Unaudited Condensed Consolidated Interim Financial Statements of

ALARIS ROYALTY CORP.

For the three and nine months ended September 30, 2013

Alaris Royalty Corp.

Condensed consolidated statement of financial position (unaudited)

	Note	September 30 2013	December 31 2012
Assets			
Cash and cash equivalents		$5,679,027	$3,638,255
Prepayments		120,503	182,811
Trade and other receivables	4	1,535,625	917,642
Promissory note receivable	4	11,500,000	2,500,000
Current Assets		18,835,155	7,238,708
Promissory note receivable	4	5,885,000	1,250,000
Equipment		53,902	59,881
Intangible assets	4	6,501,999	6,570,201
Preferred LP Units	4	394,328,363	298,226,402
Investment tax credit receivable		10,922,393	10,922,393
Deferred income taxes		4,817,915	8,673,125
Non-current assets		422,509,572	325,702,002
Total Assets		$441,344,727	$332,940,710
Liabilities			
Accounts payable and accrued liabilities		$754,677	$1,805,561
Dividends payable		3,443,243	2,345,347
Income taxes payable		536,457	40,585
Current Liabilities		4,734,377	4,191,493
Loans and borrowings	6	-	50,000,000
Non-current liabilities		-	50,000,000
Total Liabilities		$4,734,377	$54,191,493
Equity			
Share capital	5	$413,439,317	$252,016,172
Equity reserve		4,704,926	2,930,483
Fair value reserve		(9,083,951)	2,336,689
Translation reserve		(245,693)	(265,220)
Retained Earnings		27,795,751	21,731,093
Total Equity		$436,610,350	$278,749,217
Total Liabilities and Equity		$441,344,727	$332,940,710
Commitments	9		
Subsequent event	10		

The notes are an integral part of these interim financial statements.

Alaris Royalty Corp.

Condensed consolidated statement of comprehensive income (unaudited)

	Note	Three months ended Sept 30 2013	Three months ended Sept 30 2012	Nine months ended Sept 30 2013	Nine months ended Sept 30 2012
Revenues					
Royalties and distributions	4	$ 14,464,752	$ 8,676,756	$ 36,570,619	$ 22,945,958
Interest and other		297,665	115,528	762,885	122,888
Gain on reduction of partner interests	4	-	-	13,052,160	-
Gain/(loss) on foreign exchange contracts		466,353	-	(22,649)	-
Total Revenue		15,228,770	8,792,284	50,363,015	23,068,846
Salaries and benefits		263,034	73,248	2,329,222	1,524,798
Corporate and office		282,003	254,772	1,068,945	768,566
Legal and accounting fees		252,842	519,446	829,726	1,048,445
Non-cash stock-based compensation	7	1,347,606	461,436	2,825,365	1,160,413
Depreciation and amortization		26,558	26,908	79,415	80,265
Subtotal		2,172,043	1,335,810	7,132,673	4,582,487
Earnings from operations		13,056,727	7,456,474	43,230,342	18,486,359
Finance cost		296,986	75,196	1,243,624	698,220
Unrealized foreign exchange (gain)/loss		1,329,300	600,533	78,090	567,161
Earnings before taxes		11,430,441	6,780,745	41,908,628	17,220,978
Current income tax expense		806,117	266,939	1,461,456	536,937
Deferred income tax expense		2,236,800	1,645,452	7,757,200	3,579,641
Earnings		$ 8,387,524	$ 4,868,354	$ 32,689,972	$ 13,104,400
Other comprehensive income					
Net change in fair value of Preferred LP Units		-	-	-	50,000
Tax impact of change in fair value		-	-	-	(6,250)
Realized gain on reduction of partnership interest		-	-	(13,052,160)	-
Tax impact of realized gain		-	-	1,631,520	-
Foreign currency translation differences		847,354	(356,295)	19,527	(327,493)
Other comprehensive income for the period, net of income tax		847,354	(356,295)	(11,401,113)	(283,743)
Total comprehensive income for the period		$ 9,234,878	$ 4,512,059	$ 21,288,859	$ 12,820,657
Earnings per share					
Basic earnings per share		$0.30	$0.22	$1.26	$0.64
Fully diluted earnings per share		$0.29	$0.21	$1.22	$0.63
Weighted average shares outstanding					
Basic		28,106,555	22,306,832	26,022,045	20,464,201
Fully Diluted		28,893,781	22,824,718	26,731,035	20,900,401

Alaris Royalty Corp.

