These factors have also negatively impacted company valuations and will impact the performance of the global economy going forward and could have a material adverse effect on our and our Private Company Partners' business, financial condition, results of operations and cash flows.

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

**We face competition with other investment entities**

Alaris competes with a large number of private equity funds and mezzanine funds, investment banks, equity and non-equity based investment funds, and other sources of financing, including the public capital markets. Some of our competitors, particularly those operating in the United States, are substantially larger and have considerably

greater financial resources and available funding structures than us. Competitors may have a lower cost of funds and many have access to funding sources and unique structures that are not available to Alaris. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships and build their market shares. There is no assurance that the competitive pressures that we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, we may not be able to take advantage of attractive investment opportunities and there can be no assurance that Alaris will be able to identify and make investments that satisfy our business objectives or that we will be able to meet our business goals.

### ***Operational and Financial Risk Factors Relating to Our Business***

#### **We are subject to tax related risks**

Alaris has various unclaimed non-capital losses, scientific research and experimental development expenditure pools and other deductions and credits available to it for Canadian federal income tax purposes. These unclaimed deductions and credits are subject to assessment and possible downward adjustment by Canadian tax authorities. Although we are of the view that all expenses and tax credits claimed by us are reasonable and deductible and have been correctly determined, there can be no assurance that the Canadian taxation authorities will agree. If the Canadian taxation authorities successfully challenge the deductibility of our expenses or the correctness of income tax credits claimed, our operating results could be adversely affected.

Alaris has also established Alaris Coop and Alaris USA for the purpose of financing and entering into arrangements with potential Private Company Partners in the United States and other jurisdictions. Our corporate structure for this purpose was implemented having regard to the corporate and tax laws and regulations of Canada, The Netherlands and the United States, as well as the income tax conventions between those countries to date, and our understanding of the current administrative practices and policies of the taxation authorities of each such jurisdiction. Such laws, regulations and conventions are subject to change from time to time. There is a possibility that such a change may be made, including with retroactive or retrospective effect. In addition, such structure is subject to assessment and possible adjustment by any of the taxation authorities of such jurisdictions. Although we are of the view that the corporate structure has been implemented correctly and is being managed and monitored properly, there can be no assurance that the tax authorities of such jurisdictions will agree. If such tax authorities successfully challenge any aspect of our financing and corporate structure, our operating results could be adversely affected.

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

Certain features of our outstanding debt, including the renewal of such debt on substantially similar terms, and the nature of any outstanding debt of the Private Company Partners could adversely affect our ability to raise additional capital, to fund our operations, to pay dividends, and could limit our ability to react to changes in the economy and our industry, expose us to interest rate risks and could prevent us from meeting certain of our business objectives.

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

We expect that our principal sources of funds will be cash generated from the Private Company Partners. We believe that funds from these sources will provide Alaris with sufficient liquidity and capital resources to meet our ongoing business operations at existing levels. Despite our expectations, however, Alaris may require additional equity or debt financing to meet our financing and operational requirements. There can be no assurance that this

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

### **Our ability to pay dividends is affected by the degree to which we are leveraged**

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

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

### **We and our Private Company Partners rely heavily on key personnel**

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

### **As a public company, we are subject to significant regulation**

Alaris, its subsidiaries, and the Private Company Partners are subject to a variety of laws, regulations and guidelines in the jurisdictions in which they operate (including Dutch, U.S., Canadian federal, provincial and local laws, and may become subject to additional laws, regulations and guidelines in the future, particularly as a result of acquisitions or additional changes to the jurisdictions in which they operate. The financial and managerial resources necessary to ensure such compliance could escalate significantly in the future which could

have a material adverse effect on Alaris' and the Private Company Partners' business, resources, financial condition, results of operations and cash flows. Such laws and regulations are subject to change. Accordingly, it is impossible for Alaris or the Private Company Partners to predict the cost or impact of such laws and regulations on their respective future operations.

#### **Our private company partners have termination rights which may be exercised**

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

#### **We are subject to fluctuations in currency**

Certain of our distributions are paid and received by us in United States dollars. However, our dividends are paid to our Shareholders in Canadian dollars. Current, we have in place forward hedging contracts to manage the risk and economic consequences of foreign exchange fluctuations. However, the Canadian dollar relative to the United States dollar is subject to fluctuations and the forward contracts are for a limited period of time. There can be no guarantee that these contracts will continue to adequately protect against such fluctuations for the long term. As such, failure to adequately manage our foreign exchange could adversely affect our business, financial condition, and results of operations.

