2010

Annual Report

TSX: AD

ALARIS
ROYALTY CORP.

Special Note Regarding Forward-Looking Statements and Non-GAAP Measures

Alaris' public communications often include written or oral statements which contain forward-looking information. Statements of this type are included in this annual report and may be included in our other filings with Canadian securities regulators, or in our other communications. 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 of such words. All such statements are made pursuant to the applicable provisions of, and are intended to be forward-looking statements under applicable Canadian securities legislation. Statements containing forward-looking information include, but are not limited to, comments with respect to our objectives and priorities for 2011 and beyond, our growth strategies or future actions, the future actions and expected funding requirements of our Private Company Partners (as described herein) and the results of or outlook for our operations and those of our Private Company Partners, or for the Canadian and U.S. economies.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. Assumptions about the performance of the Canadian and U.S. economies in 2011 and how that will affect our business and our ability to identify and close opportunities with new and existing Private Company Partners are material factors we considered when setting our strategic priorities and objectives, and our outlook for our business. Key assumptions include, but are not limited to, assumptions that the Canadian and U.S. economies will continue to grow moderately in 2011, that interest rates will continue to remain low, and that we will have the ability to raise required equity and/or debt financing on acceptable terms. We have also assumed that capital markets will continue to improve somewhat and that the Canadian dollar will continue to strengthen modestly relative to the U.S. dollar. In determining our expectations for economic growth, we primarily consider historical economic data provided by the Canadian and U.S. governments and their agencies.

There is a significant risk that our predictions, forecasts, conclusions or projections will not prove to be accurate, that our assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. Although we believe that the expectations and assumptions reflected in our forward-looking statements are reasonable, we caution readers of this annual report not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to those factors listed under the heading "*Risks & Uncertainty*" in our Management Discussion and Analysis herein. We caution that this list of risk factors is not exhaustive. Other factors could adversely affect our results. When relying on forward-looking statements to make decisions with respect to Alaris, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Alaris does not undertake to update any forward-looking statements, whether written or oral, that may be made, from time to time, by the organization or on its behalf, except as required by law. The forward-looking statements contained in this document are presented for the purpose of assisting our investors in understanding our operations, prospects, risks and other external factors that impact us specifically as at and for the periods ended on the dates presented, and may not be appropriate for other purposes.

Non-GAAP Measures

The terms EBITDA, Normalized EBITDA and Available Working Capital (the "**Non-GAAP Measures**") are financial measures used in this annual report that are not standard measures under Canadian GAAP (as defined herein). Alaris' method of calculating the Non-GAAP Measures may differ from the methods used by other issuers. Therefore, the Alaris Non-GAAP Measure may not be comparable to similar measures presented by other issuers. For definitions of the Non-GAAP Measures, please refer to our Management Discussion and Analysis, herein.

These Non-GAAP Measures should only be used in conjunction with our annual audited and quarterly reviewed financial statements and Management Discussion and Analysis, complete versions of which are available on SEDAR at www.sedar.com

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PRESIDENTS MESSAGE

Since our inception, Alaris Royalty Corp. has had a very clear business plan. Our objective each year is to provide low volatility cash flow streams while increasing our diversification and distributable cash per share at the same time. Combining high dividend yield, earnings growth and lower risk is never an easy task for any company but our innovative company has been designed to deliver all three of those attributes. In this, our second full year as a public company, I am pleased to report that we have been able to produce those benefits to our shareholders and more importantly, we have put ourselves in a position to expand on our business plan going forward.

We have a unique model of purchasing preferred equity in the business of private companies, with such preferred equity paying us monthly distributions that are reset annually based on "top line" results. This has allowed our company to post strong returns even through the past two years of economic turmoil. Equally important, our private company partners have also benefited greatly from our structure. The entrepreneurs that own and operate our partner companies on a day-to-day basis are able to operate and grow their business with a truly silent partner while retaining: (a) full voting control of their businesses;(b) the majority of the growth upside; and (c) the flexibility to have future growth, acquisition or partial liquidity events funded by Alaris. Our current partners continue to be tremendous examples and our strongest advocates as we expand our company.

2010 IN REVIEW

2010 started out with the overhang of the worldwide recession still negatively influencing the capital markets and the companies that drive our economy. In our market niche of providing capital to successful private companies, the selection of "best in class" companies to partner with was limited as many of these companies strategically decided to defer expansion or liquidity decisions until the economy and the capital markets improved. This situation greatly improved through the course of 2010 and we are now in a position to grow more aggressively with a higher quality selection of profitable, low volatility, low debt carrying companies to choose from.

Our growth started in May with the addition of the KMH Limited Partnership ("KMH"). KMH operates out of Mississauga, Ontario and is a leader in the medical diagnostic field, specializing in nuclear cardiology and MRI tests. Alaris contributed $5 million to KMH and expects to increase that involvement significantly in the coming years as the management of KMH identifies more diagnostic acquisition opportunities across North America. The medical diagnostic business is a good fit to our business model as it has the ability to provide low volatility cash flow as well as growth.

In December, we formed a material new partnership, contributing $32.5 million to Solowave Design Limited Partnership ("Solowave"). Based in Mount Forest, Ontario, Solowave is a world leader in the design and manufacture of residential backyard play centers. Solowave represents exactly what we look for in a new partner - in an industry that admittedly we would not typically have considered. Solowave is a leader in its industry, making a very simple product that has been around for a long time and will remain an important product for consumers in the future. One of the benefits of the 2008-2009 recession was that it allowed us to see the strength of companies during one of the most difficult periods in the last 80 years. Despite the fact that Solowave's business centered around doing business in a consumer discretionary product, Solowave was able to grow rapidly and profitably through the recession. Solowave has very little debt, a small requirement for capital expenditures and our first year's distribution from Solowave of $5 million is just a small percentage of its historical free cash flow. We look forward to expanding our partnership with Solowave towards the end of this year with a second possible contribution that would be based on Solowave's fiscal 2011 results that already look very promising.

The impact of these new partnerships, in addition to a further contribution to our largest partner, LifeMark Health Limited Partnership ("LifeMark"), was substantial to us. During 2010, we were able to increase our dividends twice by a combined total of 21.4%. We also improved our diversification through the addition of the two different businesses, and we also improved our future growth outlook by adding partners that will look for further contributions from us during 2011. At the same time, we also improved liquidity in our shares as a result of two very successful bought deal financings that were used to finance our two new partnerships.

THE PATH FORWARD

2011 promises to be another profitable year for Alaris. Each of our six private company partners continue to be strong and should contribute to organic growth in our distributable cash per share over the next twelve months. Just as importantly, our pipeline of potential new partnerships is robust and we expect to continue our business plan of reducing risk and increasing our earnings per share through the addition of new partners during 2011.

As we have increased our size, liquidity and stature within the public market community, our cost of capital has decreased considerably over the past twelve months. Going forward, this gives our shareholders a tremendous opportunity to see accretive new partnerships contribute to growing distributable cash per share. Historically, funds have been contributed to our partnerships at a first year cash return of approximately 16%. Compare this to the current dividend yield on our shares of approximately 8% and it is easy to see why we were able to increase our dividends this year and what our plans are for the future.