Condensed consolidated statement of changes in equity (unaudited)

For the nine months ended September 30, 2012

	Notes	Share Capital	Equity Reserve	Fair Value Reserve	Translation Reserve	Retained Earnings	Total Equity
Balance at January 1, 2012		$200,822,160	$4,626,500	$2,292,939	$(124,947)	$28,897,108	$236,513,760
Total comprehensive income for the period							
Earnings for the period		-	-	-	-	13,104,400	13,104,400
Other comprehensive income							
Net change in fair value of Preferred LP units		-	-	50,000	-	-	50,000
Tax impact of change in fair value		-	-	(6,250)	-	-	(6,250)
Foreign currency translation differences		-	-	-	(327,493)	-	(327,493)
Total other comprehensive income		-	-	43,750	(327,493)	-	(283,743)
Total comprehensive income for the period		$-	$-	$43,750	$(327,493)	$13,104,400	$12,820,657
Transactions with shareholders of the Company, recognized directly in equity							
Contributions by and distributions to shareholders of the Company							
Non-cash stock based compensation	7	$-	$1,063,819	$-	$-	$-	$1,063,819
Dividends to shareholders	5	-	-	-	-	(18,147,204)	(18,147,204)
Shares issued in the period		49,042,500	-	-	-	-	49,042,500
Share issue costs, net of tax	5	(2,070,255)	-	-	-	-)	(2,070,255)
Options exercised in the period	5,7	607,500	-			-	607,500
Fair value of options exercised in the period		65,656	(65,656)			-	
RSUs vested in the period	5,7	3,367,800	(3,367,800)			-	
Payments in lieu of dividends on RSUs	7	-	-	-	-	(178,953)	(178,953)
Shares issued in lieu of dividends on RSUs	7	96,600	-	-	-	-	96,600
Total transactions with Shareholders of the Company		51,109,801	(2,369,637)	-	-	(18,326,157)	30,414,007
Balance at September 30, 2012		$251,931,961	$2,256,863	$2,336,689	$(452,440)	$23,675,351	$279,748,424

Alaris Royalty Corp.

Condensed consolidated statement of changes in equity (unaudited)

For the nine months ended September 30, 2013

	Notes	Share Capital	Equity Reserve	Fair Value Reserve	Translation Reserve	Retained Earnings	Total Equity
Balance at January 1, 2013		$252,016,172	$2,930,483	$2,336,689	$(265,220)	$21,731,093	$278,749,212
Total comprehensive income for the period							
Earnings for the period		-	-	-	-	32,689,972	32,689,972
Other comprehensive income							
Realized gain on LifeMark redemption	4	-	-	(13,052,160)	-	-	(13,052,170)
Tax impact on realized gain		-	-	1,631,520	-	-	1,631,520
Foreign currency translation differences		-	-	-	19,527	-	19,527
Total other comprehensive income		-	-	(11,420,640)	19,527	-	(11,401,113)
Total comprehensive income for the period		$-	$-	$(11,420,640)	$19,527	$32,689,972	$21,288,859
Transactions with shareholders of the Company, recognized directly in equity							
Contributions by and distributions to shareholders of the Company							
Non-cash stock based compensation	7	$-	$2,825,365	$-	$-	$-	$2,825,365
Dividends to shareholders	5	-	-	-	-	(26,416,482)	(26,416,482)
Shares issued in the period		165,036,300	-	-	-	-	165,036,300
Share issue costs, net of tax	5	(6,811,303)	-	-	-	-	(6,811,303)
Options exercised in the period		2,711,476	(564,250)	-	-	-	2,147,226
Payments in lieu of dividends on RSUs	7	-	-	-	-	(208,832)	(208,832)
Shares issued after director RSU vesting	7	486,672	(486,672)	-	-	-	-
Total transactions with Shareholders of the Company		161,423,145	1,774,443	-	-	(26,625,314)	136,572,274
Balance at September 30, 2013		$413,439,317	$4,704,926	$(9,083,951)	$(245,693)	$27,795,751	$436,610,350

Alaris Royalty Corp.