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

The amount of dividends paid by us will depend upon numerous factors, including Distributions received, profitability, debt covenants and obligations, the availability and cost of acquisitions, fluctuations in working capital, the timing and amount of capital expenditures, applicable law and other factors which may be beyond our control. Dividends are not guaranteed and will fluctuate with our performance and the performance of our Private Company Partners. There can be no assurance as to the levels of dividends to be paid by us, if any. Alaris will also incur expenses as a public issuer. Should any estimate of such expenses prove inadequate or if unanticipated public issuer expenses are incurred, it would reduce cash available for payment of dividends. The market value of the Common Shares may deteriorate if we are unable to pay dividends in accordance with our dividend policy in the future, or not at all, and such deterioration may be material. Furthermore, the future treatment of dividends for tax purposes will be subject to the nature and composition of dividends paid by us and potential legislative and regulatory changes.

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

Each Private Company Partner provides certain representations and warranties and covenants to us regarding the Private Company Partner and its business and certain other matters. Following a transaction with Alaris, the Private Company Partner may distribute all or a substantial portion of the proceeds that it receives from us to its security holders or owners. In the event that we suffer any loss as a result of a breach of the representations and warranties or non-compliance with any other term of an agreement with a Private Company Partner, we may not

be able to recover the amount of our entire loss from the Private Company Partner. The Private Company Partner may not have sufficient property to satisfy our loss.

#### **Our share price is unpredictable and can be volatile**

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

#### **We may issue additional Common Shares diluting existing Shareholders' interests**

We may issue an unlimited number of Common Shares, or other securities for such consideration and on such terms and conditions as shall be established by us without the approval of Shareholders. Any further issuance of Common Shares will dilute the interests of existing Shareholders. The Shareholders will have no pre-emptive rights in connection with such future issuances.

#### **We are subject to a risk of legal proceedings**

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

#### **Our capacity to protect our intellectual property may be limited**

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

### ***Risks Relating to Our Private Company Partners***

#### **Risks relating to our Material Private Company Partners**

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

#### **Risks Relating Specifically to LifeMark Health**

<i>Government Regulation</i>	Healthcare service providers in Canada are subject to various governmental regulation and licensing requirements. Unlike certain other healthcare industry segments, specifically pharmaceuticals, laboratory services and hospital management companies, LifeMark
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Health operates in markets that are not regulated. LifeMark Health does not require a special license or permit from any governmental body to operate, aside from the license required for the medical imaging business and those normally required for all businesses. All of LifeMark Health's medical personnel, both physicians and registered nurses, are required to maintain the requisite professional licenses from their respective governing professional bodies. Notwithstanding that LifeMark Health operates in markets that are not currently regulated, any change in governmental regulation and licensing requirements or interpretation and application of same relating to healthcare services could have an adverse impact on the scope of LifeMark Health's activities.

*Customer Concentration* LifeMark Health's revenue is dependent in part on contracts from certain governmental agencies. The loss of any such contract would have a significant adverse effect on LifeMark Health.

*Confidentiality of Personal & Health Information* The collection, use and disclosure of patient personal and health information are subject to substantial regulation by the federal and, in most cases, provincial governments. These laws provide that an individual's consent is required prior to the collection, use and disclosure of information collected from them (with limited prescribed exceptions), that the collected information be protected with reasonable security measures and that the individual have access to the information so collected in order to ensure its accuracy. In addition, future legislation may affect the dissemination of health information that is not individually identifiable. Physicians and other persons providing patient information to LifeMark Health are also required to comply with these laws and regulations. If a client's privacy is violated or if LifeMark Health is found to have violated any law or regulation, it could be liable for damages or for criminal fines or penalties.

### **Risks Relating Specifically to LMS**

*Steel Pricing Risks* The world steel markets in which LMS operates can be extremely volatile and cyclical. Up to approximately 60% of LMS's variable costs can be attributed to the price of steel. A failure of LMS to anticipate and appropriately respond in a timely fashion to steel pricing trends in the purchasing and selling of steel products may have a material adverse effect on LMS's results.

Reinforcing steel products are typically sold by means of fixed price contracts, where the reinforcing steel is provided to the customer over a period of time which may range from several weeks to several years. At any point in time, therefore, LMS is contractually obligated to supply significant quantities of steel at a predetermined price. LMS does not hold inventory in quantities to match these obligations. The proportion of inventory to outstanding contractual obligations varies according to management's anticipation of steel pricing trends, but in any event, a material portion of the contractual obligations will always be exposed to future steel purchase pricing risk. If contractual obligations have to be fulfilled by steel purchased at higher costs, then LMS will incur lower realization on those contracts which will have an adverse effect on LMS's results.