In coming out of a very successful year as we have, it is important to recognize the people that made it happen. First off, I'd like to recognize and thank the staff at Alaris. This has been a very busy year for a small group of employees. This is a group that takes great pride in generating the returns that we have had over the past six years and I thank you for making every day not just profitable but a joy to be with as well. I'd also like to thank our board of directors who continue to be an invaluable asset for the management team as we build out a business model that has never, to our knowledge, been done before. I'd also like to recognize the effort and vision of the management teams that run our tremendously successful private company partners. I look forward to many years of profitable growth as your financial partner. Finally I would like to thank our shareholders who have continued to support us as we have expanded our business through new share offerings. Needless to say, we would not be able to execute our business plan if not for our individual investors, portfolio managers, investment dealers, lawyers, accountants and others that help make these transactions happen.

I look forward to keeping all of you busy in the year to come.

Steve King

President and Chief Executive Officer

Description of the Business and Operations

Our Business

We are a Canadian company that provides alternative financing to a diversified range of profitable, well-managed private businesses in North America. We use an innovative financing structure that allows us to provide capital in a manner that maximizes valuations, is tax effective and allows existing owners of the private companies to retain control of their businesses. Our primary objective is to generate predictable, stable cash flows from our Private Company Partners to allow us to provide an attractive yet stable yield as well as liquidity to our investors.

Our Structure

We provide cash financing to private companies at an agreed upon valuation, in exchange for a pre-determined distribution or royalty (the "**Distribution**") from such private companies. Our Distribution is received monthly but is determined twelve months in advance in accordance with a mutually agreed upon performance metric which is based upon a "top-line" financial performance measure of the Private Company Partner, such as gross revenues, gross profit, same store sales, same clinic sales and same customer net sales. Each year, our Distribution is adjusted based on the percentage change in the audited performance metric. In keeping with our business objective of generating predictable, stable cash flows, our Distribution is only based on organic growth and/or organic decline of the private company. As such, any growth or decline in the private company from acquisitions, new locations or margin improvements do not get factored into such adjustment for a period of time (typically 12-24 months).

Our Distribution ranks in priority to the Private Company Partner's common equity. In addition, the Distribution is paid by the Private Company Partner out of pre-tax earnings, making the after-tax cost of our financing attractive to our Private Company Partners. Our financing structure is characterized as equity, and as a result, principal payments of our financing are not required.

We do not have any significant influence over any of our Private Company Partners nor do we have any ability to exercise control or have any voting rights over the Private Company Partners. Specifically, we do not have any rights to participate in management decisions and are not involved in the day-to-day operations of the Private Company Partner within the normal course of business. However, we do require Private Company Partners to provide us with monthly (unaudited) financial statements so we can monitor their financial health, as well as annual (audited) financial statements. Although we do not have any voting rights, we have strong protective covenants in place with our Private Company Partners to protect our Distributions and typically require our prior consent on a number of items outside of the ordinary course of business, such as:

- Any material change in business of the company
- Material acquisition or divestiture
- Incurring new debt over predetermined levels, or any material change to existing debt facilities
- Entering into non-arm's length transactions above prescribed levels
- Mergers or corporate reorganizations
- Extraordinary capital expenditures

Our Philosophy

Our structure allows us to monitor our Private Company Partners without needing to be involved in their day-to-day business decisions. We believe business decisions are best made by the people who have built the successful companies that we provide financing to. Through us, such private companies are able to access ongoing capital, remain private and their owners are able to maintain control of their common voting equity.

At the same time, we derive diversified priority-cash returns from businesses that have displayed an ability to be highly profitable in varying economic environments. By supporting management teams that remain fully motivated, by their ownership position, to run their business profitably, our security holders are able to receive stable monthly dividends based on distributions received by us from our Private Company Partners that are set twelve months in advance.

In addition, our philosophy is to partner with our Private Company Partners for as long as required by the Private Company Partner, and we do not force an exit strategy upon the owners at any time. A financing by Alaris does not prevent the private company from undertaking a future sale of such company if desired, provided that our prior consent is obtained.

The result for our investors is a revenue stream that generally has low volatility and high predictability due to the "top line" royalty nature of our distributions from our Private Company Partners. Visibility is also created because of the twelve month pre-set payments we receive. Our structure gives us the ability to pay out the vast majority of our revenues in the form of tax effective eligible dividends, thus providing our investors with an attractive yet conservative yield.

Our Growth Strategy

Our strategy is to grow our Distributions by partnering with more private companies that have a track record of high levels of free cash flow and consistent profitability. We typically target companies that are family controlled, are typically a poor fit for traditional private equity, and that have owners that intend to use the capital we provide for growth, generational transfers or partial liquidity. Our focus is primarily on private companies in Canada, as well as in the U.S. under the right circumstances.

We intend to partner with additional proven performers that have attractive operating histories to add to our revenue base. We look for private companies that have shown a history of growth, low cyclicality as well as sustainable free cash flow and strong future opportunities as we will not invest in turn-around situations or companies with a declining asset base. We also look for companies with experienced management teams who have the intention to continue managing the business after partnering with Alaris with no change of ownership following the transaction. This ensures such companies are still run by the capable management and ownership teams that made them such a solid partnership opportunity for Alaris. Companies with low leverage and capital expenditure requirements are also key criterion for us in evaluating new opportunities

Private Company Partner

Fact Sheets

Solowave Design Inc. | solo)wave

"Solowave is a world class manufacturer of a product that households will continue to use for many generations. It has become an exclusive supplier to some of the world's largest retailers through their unparalleled commitment to quality, innovation and customer service. Alaris is proud to be associated with such an outstanding enterprise."

Steve King, CEO

Alaris Royalty Corp.

SOLOWAVE is a manufacturer of residential, ready-to-assemble wooden play centers. Solowave's products are sold under the brand names Big Backyard and Cedar Summit Premium Playsets. Based in Ontario, Solowave has operations in the United States and Asia, and sells globally in North America, Europe, Australia and the UAE. Solowave was founded in 2004 and employs approximately 135 employees worldwide, and up to 260 during peak season. Through new product development, quality and innovation, Solowave has established itself as the leading manufacturer of wooden play centers in the United States.

ASSET CLASS: - Sporting Goods, Children's Active Play

TOTAL ALARIS CAPITAL INJECTED: - $32,500,000

PARTNERSHIP HIGHLIGHTS:

- Since inception, the company has tripled in size over the past five years and has identified significant growth opportunities through international sales expansion and entry into new markets.
- Solowave sells its play sets to major retail dealers such as Toys R Us, Costco, Target, Rona, and Canadian Tire. Solowave is currently the exclusive supplier of wooden play centers for Toys R Us United States and Toys R Us Canada as well as for Costco U.S., Canada, U.K. and Mexico.
- Focused expansion into new markets and channels, and growth from the acquisition of new customers will result in a reduction of the existing customer concentration.
- Current annual royalty payment to Alaris is $5.0 million. The annual royalty payment reset is based on change in "same customer net sales" over the immediate previous fiscal years audited sales revenue. This metric has an annual collar of +/- 6%.
- Fiscal year end is October 31st.