Condensed consolidated statement of cash flows (unaudited)

For the nine months ended September 30

	Note	2013	2012
Cash flows from operating activities			
Earnings from the period		$32,689,972	$13,104,400
Adjustments for:			
Finance costs		1,243,624	698,220
Deferred income tax expense		7,757,200	3,579,641
Depreciation and amortization		79,414	80,265
Unrealized foreign exchange loss/(gain)		78,090	567,161
(Gain)/Loss on foreign exchange contracts		22,649	(122,888)
(Gain)/Loss on reduction of partner interests		(13,052,160)	-
Non-cash stock based compensation	7	2,825,365	1,160,413
		31,644,154	19,067,212
Change in:			
-trade and other receivables		(664,515)	3,312,167
-prepayments		62,308	10,485
-trade and other payables		(555,012)	(388,716)
Cash generated from operating activities		30,486,935	22,001,148
Interest paid		(1,243,624)	(698,220)
Net cash from operating activities		$29,243,311	$21,302,928
Cash flows from investing activities			
Acquisition of equipment		(5,232)	(9,835)
Acquisition/disposition of Preferred LP Units	4	(126,136,641)	(44,015,150)
Proceeds from reduction in Preferred LP Units	4	30,000,000	-
Net cash from/(used in) investing activities		$(96,141,873)	$(44,024,984)
Cash flows from financing activities			
New share capital, net of share issue costs	5	155,954,527	46,282,160
Proceeds from exercise of options		2,147,226	-
Borrowing of senior debt	6	118,000,000	45,000,000
Repayment of senior debt	6	(168,000,000)	(49,000,000)
Promissory notes issued		(13,635,000)	1,250,000
Dividends paid	5	(25,318,587)	(17,763,685)
Payments in lieu of dividends on RSUs	7	(208,832)	(178,953)
Net cash used in financing activities		$68,939,334	$23,697,022
Net increase in cash and cash equivalents		2,040,772	9,74,965
Cash and cash equivalents, Beginning of period		3,638,255	3,888,465
Cash and cash equivalents, End of period		$5,679,027	$4,863,430

1. Reporting entity:

Alaris is a company domiciled in Calgary, Alberta, Canada. The condensed consolidated interim financial statements of the Company as at and for the three and nine months ended September 30, 2013 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Corporation"). The Corporation's Canadian operations are conducted through a partnership. The Corporation's American operations are conducted through a Delaware Corporation formed on October 21, 2011. The Corporation's operations consist primarily of investments in private operating entities, typically in the form of preferred limited partnership interests, preferred interest in limited liability corporations in the United States, or long-term license and royalty arrangements. The Corporation also has a wholly-owned subsidiary in The Netherlands.

2. Statement of compliance:

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34.

These condensed consolidated interim financial statements were approved by the Board of Directors on November 14, 2013.

(b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Available-for-sale financial assets (Preferred LP units and Preferred LLC units) are measured at fair value with changes in fair value recorded in other comprehensive income
- Derivative financial instruments are measured at fair value

(c) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars which is the Corporation's functional currency.

(d) Use of estimates

The preparation of the condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next twelve months are as follows:

Key assumptions used in discounted cash flow projections

Key assumptions used in the calculation of the fair value of available for sale financial assets are discount rates, terminal value growth rates and annual performance metric growth rates.

Utilization of tax losses

Management makes estimates on future taxable income that generates the calculations for the deferred income tax expense, assets and liabilities.

Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. Management reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

3. Significant accounting policies:

Effective January 1, 2013, the Corporation adopted IFRS 10, 11, 12 and 13. These new standards do not affect the recognition or measurement of any items in the Corporation's Financial Statements. Disclosure requirements under IFRS 13 have been provided in Note 8. There have been no other changes to the Corporation's accounting policies from those disclosed in the consolidated Financial Statements of the Corporation for the years ended December 31, 2012 and 2011.

These condensed consolidated interim financial statements were prepared on the same basis of the audited financial statements for the year ending December 31, 2012.

4. Investments

Preferred LP units:

September 30, 2013		Acquisition Cost		Capitalized Cost		Net Cost		Fair Value
LifeMark Health	$	19,502,159	$	499,894	$	20,002,053	$	35,500,000
LMS		51,000,000		333,280		51,333,280		29,300,000
Solowave		32,500,000		511,253		33,011,253		31,500,000
KMH		54,800,000		559,192		55,359,192		55,431,198
Killick		36,250,000		257,544		36,507,544		38,600,000
Quetico		27,731,210		860,337		28,591,547		28,591,547
Labstat		41,200,000		518,944		41,718,944		39,718,944
Agility		12,886,250		594,219		13,480,469		13,480,469
SHS		15,000,000		414,174		15,414,174		12,914,174
SCR		40,000,000		454,068		40,454,068		40,454,068
Sequel		68,039,400		593,111		68,632,511		68,632,511
Capitalized costs		-		205,452		205,452		205,542
	$	398,909,019	$	5,801,468	$	404,710,487	$	394,328,363
December 31, 2012								
LifeMark Health	$	36,450,000	$	499,894	$	36,949,894	$	65,500,000
LMS		51,000,000		333,280		51,333,280		25,800,000
Solowave		32,500,000		511,253		33,011,253		31,500,000
KMH		54,800,000		504,513		55,304,513		55,376,519
Killick		36,250,000		257,544		36,507,544		37,600,000
Quetico		26,808,540		860,337		27,668,877		27,668,877
Labstat		41,200,000		518,944		41,718,944		41,718,944
Agility		12,457,500		604,562		13,062,062		13,062,062
	$	291,466,040	$	4,090,327	$	240,775,361	$	298,226,402

The difference in the acquisition cost of Quetico and Agility at December 31, 2012 and September 30, 2013 is due to foreign currency translation.

4. Investments (continued):

Reduction of interest in LifeMark Health

During the nine months ended September 30, 2013, the Corporation received $30 million of proceeds from LifeMark Health for the redemption of a portion of the preferred units in LifeMark. The redemption results in a decrease to the annual distributions from LifeMark from $7,020,000 to $3,956,880. The remainder of the units ($35.5 million) can be repurchased anytime with 30-days notice.

Investment in SHS Services Management, LP ("SHS"):

The Corporation holds 1,500,000 Preferred partnership units in SHS acquired on March 6, 2013 for $15 million.

Pursuant to the partnership agreement dated March 6, 2013, the SHS units entitle the Corporation to receive an annual preferred distribution in priority to distributions on SHS' other partnership units in an amount equal to the preferred distribution for the prior fiscal year multiplied by the percentage increase or decrease in SHS' gross revenues for the previous fiscal year. Distributions on the SHS units are receivable monthly.

SHS has the option at any time after March 6, 2016 to repurchase all (but not less than all) of the units at a pre-negotiated premium to the original purchase price.

Investment SCR Mining and Tunneling, LP ("SCR"):

The Corporation holds 4,000,001 Preferred partnership units in SCR acquired on May 23, 2013 for $40 million.

Pursuant to the partnership agreement dated May 23, 2013, the SCR units entitle the Corporation to receive an annual preferred distribution in priority to distributions on SCR's other partnership units in an amount equal to the preferred distribution for the prior fiscal year multiplied by the percentage increase or decrease in SCR's gross revenues for the previous fiscal year. Distributions on the SCR units are receivable monthly.

SCR has the option at any time after May 23, 2016 to repurchase the units at a pre-negotiated premium to the original purchase price

Investment in Sequel Youth and Family Services, LLC ("Sequel"):

On July 1, 2013, the Corporation acquired 810,000 Class C limited liability company units in Sequel Youth Family Services for $66 million US.

Pursuant to the operating agreement dated July 1, 2013, the Sequel units entitle the Corporation to receive an annual preferred distribution in priority to distributions on Sequel's common units in an amount equal to the preferred distribution for the prior fiscal year multiplied by the percentage increase or decrease in Sequel's same program revenues for the previous fiscal year. Distributions on the Sequel units are receivable monthly and are scheduled to be $9.9 million in US$ for the first twelve months.

Sequel has the option at any time after July 1, 2016 to repurchase the units at a pre-negotiated premium to the original purchase price.

Intangible assets:

The Corporation holds intangible assets as follows:

September 30, 2013	Acquisition Cost	Capitalized Cost	Accumulated Amortization	Net Cost
End of the Roll	$ 7,200,000	$ 74,920	$ (772,921)	$ 6,501,999
December 31, 2012				
End of the Roll	$ 7,200,000	$ 74,920	$ (704,719)	$ 6,570,201

4. Investments (continued):

The Corporation received royalties and distributions as follows:

Royalties and distributions:

	Three months ended Sept 30		Nine months ended Sept 30	
	2013	2012	2013	2012
Sequel	$ 2,570,783	$ -	$ 2,533,410	$ -
KMH	2,067,303	1,139,713	6,201,909	3,238,859
SCR	1,600,089	-	2,273,696	-
Labstat	1,545,000	1,592,775	4,635,000	2,017,103
Killick	1,486,440	1,108,324	4,370,616	3,258,324
Quetico	1,213,980	1,057,058	3,588,997	3,193,987
Solowave	1,165,600	1,240,000	3,496,800	3,720,000
LifeMark Health	989,232	1,755,000	3,980,740	5,130,000
LMS	623,925	508,000	1,832,800	1,495,047
Agility Health	519,350	-	1,535,400	-
SHS	416,666	-	1,242,741	-
End of the Roll	266,384	275,886	878,510	892,638
	$ 14,464,752	$ 8,676,756	$ 36,570,619	$ 22,945,958

As part of being a long-term partner with the companies the Corporation holds preferred interests in, from time to time the Corporation has offered short-term financing solutions to assist with short-term needs of the individual businesses. At September 30, 2013, the following is a summary of the outstanding loans:

Partner	Sept 30, 2013	Dec 31, 2012
Current		
LMS	$ 6,000,000	-
KMH	3,500,000	2,500,000
SHS	2,000,000	-
Total Current	$ 11,500,000	$ 2,500,000
Non-Current		
Labstat	5,885,000	1,250,000
Total	17,385,000	3,750,000

The terms of the various notes differ as half of the LMS notes can be converted to additional preferred units at the Corporation’s option on December 31, 2013; a portion of the Labstat notes can be converted to preferred units as well, but not until 2015; and the SHS note is secured against certain assets of the SHS business.

5. Share capital:

In the nine months ended September 30, 2013, the Corporation issued 5,888,000 shares by short form prospectus for gross proceeds of $165,036,300, issued 241,021 shares as a result of the exercise of options for gross proceeds of $2,332,604, issued 181,821 shares by a private placement to SHS management as part of the acquisition of preferred units in SHS for gross proceeds of $5,000,000, issued 46,250 shares that vested to Directors under the Restricted Share Unit ("RSU") Plan, and 10,150 options were exchanged for cash of $157,570 under the cashless exercise program. The Corporation has authorized, issued and outstanding, 28,693,694 voting common shares as at September 30, 2013.

Dividends

The following dividends were declared and paid by the Corporation:

In the first five months in 2013, the Corporation declared a dividend of $0.105 per common share, in June the Corporation declared a dividend of $0.115 per common share and in July through September the Corporation declared a dividend of $0.12 per common share ($26,416,482 in aggregate). For the first five months in 2012, dividends of $0.095 per common share were declared each month and in June through September 2012, a dividend of $0.10 per common share was declared ($18,147,204 in aggregate).

6. Loans and borrowings:

The Corporation has a $50,100,000 secured revolving credit facility with a syndicate of Canadian chartered banks. On June 24, 2013, the facility was temporarily extended to $100,100,000 until July 31, 2013. The term out date under the credit facility is December 31, 2013. If monies are drawn, and if an extension is not received by December 31, 2013, the facility will be repaid in thirty-six equal monthly installments commencing January 31, 2014. There are financial covenants under this facility and at September 30, 2013, the Corporation is in compliance with each of the covenants. During the three months ending September 30, 2013, the Corporation repaid the entire outstanding balance of $96,000,000 with proceeds from an equity offering, leaving a balance of nil at September 30, 2013.

7. Non-cash stock based compensation:

The Corporation has a Restricted Share Unit Plan ("RSU Plan") and a Stock Option Plan as approved by shareholders at a special shareholders meeting on July 31, 2008 that authorizes the Board of Directors to grant awards of RSUs and Options subject to a maximum of ten percent of the issued and outstanding common shares of the Corporation.

The RSU Plan will settle in voting common shares which may be issued from treasury or purchased on the Toronto Stock Exchange. The Corporation has reserved 674,636 and issued 233,207 RSUs to management and Directors as of September 30, 2013. The RSUs issued to directors vest over a three-year period. The RSUs issued to management (154,457) do not vest until the end of a three year period (111,431 in September 2015 and 43,026 in July 2016) and are subject to certain performance conditions relating to operating cash flow per share. The stock-based compensation expense relating to the RSU Plan is based on the issue price at the time of grant and management's estimate of the future performance conditions and was amortized over the thirty-six month vesting period. Payments in lieu of dividends on the unvested RSUs are made monthly in cash in accordance with the Corporation's dividend policy.