LMS's other steel products are sold and shipped within a very short timeframe. These sales are often supported with large inventories of raw materials. During a period of falling prices for raw materials such as what occurred in late 2008, LMS would

normally expect price realization on shipments of LMS's finished products to deteriorate, producing inferior returns during the period when older inventories are being sold.

*General Economic Conditions Affecting LMS* Market events and conditions beginning in 2008, including disruptions in the international credit markets and other financial systems resulted in a deterioration of global economic conditions and had a negative effect on LMS' operations. Specifically, LMS experienced a dramatic shift in its business late in its fiscal 2008 year that included projects being cancelled and others being significantly delayed due to the unprecedented economic conditions that formed at that time. The end result was that LMS incurred material bad debt expenses for the first time in its operating history that decreased its reported gross profit for 2008 and a significant drop in its gross profit in 2009. The decline was based on both reduced volumes caused by the economic environment and credit crisis as well as by temporarily depressed margins that were caused by high priced inventory that resulted from cancelled projects. As a result of these factors, LMS' distribution to Alaris in 2010 decreased. Since 2009, LMS' gross profits have continued to be impaired due to construction market conditions across Western Canada, Since 2011, LMS has seen sales volume steadily improve in all of its regions and has seen corresponding improvement in gross profit. However, challenging market conditions might continue to have a negative impact on LMS' business, financial condition, results of operation and cash flows and could have a material adverse effect on Alaris.

*Supplier Base* LMS relies on key suppliers for the supply of raw materials. Disruption of any one supplier could have a material adverse effect on the ability of LMS to secure its supplies, as well as an increase in the cost of those supplies adversely affecting its financial results.

*Labour Relations Risk* Approximately one-half of LMS's employees are unionized or governed by collective trade agreements. Although these agreements are with multiple union locals within diverse regions, a labour dispute with any union or employee association could adversely affect LMS' business.

*Trade Policy Restrictions* LMS is a significant importer of commodity steel products that are sourced both domestically and globally. Steel is often the subject of cross border trade disputes. Any material dispute that is not resolved in LMS's favour could have a material adverse effect on LMS's results.

#### **Risks Relating Specifically to Solowave Design**

*Customer Risk* Solowave's four largest customers represent approximately 78% of Solowave's revenues. Although Solowave has increased revenues from other customers in the last three years, these four customers continue to represent a large portion of Solowave's revenues. Should these four customers experience difficulties in fulfilling their financial obligations to Solowave, cease to do business with Solowave, or significantly reduce orders from Solowave, there could be a material adverse effect to Solowave's business, financial condition and cash flows, which could in turn have a material adverse effect on Alaris. Solowave has accounts receivable insurance in place to protect payments, but the insurance recovery process could take time to realize. In addition,

should any of Solowave's major customers seek price reductions, additional financial incentives, or changes in sale terms, Solowave's business could be adversely affected.

<i>International Operations Risk</i>	Solowave sources certain component parts from Asia and assembles some of its goods in leased space in China. In addition, Solowave distributes a large number of its products through its distribution centre in Buffalo, New York, USA. These operations are subject to the risks normally associated with international operations, including but not limited to: currency conversion risks and currency fluctuations; political instability; civil unrest and economic instability; complications in complying with laws in several jurisdictions; changes in governmental policies; rising costs of raw materials; rising energy prices; blackouts due to energy shortages; transportation delays, interruptions and strikes; and the potential imposition of tariffs. Should Solowave's operations in China or the USA be impacted as a result, Solowave would need to shift additional business volumes to its Canadian manufacturing centre, which would significantly increase transportation and manufacturing costs and possibly disrupt its business. Also, the imposition of trade sanctions by Canada, the USA or China against any of the products imported by Solowave could significantly increase Solowave's manufacturing costs.
<i>Seasonal Business Risks</i>	The majority of Solowave's back yard active play sets are shipped for delivery and sold by its customers between February and August. As such, any interruption to the shipment of product to Solowave's customers during its peak selling season can result in a permanent loss of sales revenue for both Solowave and its customers, as well as an increase in Solowave's inventory carrying costs. Both of these items could potentially adversely affect Solowave's financial condition. In addition, a failure by Solowave to properly manage its seasonal sales cycle could result in a temporary or permanent loss of orders from customers, a strain on Solowave's working capital or a shortage of labour, all of which would adversely affect Solowave's financial condition and operating results.
<i>Natural or Other Disasters</i>	The risk to Solowave's financial condition would depend on the severity of the damage caused; the length of time the affected operations were off-line; the length of time for Solowave to realize upon its insurance coverage; and the extent of damage covered by Solowave's business interruption insurance. A fire or other unforeseen disaster could interrupt Solowave's manufacturing or distribution operation, or cause damage to Solowave's inventory or equipment. Such disaster could adversely affect Solowave's financial condition and operating results.
<i>Product Recall Risk</i>	As a manufacturer of products that are used by children, Solowave is subject to strict product safety regulations and guidelines. A major product recall instituted either by the governing bodies or by Solowave, could adversely affect Solowave's financial condition; and could lead to a permanent loss of revenue.