Solowave Executive Team

Richard Boyer
Chief Executive Officer
& Founder

Mat Wolf
Vice President of Finance

Head Office:
Mount Forest, Ontario

www.bigbackyard.com
www.cedarsummitplay.com

LifeMark Health

"LifeMark has proven to be an exceptional partner to Alaris over the past 5 years. Alaris continues to provide cost effective equity to LifeMark and LifeMark continues to provide Alaris shareholders with consistent, stable returns. The LifeMark partnership is a perfect example of how Alaris is the best source of capital for management and owner's of a growing private business".

Steve King, CEO

Alaris Royalty Corp.

LIFEMARK is one of Canada's largest private health care providers with over 120 clinics across Canada. Alaris initially partnered with LifeMark in 2005 and has since provided capital to the company 5 additional times. LifeMark provides rehabilitation and physiotherapy services to private users, worker's compensation and safety boards, private insurance companies and Government Agencies. Since its inception in 1979, LifeMark has posted stable results regardless of the economic conditions or government insurance funding levels.

ASSET CLASS:
- Healthcare Services

TOTAL ALARIS CAPITAL INJECTED:
- $59,500,000 (6 tranches)

PARTNERSHIP HIGHLIGHTS:
- LifeMark plans to continue to grow by acquisition as it works towards consolidating the fragmented Healthcare industry.
- LifeMark has grown from 30 clinics to over 120 clinics with over 1600 dedicated healthcare staff, consultants and medical doctors across Canada (with the exception of Quebec), as well as one surgical centre in Calgary. The majority of their clinics are free-standing outpatient physiotherapy clinics.
- The revenue streams are very diverse, both geographically and by customer base.
- LifeMark's royalty payment to Alaris has grown organically since 2005 with the smallest percentage increase at 2% and the largest increase at 5%. LifeMark's current royalty payment to Alaris is $12.2M annually.
- LifeMark's fiscal year end is December 31st.

LifeMark Executive Team:

Craig Gattinger
Chief Executive Officer

Ron Lowe
President

Dan McCrimmon
Chief Financial Officer

Head Office:
Calgary, Alberta

www.lifemark.ca

MEDIchair |

"When Alaris partnered with MEDIchair our only regret was that it wasn't a bigger company! This business is what we look for in terms of providing steady cash flow and consistent results year after year. The demand for its products is increasing as the aging population requires the products MEDIchair provides".

Steve King, CEO

Alaris Royalty Corp.

MEDICHAIR franchises sell home medical equipment such as wheelchairs, scooters, lift chairs, bathroom safety products and home accessibility solutions, as well as personal health care products. MEDIchair and its predecessor companies have been conducting business since 1985 and have offered MEDIchair franchises since 1988. MEDIchair currently has over 71 locations throughout Canada. The initial transaction with MEDIchair was completed in September of 2005 with Alaris providing capital to LifeMark to purchase the MEDIchair master franchise. MEDIchair is a wholly owned subsidiary of LifeMark.

ASSET CLASS: - Healthcare Equipment and Supplies

TOTAL ALARIS CAPITAL INJECTED: - $6,500,000

PARTNERSHIP HIGHLIGHTS:

- MEDIchair is a franchise system that collects royalties from a number of franchisees across Canada, providing a stable royalty revenue source to Alaris.
- MEDIchair had over 20 years of consecutive same store sales growth and will continue to grow and benefit from serving the aging Canadian population.
- The royalty payment to Alaris has grown organically since 2005. Growth has ranged between 4% and 6% with the exception of 2009 when there was a decline of 1%.
- The current royalty payment from MEDIchair to Alaris is $1.24M.
- Royalty payment is reset after September 30st each year.

Wholly owned subsidiary of LifeMark Health

Head Office:
Calgary, Alberta

www.medichair.ca

LMS |

> *"LMS felt the full effects of the global financial crisis we all experienced over the past two years. It has made it through those events with a strong balance sheet and an even stronger platform for success. LMS has a great future ahead of them as it is the supplier of choice in Western Canadian infrastructure and high rise development projects. We are looking forward to the future with LMS as our partner.*
>
> ***Steve King, CEO***
>
> ***Alaris Royalty Corp.***

LMS Limited Partnership ("LMS") is a British Columbia-based concrete reinforcing steel ("**rebar**") contractor and fabricator. LMS fabricates and installs rebar for construction projects primarily in British Columbia, Alberta and Saskatchewan. As an installer and supplier, LMS has the advantage of very low fixed costs and assets. The advantage has provided the company the flexibility to adjust its labour force to match activity levels, and still remain profitable during periods of low economic activity. The core management group at LMS has remained unchanged since the company's inception. The founders Ron McNeil and Ivan Harmatny have attracted and retained a team of over 500 skilled professionals each of who contribute to LMS's success and are rewarded for their excellence.

ASSET CLASS:

- Industrials and Materials (Rebar Installation and Supply)

TOTAL ALARIS CAPITAL INJECTED:

- $51,000,000

PARTNERSHIP HIGHLIGHTS:

- LMS ensures a steady supply of steel for its fabrication yard and, by extension, its customers. This has been achieved through the creation of relationships and strong ties with local and offshore steel sources, including Seattle-based Nucor.
- LMS fortified its supply capabilities by opening its own trading branch and hiring a steel trader whom has over 25 years of experience and contacts with mills around the world.
- With the amount of infrastructure that requires upgrading and replacement in Western Canada, LMS is dedicating a significant portion of their resources to fabricate, supply and install rebar for the numerous infrastructure projects that will be initiated throughout B.C. and Alberta, at current and in the near future.
- LMS works on approximately 70 projects at any given time, installing its own steel or serving as a trusted supplier.
- Current royalty payment to Alaris is $1.8M.
- Fiscal year end is September 30th.

LMS Executive Team:

Ron McNeil
Co-Chair & Founder

Ivan Harmatny
Co-Chair & Founder

Norm Streu
COO

Darryl Hebert
CFO

Greg Hubbard,
VP Operations

Head Office and Yard Locations:
Surrey, British Columbia
Calgary, Alberta

www.lmsgroup.ca

End of the Roll |

> *"End of the Roll is a perfect example of how Alaris' capital can be used for generational transfer without giving up control. Alaris provided capital to End of the Roll founders so that they could slowly exit the company while training their sons to take over the business upon their retirement. This company is exactly what we look for in new partnerships".*
>
> ***Steve King, CEO***
>
> ***Alaris Royalty Corp.***

END OF THE ROLL is Canada's largest dedicated flooring retailer. EOR targets "budget minded" customers who prefer to purchase smaller quantities and coordinate private installation in order to save on the costs of using a full service retailer. The discount renovation market has continued to grow as the trend towards home renovations increases. EOR has experienced stable sales during these challenging economic times because it does not supply to new home builders.

ASSET CLASS:

- Consumer Discretionary (Discount Flooring Covering)

TOTAL ALARIS CAPITAL INJECTED:

- $7,200,000

PARTNERSHIP HIGHLIGHTS:

- End of the Roll was incorporated in 1990 and began offering franchise locations in 1994.
- Currently, End of the Roll collects franchise royalties from over 54 franchisees nationwide.
- End of the Roll is the only dedicated flooring franchise system in Canada.
- Alaris' royalty revenue from End of the Roll has increased organically each year since 2005, except 2009 which experienced a drop in same store sales of 7%.
- Prior to 2009, End of the Roll had posted 17 straight years of same store sales growth. April 2010 had a modest same store sales increase.
- Current royalty payment to Alaris is $1.35M.
- Fiscal year end for End of the Roll is April 30th.