For the three and nine months ended September 30, 2013, the Corporation incurred stock-based compensation expenses of $1,347,606 and $2,825,366 (2012 - $461,436 and $1,160,413) which includes: $577,317 and $1,275,395 (non-cash expense) for the portion of the RSU Plan expense that is to be amortized over the thirty-six month vesting period of the plan (2012 - $168,318 and $364,267); nil (non-cash expense) for shares issued in the period in lieu of dividends under the RSU Plan (2012 - $13,800 and $96,600); and $770,289 and

$1,549,971 (non-cash expense) for the portion of the amortization of the fair value of outstanding stock options (2012 - $279,318 and $699,546). The Corporation has reserved 2,197,733 and issued 1,748,998 options that vest over a four-year period and expire in five years.

The options outstanding at September 30, 2013, have an exercise price in the range of $7.27 to $33.87 and a weighted average contractual life of 3.77 years (2012 – 3.74 years).

8. Fair Value of Financial Instruments

The Corporation's financial instruments as at September 30, 2013 and December 31, 2012 include cash and cash equivalents, trade and other receivables, promissory note receivable, Preferred LP units, accounts payable and accrued liabilities, and loans and borrowings. The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts due to their short-terms to maturity. Loans and borrowings bear interest at a floating market rate and accordingly the fair market value approximates the carrying value. The fair values of the available for sale financial assets (Preferred LP Units) are estimated by evaluating a number of different methods:

(a) A going concern value was calculated by calculating the discounted cash flow of the future expected distributions. Key assumptions used include the discount rate used in the calculation. For each individual Partner, the Corporation considered a number of different discount rate factors including what industry they operated in, the size of the company, the health of the balance sheet and the ability of the historical earnings to cover the future distributions. This was supported by the historical yield of the original investment, current investing yields, and the current yield of Alaris' publicly traded shares and of other similar public companies.

(b) A redemption or retraction value was calculated using the formula specified in each of the Partnership agreements alongside an assessment of the likelihood of a redemption of the Preferred Units.

(c) A liquidation value was calculated using the formula specified in each of the Partnership agreements while considering an estimate of the current value of the private company to determine if there would be sufficient value to cover the liquidation amount.

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following items shown on the consolidated statement of financial position as at September 30, 2013 and December 31, 2012, are measured at fair value on a recurring basis using level 1 or level 2 inputs. The Corporation has no level 3 items and during the periods ended September 30, 2013 and December 31, 2012, there were no transfers between level 1 or level 2 classified assets and liabilities.

8. Fair value of financial instruments (continued):

September 30, 2013		Level 1		Level 2		Total
Cash and cash equivalents	$	5,679,027	$	-	$	5,679,027
Foreign exchange derivatives		-		(4,535)		(4,535)
Preferred LP units		-		394,328,363		394,328,363
	$	74,872,162	$	394,323,828	$	400,002,855
December 31, 2012		**Level 1**		**Level 2**		**Total**
Cash and cash equivalents	$	3,638,255	$	-	$	3,638,255
Foreign exchange derivatives		-		18,113		18,113
Preferred LP units		-		298,226,402		298,226,402
	$	3,638,255	$	298,244,515	$	301,882,770

9. Commitments:

In 2009, the Corporation signed a seven-year lease at a new location that commenced December 1, 2009, ending November 30, 2016. The Corporation's annual commitment under this lease is as follows:

2013	$	43,974
2014		175,896
2015		175,896
2016		161,238
	$	557,003

10. Subsequent event:

Subsequent to September 30, 2013, the Corporation contributed an additional $7.6 million in US dollars to Agility Health to fund two acquisitions. The annual distribution on the additional contributions will be $1,216,000 US for the first twelve months.

Investment in The S.M. Group International LP/Le Groupe S.M. International s.e.c. ("SM Group"):

On November 12, 2013, the Corporation acquired 3,000,000 preferred partnership units in the SM Group for $30 million.

Pursuant to the partnership agreement dated November 6, 2013, the SM Group units entitle the Corporation to receive an annual preferred distribution in priority to distributions on the SM Group's common units in an amount equal to the preferred distribution for the prior fiscal year multiplied by the percentage increase or decrease in SM Group's gross revenues for the previous fiscal year. Distributions on the SM Group units are receivable monthly and are scheduled to be $4.8 million for the first twelve months.

The SM Group has the option at any time after November 6, 2016 to repurchase the units at a pre-negotiated premium to the original purchase price.