## Risks Relating Specifically to KMH

Customer Risk	Any cause that would reduce the affordability to pay for private healthcare will negatively affect KMH's volumes and revenue. A loss or reduction of personal income, due to continued unemployment in the U.S., and uncertain economic conditions, has a direct impact on the ability of U.S. citizens to pay for private insurance.
Medical Reimbursement Rates	KMH derives the majority of its revenue from public health insurance programs. Therefore, any major change in these programs would negatively impact KMH. The largest risk KMH faces in the U.S. is the fact that reimbursement rates are dictated by Medicare. If Medicare decides to cut these rates significantly, all issuers follow, leading to a substantial decrease in margins.
Referral Loss	KMH's revenue is dependent in part on referrals from centers that do not have in-house medical imaging capabilities. The loss of any of these referrals would have a significant adverse effect on KMH's business. Aside from a general decline in referrals, a complete loss of a referral channel could result if a private practice sells their practice to a local hospital that has its own internal imaging capabilities.
Supplier Base	KMH relies on key suppliers for the supply of isotopes. Isotopes are essential to conducting nuclear medicine diagnostic tests. The supply of isotopes can be affected by a number of factors, including, without limitation, an interruption of operations at any nuclear reactors around the world or increased regulation with respect to the production of nuclear power. If KMH loses its supply of isotopes, for even a short period of time, it could result in a significant decrease in nuclear tests conducted, affecting revenue.
Regulation	KMH operates in a strictly regulated industry. All KMH facilities are subject to scrutiny by the regulators and any failures to comply with set requirements could result in the loss of KMH's operating licenses. In addition, any change in governmental regulation and licensing requirements or interpretation and application of same relating to healthcare services could have an adverse impact on the scope of KMH's activities.
Foreign Exchange Rate Fluctuations	Though minimal, KMH is exposed to foreign exchange rate fluctuations from the U.S. operations thus decreasing income from U.S. operations if affected negatively by a USD to CDN dollar rate change.

## Risks Relating Specifically to Killick

Government Regulation	The size and scope of the global maintenance, repair & overhaul market is determined largely by government regulatory requirements created to ensure the safety of the air traveling public. Any change in the governmental regulation and licensing requirements or interpretation and application of same relating to aircraft maintenance and service could have an adverse impact on the scope of Killick's operations and volumes.
New Product Risk	The threat of a new model of engine coming to market has the potential to significantly reduce the demand for the types of engines and parts that Killick services and supplies. However, an event can generally be predicted and planned for well in

advance of the product arriving in the market.

**Customer Bargaining Power Risk** In the market segment that Killick's CT Aerospace division participates, buyers are limited in number but large in size and industry influence. Buyers exercise increased power as the available options for sources of engine parts are often many. Participants in the market segment in turn work to distinguish themselves from the competition in an effort to win their business, making the market segment highly relational and service oriented. Losing favor with a buyer could result in an adverse impact on CT Aerospace's revenue.

**General Economic Conditions** The growth of the MRO market is driven by two main factors: the growth of the worldwide aircraft fleet and the increased average age of the fleet as evidenced by cumulative number of flight hours. Economic factors negatively effecting demand and overall industry flight time could reduce the level of work for MRO operations.

### **Risks Relating Specifically to Quetico**

**Customer Risk** Quetico's largest customer represents approximately 70% of Quetico's revenues. Substantial decreases in product and servicing orders from this customer could adversely affect Quetico's business, financial condition and results from operations. Quetico's relationship with this customer is over two decades old and Quetico is integrated into the customer's inventory system, offering services that no other company currently provides. However, if the customer starts to see its sales volumes across North America decline or decides to use additional service providers, it may have a materially negative effect on Quetico's business, and therefore have a material effect on Alaris.

**Operational Risk** Quetico has no formal agreements with any of its wholesale merchandise customers, except for in respect to licensing and royalty agreements. The Company conducts wholesale business with purchase orders from retailers, or brand owners, which indicate a future commitment or promise to take ownership of inventory at some time in the future. If at any point, a customer does not honour a purchase order commitment, Quetico will have inventory to sell to cover its financial position on the transaction. There can be no guarantee that this will be sold, particularly in a weak economy. In addition, carrying the additional inventory may cause a drain on Quetico's capital availability to fund new transactions.