End of the Roll Executive Team:

Urs Steinmann
President

Duane Ortynski
Vice President

Cory Ortynski
National Director of Computer Support & Systems

Gary Steinmann
National Director of Franchise Development

Ted Cartier
Chief Financial Officer

Head Office:
Surrey, British Columbia

www.endoftheroll.ca

KMH Cardiology

"Our third partner in the healthcare field, KMH is one of Canada's leaders in the cardiology diagnostics field. We hope to continue to fund accretive acquisitions for KMH as they grow their footprint throughout North America and even overseas. Medical diagnostics is a growing industry but with very few private management teams with the skills or funding to expand aggressively. We are very pleased to partner with a company with such great potential".

Steve King, CEO
Alaris Royalty Corp.

KMH Partnership ("KMH") is a Canadian-based privately held healthcare provider with operations in Canada and the United States. The partnership is comprised of 8 clinics. KMH's services include nuclear medicine, cardiology and magnetic resonance imaging diagnostic services. Since inception in 1988, KMH has administered more than 600,000 cardiology, nuclear cardiology and nuclear medicine diagnostic tests and more than 40,000 MRI scans. KMH is the largest provider of nuclear cardiology services in North America and, out of approximately 900, the third largest independent health facility in Canada.

ASSET CLASS:

- Healthcare Services

TOTAL ALARIS CAPITAL INJECTED:

- $5,000,000

PARTNERSHIP HIGHLIGHTS:

- KMH plans to continually evolve, purchasing new equipment and expanding the services offered.
- KMH also plans to grow by acquisition. The company continues to evaluate options in Canada, the United States and overseas that fit its strategy.
- KMH has a significant and growing market demand; cardiovascular disease is recognized as Canada's leading cause of morbidity and mortality, annually accounting for more than 50% of deaths and 21% of total healthcare costs. The prevalence of the disease is anticipated to grow by 35% over the next ten years.
- As the baby boomer generation's age, the demand for diagnostic services and quality health care will increase. This has been demonstrated by the upward of 6% increase in same clinic sales achieved by KMH in the past 2 years.
- Current annual royalty to Alaris $875,000.
- KMH's fiscal year end is November 30th.

KHM Executive Team:

Neena Kanwar
President and Chief Executive Officer

Vijay Kanwar
President and Chief Financial Officer

Head Office:
Mississauga, Ontario

www.kmhlabs.com

CONSOLIDATED FINANCIAL STATEMENTS OF ALARIS ROYALTY CORP.

AUDITED STATEMENTS FOR THE YEARS ENDED

DECEMBER 31, 2010 AND 2009

KPMG LLP
Chartered Accountants
2700-205 5 Avenue SW
Calgary AB T2P 4B9

Telephone (403) 691-8000
Telefax (403) 691-8008
Internet ***www.kpmg.ca***

AUDITOR'S REPORT TO THE SHAREHOLDERS

To the Shareholders

We have audited the accompanying consolidated financial statements of Alaris Royalty Corp. ("the Company"), which comprise the balance sheets as at December 31, 2010 and 2009, and the consolidated statements of earnings, shareholders' equity, comprehensive income and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Alaris Royalty Corp. as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG Chartered Accountants

Calgary, Canada

March 25, 2011

ALARIS ROYALTY CORP.

Consolidated Balance Sheets

	December 31, 2010	2009
Assets		
Current assets:		
Cash	$ 1,816,868	$ 3,826,000
Accounts receivable	688,514	2,470
Prepaid expenses	343,184	103,472
Future income taxes (note 10)	–	2,996,000
	2,848,566	6,927,942
Investment tax credit receivable (note 10)	10,922,393	11,030,007
Future income taxes (note 10)	25,527,962	22,248,900
Equipment (note 4)	69,671	74,477
Investments (note 3)		
Preferred LP units	157,363,963	111,124,642
Intangible assets	12,896,916	13,070,150
	170,260,879	124,194,792
	$209,629,471	$ 164,476,118
Liabilities and Shareholders' Equity/(Deficit)		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,421,992	$ 939,085
Dividends payable	1,396,262	802,604
Future income taxes (note 10)	–	47,808
Bank indebtedness (note 5)	–	2,850,000
Subordinated debt (note 12)	–	6,500,000
	2,818,254	11,139,497
Bank indebtedness (note 5)	29,200,000	19,700,000
Future income taxes (note 10)	4,176,890	1,347,755
Deferred credit (note 10)	20,795,507	23,661,017
Shareholders' equity/(deficit):		
Shareholder's capital (note 6)	156,858,637	111,125,039
Warrants (note 6)	405,306	845,000
Contributed surplus	2,831,112	1,471,333
Deficit	(7,456,235)	(4,813,523)
	152,638,820	108,627,849
Commitments (note 14)		
Subsequent event (note 15)		
	$209,629,471	$ 164,476,118

See accompanying notes to consolidated financial statements.

On behalf of the Board:

____________________ Director

____________________ Director

ALARIS ROYALTY CORP.

Consolidated Statements of Operations and Deficit

	Year ended December 31, 2010	2009
Revenues:		
Royalties and distributions (note 3)	$ 16,657,034	$ 18,066,783
Interest and other	2,190	4,787
	16,659,224	18,071,570
Expenses:		
Interest	1,513,863	2,166,257
Non-cash stock based compensation (Note 8)	1,872,830	1,714,209
Stock based compensation (Note 8)	226,105	221,703
Salaries and benefits	1,060,915	984,933
Legal and accounting fees	443,262	471,848
Corporate and office	626,990	460,018
Financing	193,850	250,000
Depreciation and amortization	190,028	209,449
	6,127,843	6,478,417
Net Income before taxes	10,531,381	11,593,153
Future income tax expense/(recovery) (note 10)	545,609	(5,903,511)
Net Income and other comprehensive income for the year	9,985,772	17,496,664
Deficit, beginning of year	(4,813,523)	(13,239,854)
Dividends to shareholders (note 7)	(12,628,484)	(9,070,333)
Deficit, end of year	$ (7,456,235)	$ (4,813,523)
Earnings per share, basic	$ 0.76	$ 1.83
Earnings per share, fully diluted	$ 0.73	$ 1.83
Weighted average shares outstanding, basic	13,104,165	9,574,916
Weighted average shares outstanding, fully diluted (note 13)	13,651,879	9,574,916

See accompanying notes to consolidated financial statements.

ALARIS ROYALTY CORP.

Consolidated Statements of Cash Flows

	Year ended December 31, 2010	2009
Cash provided by (used in):		
Operations:		
Net Income for the year	$ 9,985,772	$17,496,664
Add non-cash items:		
Depreciation and amortization	190,028	209,449
Stock based compensation (note 8)	1,872,830	1,714,209
Income tax expense/(recovery) (note 10)	545,609	(5,903,511)
	12,594,239	13,516,811
Change in non-cash working capital	(442,850)	436,314
	12,151,389	13,953,125
Investing:		
Purchase of Preferred LP Units	(46,239,320)	(13,000,000)
Purchase of capital assets	(11,989)	(20,234)
	(46,251,309)	(13,020,234)
Financing:		
Dividends to shareholders	(12,034,829)	(9,362,348)
New share capital	39,487,617	12,961,521
Proceeds from exercise of warrants	4,488,000	–
Repayment of senior debt	(2,850,000)	(2,450,000)
Repayment of subordinated debt	(6,500,000)	–
New borrowing of senior debt	9,500,000	–
	32,090,788	1,149,173
Increase (decrease) in cash	(2,009,132)	2,082,064
Cash, beginning of year	3,826,000	1,743,936
Cash, end of year	$ 1,816,868	$ 3,826,000

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

1. Basis of presentation:

Alaris Royalty Corp ("Alaris" or the "Corporation") operations consist primarily of investments in operating entities, typically in the form of long-term license and royalty arrangements or preferred limited partnership interests.

The consolidated financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are expressed in Canadian dollars.

2. Significant accounting policies:

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

(a) Investments:

Investments result from: (1) the direct or indirect purchase of intellectual property from various organizations/vendors and the subsequent license-back of the right for exclusive use to the vendor; or (2) the direct or indirect subscription for a preferred interest in a limited partnership; which interests provide a monthly distribution that is adjusted annually on the basis of a formula linked to revenues, gross margin, same-store sales, or other "top-line" measures as outlined in each of the respective agreements. Investments are initially recognized and measured at cost, including acquisition costs incurred after a letter of intent is signed, such as financial and legal due diligence fees relating directly to the purchase.

Investments that are a royalty structure are being amortized on a straight-line basis over an 80-year period and individually reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Investments that are a preferred interest in a limited partnership are not amortized but are assessed for objective evidence of impairment at each balance sheet date. When there is objective evidence that the investment has been impaired, and there is a decline in the recoverable amount below cost that is other than temporary, the amount of the impairment loss is the difference between the carrying amount of the investment and its fair value. Fair value is estimated using discounted cash flows.

(b) Equipment:

Equipment is recorded at cost. Depreciation is provided for over the estimated useful lives of assets on a declining balance basis.

(c) Intangible assets:

Effective January 1, 2009, the Corporation adopted CICA section 3064 Goodwill and Intangible Assets. The implementation of this standard did not have a material effect on the Company's financial statements.

2. Significant accounting policies (continued):

(d) Revenue recognition:

Revenue consists of amounts generated by licensing intellectual property or distributions from preferred interests in a limited partnership and is recognized when the monthly payments become due and are considered collectible.

(e) 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
Preferred LP units	Available for sale	Cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Bank indebtedness	Other liabilities	Amortized cost
Subordinated debt	Other liabilities	Amortized cost

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 has no embedded derivatives.

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.

(f) Income taxes:

The Corporation follows the asset and liability method of accounting for income taxes. The Corporation is a taxable entity under the Income Tax Act (Canada).

(g) Stock-based compensation:

Stock-based payments to non-employees and direct awards of stock to employees and non-employees are accounted for using a fair-value method of accounting.

2. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Significant management estimates include stock-based compensation expenses, future income tax amounts, valuation of intangible assets and preferred LP units, collectability of future royalties and distributions, and valuation of outstanding warrants.

3. Investments:

December 31, 2010	Acquisition Cost	Capitalized Costs	Accumulated Amortization	Net Cost
Lifemark Health	$ 67,500,000	$ 291,362	$ –	$ 67,791,362
Lower Mainland Steel	51,000,000	333,280	–	51,333,280
Solowave	32,500,000	494,787	–	32,994,787
KMH	5,000,000	244,534	–	5,244,534
Total Preferred LP Units	156,000,000	1,363,963	–	157,363,963
End of the Roll	7,200,000	74,920	(522,845)	6,752,075
MEDIchair	6,500,000	83,758	(438,917)	6,144,841
Total Intangible Assets	13,700,000	158,678	(961,762)	12,896,916
	$ 169,700,000	$ 1,522,641	$ (961,762)	$ 170,260,879

December 31, 2009	Acquisition Cost	Capitalized Costs	Accumulated Amortization	Net Cost
Lifemark Health	$ 59,500,000	$ 291,362	$ –	$ 59,791,362
Lower Mainland Steel	51,000,000	333,280	–	51,333,280
Total Preferred LP Units	110,500,000	624,642	–	111,124,642
End of the Roll	7,200,000	74,920	(431,910)	6,843,010
MEDIchair	6,500,000	83,758	(356,618)	6,227,140
Total Intangible Assets	13,700,000	158,678	(788,528)	13,070,150
	$ 124,200,000	$ 783,320	$ (788,528)	$ 124,194,792

3. Investments (continued):

Royalties and distributions:

	Year ended December 31, 2010	2009
Lifemark Health	$ 11,330,637	$ 8,379,439
Lower Mainland Steel	1,998,842	7,110,007
End of the Roll	1,354,892	1,395,568
MEDIchair	1,200,440	1,181,768
KMH	563,890	–
Solowave	208,333	–
	$ 16,657,034	$ 18,066,783

I – Preferred LP Units

(a) Investment in LifeMark Health Limited Partnership (“LifeMark Health”):

The Corporation holds 900,000 class A preferred partnership units ("LifeMark A Units") and 5,850,000 class B preferred partnership units ("LifeMark B Units") in LifeMark Health (the "LifeMark Investment") and were acquired as follows:

	A Units	B Units	Cost
December 31, 2008	900,000	3,750,000	$ 46,500,000
June 30, 2009	–	100,000	1,000,000
October 22, 2009	–	1,200,000	12,000,000
December 31, 2009	900,000	5,050,000	$ 59,500,000
May 18, 2010	–	800,000	8,000,000
December 31, 2010	900,000	5,850,000	$ 67,500,000

Pursuant to the LifeMark Health partnership agreement (the "LifeMark Partnership Agreement") dated December 30, 2004, the LifeMark A Units entitle the Corporation to receive an annual preferred distribution (the "A Unit Preferred Distribution") in priority to distributions on LifeMark Health's other partnership units in a minimum amount of $1.46 million. The minimum amount is adjusted in each subsequent fiscal year to the greater of (i) $1.46 million; and (ii) the A Unit Preferred Distribution for the prior fiscal year multiplied by the percentage increase in LifeMark Health's Same Clinic Sales (as defined in the LifeMark Partnership Agreement), being generally LifeMark Health's annual revenue from clinics that have been open for at least two years, for the previous year. Distributions on the LifeMark A Units are receivable monthly.

3. Investments (continued):

(a) Investment in LifeMark Health Limited Partnership (“LifeMark Health”) (continued):

Pursuant to the LifeMark Partnership Agreement, the LifeMark B Units entitle the Corporation to receive an annual preferred distribution (the "B Unit Preferred Distribution") in priority to distributions on LifeMark Health's other partnership units, other than the LifeMark A Units, in an amount equal to the B Unit Preferred Distribution for the prior fiscal year multiplied by the percentage increase or decrease in LifeMark Health's Same Clinic Sales for the previous fiscal year. Distributions on the LifeMark B Units are receivable monthly.

LifeMark Health has the option at any time after December 30, 2009 (i) to repurchase all (but not less than all) of the LifeMark A and B Preferred Units at a pre-negotiated premium to the original purchase price.