### **Risks Relating Specifically to Labstat**

**Timing of U.S. Regulatory Implementation** Labstat anticipates that it will benefit significantly from newly implemented regulations in the United States beginning in April of 2013. These regulations are being imposed by the FDA and are expected to require importers of tobacco in the United States to conduct regulatory testing on their tobacco products. If these new regulations do not get implemented on time (or at all) and if the market is smaller than anticipated by Labstat, it could result in lower than expected future revenue.

**Reduction in the Number of Tobacco Brands** If there is a significant reduction in the number of brands of tobacco products sold worldwide it would affect the number of tests Labstat would conduct for specific manufacturers. Currently each brand of tobacco product sold in Canada must be

tested in to meet regulatory requirements. If manufacturers merge or reduce the number of brands they sell they will require less testing to be conducted by Labstat. This could lead to a decrease in revenue to Labstat.

Seasonality of Revenue     of     There is a significant seasonality of revenue in the tobacco testing industry. In the event that Labstat does not properly forecast its headcounts for slow periods, or if slow periods last longer than they have historically, it could face working capital short-falls, creating liquidity issues for the company.

Foreign Exchange Risk     Labstat is exposed to foreign exchange volatility as approximately 50% of its revenue is based in U.S dollars. They currently mitigate the risk of large swings in currency rates by writing forward contracts. However, a large un-hedged swing in the USD/CAD exchange rate could negatively affect Labstat's cash flow, which in turn may hinder its ability to pay its obligations to creditors and Alaris.

### **Risks relating to all of our Private Company Partners, generally**

In addition to the risks relating specifically to our material Private Company Partners (being LifeMark Health, LMS, Solowave, KMH, Killick and Quetico), there are several other risks which impact all of our current and future Private Company Partners collectively, which if realized, could have a material impact on our operations and financial condition, as described below.

#### **There is no publicly-available information concerning our Private Company Partners**

There is generally no publicly available information regarding private businesses and the boards of directors and management of these companies are not subject to the same governance and disclosure requirements applicable to public companies. Therefore, we rely on our Management and consultants to investigate these businesses. There can be no assurance that our due diligence efforts will uncover all material information about the privately held businesses necessary to make fully informed decisions. Private Company Partners may have significant variations in operating results; may from time to time be parties to litigation; may be engaged in rapidly changing businesses; may expand business operations to new jurisdictions, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position; or may be adversely affected by changes in the business cycle. Numerous factors may affect the quantum of a Private Company Partner's distribution obligations to Alaris, or the ability of a Private Company Partner to service such distribution obligations, including the failure to meet its business plan, a downturn in its industry or negative economic conditions. Deterioration in a Private Company Partner's financial condition and prospects may be accompanied by a material reduction in the distributions or payments received by us.

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

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

### **Our Private Company Partners rely on key personnel**

Often, the success of a private business depends on the management talents and efforts of one or two persons or a small group of persons. The death, disability or resignation of one or more of these persons could have a material adverse impact on a Private Company Partner's operations or ability to access additional capital qualified personnel, expand or compete.

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

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

### **Our Private Company Partners may suffer damage to their brand reputations**

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

### **Our Private Company Partners face intense competition**

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

### **Additional franchises and franchise operations may be limited**

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

The franchisees that operate the franchises systems are independent owners. The franchisees are bound by the applicable franchise agreements to maintain certain standards and to operate within the franchise system. However, the franchisees are not directly under the control of the franchisors and may not in all cases comply with the requirements of the franchisors. The failure of a number of franchisees to comply with the franchise agreements or to maintain the standards of the franchisors may have an adverse effect on the applicable franchisor's brand and operating results.

## FORWARD-LOOKING STATEMENTS

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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 revenues anticipated to be received from the Partners and the Corporation's general and administrative expenses as well as the expected future performance of the Partners. Many of these statements can be identified by looking for words such as "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. 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 in 2012 and 2013 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 Private Company Partners to pay the distributions; and the performance of the Private Company Partners. 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; future sales of common shares by significant shareholders; ability to recover from the Partners for defaults under the various agreements with Alaris; potential conflicts of interest; dilution; and liquidity of Common Shares. The information contained in this MD&A, including the information set forth under "Risk Factors", 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

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Additional information relating to the Corporation, including the Corporation's Annual Information Form, is on available on SEDAR at [www.sedar.com](http://www.sedar.com).