(b) Investment in Lower Mainland Steel Limited Partnership (“LMS”):

The Corporation holds 510,000 Preferred partnership units ("LMS Units") in Lower Mainland Steel (the "LMS Investment"). 150,000 of the LMS Units were acquired on February 2, 2007 for an aggregate acquisition cost of $15 million. Alaris acquired another 360,000 LMS Units on December 21, 2007 for an aggregate acquisition cost of $36 million.

Pursuant to the LMS partnership agreement (the "LMS Partnership Agreement") dated April 2, 2007 and as amended December 21, 2007, the LMS Units entitle the Corporation to receive an annual preferred distribution (the “Preferred Distribution") in priority to distributions on LMS’ other partnership units. For the year ending December 31, 2010, the Corporation was entitled to a base preferred distribution of $2.0 million. The base is in two distinct portions and is adjusted at two points (January 1st and April 1st) in each subsequent twelve month period to the Preferred Distribution for the prior twelve month period multiplied by the percentage increase or decrease in LMS’ Gross Profit (as defined in the LMS Partnership Agreement) for the most recently completed fiscal year. Distributions on the LMS Units are paid monthly.

LMS has the option at any time after April 1, 2010 to repurchase all (but not less than all) of the LMS Units at a pre-negotiated premium to the original purchase price.

(c) Investment in KMH Limited Partnership (“KMH”):

The Corporation holds 50,000 Preferred partnership units ("KMH Units") in KMH Limited Partnership (the "KMH Investment"). 30,000 of the KMH Units were acquired on April 27, 2010 for an aggregate acquisition cost of $3 million. Alaris acquired another 20,000 KMH Units on May 18, 2010 for an aggregate acquisition cost of $2 million.

3. Investments (continued):

Pursuant to the KMH partnership agreement (the "KMH Partnership Agreement") dated April 27, 2010, the KMH Units entitle the Corporation to receive an annual preferred distribution (the “Preferred Distribution") in priority to distributions on KMH’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 KMH’s Same Clinic Sales for the previous fiscal year. Distributions on the KMH Units are receivable monthly.

KMH has the option at any time after April 27, 2013 to repurchase all (but not less than all) of the KMH Units at a pre-negotiated premium to the original purchase price.

(d) Investment in Solowave Design, LP (“Solowave”):

The Corporation holds 3,250,000 Preferred partnership units ("Solowave Units") in Solowave Design Limited Partnership (the "Solowave Investment") acquired on December 16, 2010 for an aggregate acquisition cost of $32.5 million.

Pursuant to the Solowave partnership agreement (the "Solowave Partnership Agreement") dated December 16, 2010, the Solowave Units entitle the Corporation to receive an annual preferred distribution (the “Preferred Distribution") in priority to distributions on Solowave’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 Solowave’s Same Customer Net Sales for the previous fiscal year. Distributions on the Solowave Units are receivable monthly.

Solowave has the option at any time after December 16, 2013 to repurchase all (but not less than all) of the Solowave Units at a pre-negotiated premium to the original purchase price.

II – Intangible Assets

(e) Investment in End of the Roll Carpet and Vinyl (“End of the Roll”):

On May 1, 2005, the Corporation purchased certain intellectual property (the "ER IP") from End of the Roll for an aggregate purchase price of $7.2 million pursuant to an acquisition agreement (the "ER Acquisition Agreement") dated May 1, 2005 (the "End of the Roll Investment"). The ER IP includes End of the Roll's trademarks, trade names, website, and proprietary system for operating franchises. The ER IP was subsequently licensed to End of the Roll for a term (the "Term") of 80 years pursuant to a license agreement (the "ER License Agreement") dated May 1, 2005 in consideration of an annual royalty (the "Royalty"). The Royalty for the first 12-month period from May 1, 2005 to April 30, 2006 was $1.2 million (the "Initial Royalty"). The Royalty for each subsequent 12-month period during the Term is calculated by increasing or decreasing the Royalty for End of the Roll's fiscal year just ended by the percentage change in Same Store Sales (as defined in the ER License Agreement), being generally the total sales of all franchisee retail stores that have been open for at least two years, over the fiscal year immediately preceding the fiscal year just ended. Royalty payments are receivable monthly.

3. Investments (continued):

End of the Roll has the option at any time after May 1, 2010 to repurchase the ER IP (and terminate the Royalty) at a pre-negotiated premium to the original purchase price.

(f) Investment in MEDIchair Ltd. (“MEDIchair”):

On September 12, 2005, the Corporation purchased certain intellectual property (the "MEDIchair IP") from MEDIchair for an aggregate purchase price of $6.5 million (the "MEDIchair Investment") pursuant to an acquisition agreement (the "MEDIchair Acquisition Agreement") dated September 12, 2005. The MEDIchair IP includes MEDIchair's trademarks, trade names, website, and proprietary system for operating franchises. The MEDIchair IP was subsequently licensed to MEDIchair for a term (the "Term") of 80 years pursuant to a license agreement (the "MEDIchair License Agreement") dated September 12, 2005 in consideration of an annual royalty (the "Royalty"). The Royalty for the 12-month period from October 1, 2006 to September 30, 2007 was $1.053 million. The Royalty for each subsequent 12-month period during the Term is calculated by increasing or decreasing the Royalty in MEDIchair's fiscal year just ending by the percentage change in Same Store Royalties (as defined in the MEDIchair License Agreement), being generally the total annual royalties received by MEDIchair from all franchisees whose retail stores have been opened for at least two years over the fiscal year immediately preceding the fiscal year just ending, subject to a maximum percentage change in any year of 10%.

MEDIchair has the option at any time after October 1, 2010 to repurchase the MEDIchair IP (and terminate the Royalty) at a pre-negotiated premium to the original purchase price.

4. Equipment:

Equipment consists of leasehold improvements, furniture and fixtures, and computer equipment. The amounts are net of accumulated depreciation of $116,604 (December 31, 2009 - $104,532).

5. Debt

The Corporation has a $30,100,000 secured revolving credit facility with a syndicate of Canadian chartered banks. Interest is payable at the lenders’ prime rate plus 3.5% (6.5% at December 31, 2010). The term out date under the credit facility is December 31, 2011. If an extension is not received by December 31, 2011, the facility will be repaid in thirty-six equal monthly installments commencing January 31, 2012. There are financial covenants under this facility and at December 31, 2010, the Corporation is in compliance with each of the covenants based on a letter received by the Corporation from the lending syndicate clarifying the exclusion of certain non-cash and extraordinary amounts in the calculation of the covenants for the remainder of the term of the agreement. Bank fees of $193,850 were paid in the year ended December 31, 2010 (2009 - $250,000) as a result of the renewal of the facility in December 2010.

6. Shareholders equity:

The Corporation has authorized, issued and outstanding, 15,759,939 voting, 666,665 non-voting common shares.

Issued Common Shares	Number of Shares	Amount
Balance at December 31, 2008	8,455,169	$90,278,747
Issued in lieu of dividends on restricted share units	12,679	132,348
Issued by short form prospectus	2,300,000	12,955,000
Short form prospectus costs	-	(838,483)
Income tax benefit of share issue costs		222,427
Issued upon RSUs vesting to Directors	31,250	375,000
Balance at December 31, 2009 (Voting shares)	10,799,098	103,125,039
Issued in lieu of dividends on restricted share units	14,191	138,050
Issued upon RSUs vesting to Directors	31,250	375,000
Warrants exercised in the period	598,400	4,488,000
Fair value of warrants exercised in the period	-	439,694
Issued by short form prospectus in May 2010	1,840,000	16,560,000
Short form prospectus costs in May 2010	-	(1,239,548)
Income tax benefit of share issue costs	-	326,373
Issued by short form prospectus in Dec 2010	2,477,000	26,008,500
Short form prospectus costs in Dec 2010	-	(1,839,035)
Income tax benefit of share issue costs	-	476,562
Balance at December 31, 2010 (Voting shares)	15,759,939	$ 148,858,637
Non-voting shares	666,665	8,000,000
Balance at December 31, 2010 (Voting, non-voting)	16,426,604	$ 156,858,637

Issued Warrants	Number of Warrants	Amount
Balance at December 31, 2009	1,150,000	$ 845,000
Exercised during the year	(598,400)	(439,694)
Balance at December 31, 2010	551,600	$ 405,306

The warrants are exercisable at $7.50 at any time up to twenty-four (24) months from the date of their issue (October 22, 2009), subject to a mandatory exercise if, at the Corporation's option, any time after twelve (12) months from their issue, if the volume weighted average price of the voting common shares on the Toronto Stock Exchange is above $9.00 per common share for twenty (20) consecutive trading days.

7. Dividends and Distributions:

For January and February 2010, the Corporation had declared a dividend of $0.07 per voting and non-voting common share. For March through November 2010, the dividend was increased to $0.08 per voting and non-voting common share per month. For December 2010, the dividend was increased to $0.085 per voting and non-voting common share per month ($12,628,484 in aggregate). For the year ended December 31, 2009, dividends of $9,070,333 were declared.

8. 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 867,624 and issued 384,400 RSUs to management and Directors as of December 31, 2010. The RSUs issued to directors vest over a three-year period. The RSUs issued to management (290,650) do not vest until the end of the three-year period 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 will be amortized over the thirty-six month vesting period. Payments in lieu of dividends on the unvested RSUs are made monthly in accordance with the Corporation's dividend policy. Payments to management are split evenly between cash and common shares.

For the year ended December 31, 2010, the Corporation incurred stock-based compensation expenses of $2,098,935 which includes: $1,634,059 (non-cash expense) for the 2010 portion of the RSU Plan expense that is to be amortized over the thirty-six month vesting period of the plan; $226,105 for payments to staff and directors in lieu of dividends under the RSU Plan; $138,050 (non-cash expense) for shares issued in lieu of dividends under the RSU Plan; and $100,721 (non-cash expense) for the 2010 amortization of the fair value of outstanding stock options. The Corporation has reserved 707,369 and issued 610,150 options (319,150 in 2009) that vest over a four-year period and expire in five years. The fair value of the warrants (note 6) and options were calculated using a Black-Scholes model with the following assumptions:

	Warrants 2009	Options 2009	Options 2010
Dividend yield	12%	12%	8.7%
Expected volatility	53%	56%	52%
Risk free rate of return	2.46%	2.74%	2.15%
Expected life	2 years	5 years	5 years
Weighted average value per option/warrant	$ 0.7560	$ 1.3430	$ 2.5921

8. Stock-based compensation (continued):

The number and weighted average exercise prices of share options is as follows:

	Weighted Avg Exercise Price 2010	Number of Options 2010	Weighted Avg Exercise Price 2009	Number of Options 2009
Outstanding at January 1	$ 10.52	319,150	$ 12.00	224,150
Forfeited during the year	–	–	12.00	(5,000)
Granted during the year	11.56	291,000	7.27	100,000
Outstanding at December 31	11.01	610,150	10.52	319,150
Exercisable at December 31	$ 11.12	134,575	$ 12.00	54,788

The options outstanding at December 31, 2010, have an exercise price in the range of $7.27 to $12.00 (same as 2009) and a weighted average contractual life of 3.6 years (2009 – 4.1 years). No share options were exercised in 2009 or 2010.

9. Financial risk management

The Corporation is exposed to financial risks as set out below.

(a) Credit risk and other price risk:

Other price risk is the risk that future cash flows associated with portfolio investments will fluctuate. Cash flow from investments are generally based on a percentage of the investments gross revenue, same store sales, gross margin or other similar revenue. Accordingly, to the extent that the financial performance of the investment declines in respect of the relevant performance metric, cash payments to the Corporation will decline. Portfolio investment agreements allow for the repayment of investments at the option of the portfolio entity, and such repayment could affect future cash flows.

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's investments. Concentrations of credit risk exist when a significant proportion of the Corporation's assets are invested in a small number of individually significant investments, and investments with similar characteristics and/or subject to similar economic, political and other conditions that may prevail.

9. Financial risk management (continued):

The Corporation is exposed to credit related losses on current and future amounts receivable pursuant to investment agreements. In the event of non-performance by counterparties, future royalty and distributions revenue from the investments could be reduced, resulting in impairment of investment values. The investment agreements provide that payments are receivable monthly no later than the last day of the month. As at December 31, 2010, all amounts receivable for the year ended December 31, 2010 had been received.

Cash and cash equivalents consist of cash bank balances and short-term deposits maturing in less than 90 days. The Corporation manages the credit exposure related to short-term investments by selecting counter parties based on credit ratings and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk such as asset backed commercial paper.

The carrying amount of investments, accounts receivable and cash and cash equivalents represents the maximum credit exposure. The Corporation does not have an allowance for doubtful accounts as at December 31, 2010 and did not provide for any doubtful accounts nor was it required to write-off any receivables or investments during the year ended December 31, 2010.

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Corporation's reputation. 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	$ 1,421,992	$ 1,421,992	$ –	$ –	$ –
Dividends payable	1,396,262	1,396,262	–	–	–
Bank indebtedness	29,200,000	–	–	19,466,667	9,733,333
Total	$32,018,254	$ 2,818,254	$ –	$19,466,667	$ 9,733,333

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the Corporation's net earnings or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

9. Financial risk management (continued):

Foreign currency exchange rate risk and commodity price risk

The Corporation does not have any direct exposure to foreign currency exchange rate risk or commodity price risk. The Corporation had no forward exchange rate contracts or commodity price contracts in place as at or during the year ended December 31, 2010.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate fluctuations on its bank debt that bears a floating rate of interest. As at December 31, 2010, if interest rates had been 1% lower with all other variables held constant, net income for the period would have been $292,500 higher, due to lower interest expense. An equal and opposite impact would have occurred to net income had interest rates been 1% higher.

The Corporation had no interest rate swap or financial contracts in place as at or during the year ended December 31, 2010.

(d) Capital management:

The Corporation manages capital by monitoring certain debt covenants set out in its credit facility. The Corporation has a maximum senior debt to contracted EBITDA of 1.7:1 (1.49:1 at December 31, 2010). EBITDA is defined as net income before interest expense, income taxes, depreciation and amortization and non-cash stock-based compensation expenses. Additionally, a minimum tangible net worth requirement of $148,628,800 is in place ($152.6 million at December 31, 2010). Tangible net worth is defined as subordinated debt plus shareholders equity. In order to acquire more royalties, the Corporation needs to access public equity markets to fund the acquisitions and manage the business within the bank covenants. The Corporation was in compliance with all debt covenants at December 31, 2010.

(e) Fair value of financial instruments:

The Corporation's financial instruments as at December 31, 2010 and December 31, 2009 include cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities, bank indebtedness and subordinated debt. The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and approximate their carrying amounts due to their short-terms to maturity.

Bank indebtedness bears interest at a floating market rate and accordingly the fair market value approximates the carrying value. The subordinated debt is due to the Corporation's largest shareholder and, accordingly, the fair value is not readily determinable. The fair values of the available for sale investments are not readily determinable with sufficient reliability due to the lack of similar instruments in the market.

10. Income taxes

Income tax expense is calculated by using the combined federal and provincial statutory income tax rates. The provision for income tax differs from that which would be expected by applying statutory rates. A reconciliation of the difference is as follows:

	Year ended December 31, 2010	Year ended December 31, 2009
Earnings before income taxes	$ 10,531,381	$ 11,601,281
Combined federal and provincial statutory income tax rate	28.00%	29.00%
Expected income tax provision	$ 2,948,787	$ 3,364,371
Non-deductible expense	529,305	498,997
Drawdown of deferred credit	(2,865,511)	(3,836,895)
Decrease in valuation allowance	–	(4,963,992)
Loss carryforwards expired	–	2,780,171
Net impact of investment tax credits	107,554	(3,407,676)
Rate changes and other	(174,526)	(338,487)
	$ 545,609	$ (5,903,511)

The valuation allowance was decreased as a result of the extension of expiry dates for investment tax credits in 2009.

The income tax effect of the temporary differences that give rise to the Corporation's future income tax assets and liabilities are as follows:

	Year ended December 31 2010	Year ended December 31, 2009
Future income tax assets (liabilities):		
Non-capital losses and unclaimed scientific research and development expenses ("SRED")	$ 24,124,259	$ 27,040,431
Equipment	90,527	93,943
Share issue costs	1,313,175	962,065
Intangible assets	(1,446,292)	(1,489,600)
Investment tax credits	(2,730,598)	(2,757,502)
	$ 21,351,072	$ 23,849,337

10. Income Taxes (continued):

The future income taxes as presented on the balance sheet are comprised of:

	Year ended December 31, 2010	Year ended December 31, 2009
Current assets	$ –	$ 2,996,000
Long-term assets	25,527,962	22,248,900
Current liabilities	–	(47,808)
Long-term liabilities	(4,176,890)	(1,347,755)
	$ 21,351,072	$ 23,849,337

As at December 31, 2010, the Corporation has non-capital losses available to reduce income tax in future years that expire from time to time as follows:

2012	$ 12,792,192
2013	21,537,689
2024 and later	3,202,748
	$ 37,532,629

As at December 31, 2010, the Corporation has unused federal income tax credits which expire from time to time as follows:

2017	$ 133,712
2018	150,798
2019	1,623,342
2020	1,935,046
2021	1,295,097
2022	3,296,237
2023	1,840,597
2024	647,624
	$ 10,922,453

The Corporation has research and development expenditures not deducted at the end of the year, to be deducted over an indefinite period for an amount of $58,131,473.

10. Income Taxes (continued):

As at December 31, 2010, the Corporation has a deferred credit of $19,701,627:

Opening deferred credit	$ 30,562,949
Drawdown in prior years	(6,901,931)
Drawdown in current year	(2,865,511)
	$ 20,795,507

11. Recent accounting pronouncements not yet adopted or adopted in 2010:

New pending adoption:

The CICA's Accounting Standards Board confirmed the changeover from Canadian GAAP to IFRS (International Financial Reporting Standards) will be required for publicly accountable enterprises beginning on January 1, 2011. The Corporation has developed an implementation plan that includes a preliminary GAAP assessment, detailed quantification of the differences between Canadian GAAP and IFRS, the preparation of an opening balance sheet under IFRS for January 1, 2010 and a transition plan for elections under IFRS 1.

12. Related party transactions:

During 2010, the Corporation repaid all of a $6.5 million demand loan with a company owned by its largest shareholder. For the year ended December 31, 2010, the Corporation paid interest of $410,515 to this company (Year ended December 31, 2009 - $845,000).

13. Earnings per share:

Weighted average number of common shares (diluted):

	Year ended December 31, 2010	Year ended December 31, 2009
Weighted average number of common shares	13,104,165	9,574,916
Effect of warrants on exercise	136,239	–
Effect of share options on issue	27,076	–
Effect of RSUs on issue	384,400	–
	13,651,879	9,574,916

At December 31, 2010, 219,150 options (2009 – 319,150) were excluded from the diluted weighted average number of common shares as their effect would have been anti-dilutive.

The average market value of the Corporation’s common shares for purposes of calculating the dilutive effect of share options and warrants was based on quoted market prices for the period during which the share options and warrants were outstanding.

14. Commitments:

On March 25, 2009, the Corporation signed a seven-year lease at a new location that was to commence July 1, 2009 ending June 30, 2016. The commencement date was delayed until after December 1, 2009.

2011	$ 159,260
2012	159,851
2013	166,354
2014	166,354
2015	166,354
2016	152,491
	$ 970,666

15. Subsequent event:

Subsequent to December 31, 2010, shareholders exercised 477,400 warrants resulting in the issuance of 457,900 voting common shares at $7.50 per share for total proceeds of $3,580,500.

MANAGEMENT'S DISCUSSION & 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, 2010 and December 31, 2009 for Alaris Royalty Corp., ("**Alaris**" or the "**Corporation**"). The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles ("**GAAP**"). 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 "Risk Factors". This MD&A also refers to certain non-GAAP measures, including EBITDA and Available Working Capital, to assist in assessing the Corporation's financial performance. The terms EBITDA and Available Working Capital (the "**Non-GAAP Measures**") are financial measures used in this MD&A that are not standard measures under GAAP. The Corporation's method of calculating the Non-GAAP Measures may differ from the methods used by other issuers. Therefore, the Corporation's Non-GAAP measures may not be comparable to similar measures presented by other issuers. See "Results of Operations" for a reconciliation of EBITDA to net income and "Liquidity" for a reconciliation of Available Working Capital to working capital.

EBITDA refers to net earnings determined in accordance with GAAP, 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 Acquisition and include non-cash stock option and other transaction related costs.

Available Working Capital refers to current assets less current liabilities, with an exclusion of certain current liabilities and certain current assets, as more particularly described in "Working Capital" of this MD&A.

The Corporation has provided a reconciliation of net income to EBITDA and Normalized EBITDA and working capital to Available Working Capital in this MD&A. These Non-GAAP 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.

OVERVIEW

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 seven employees.

RESULTS OF OPERATIONS

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Revenues for the year ended December 31, 2010 reflect distributions from transactions involving each of Alaris' five Partners for that year. In 2010, revenues from the Partners totaled $16.7 million compared to $18.1 million in the year ended December 31, 2009. The decrease of 7.8% compared to the prior year is a result of year over year performance metric adjustments from each of the Partners. Revenues from LifeMark were $11.3 million compared to $8.4 million in the prior year, an increase of 35.2%. A portion of the increase (4.5%) can be attributed to the same clinic sales increase and the remainder is due to further transactions Alaris completed with LifeMark in the second half of 2009 and in May 2010. Revenues from LMS were $2.0 million in the year compared to $7.1 million in the prior year, a decrease of 71.9% due to the year over year performance adjustment based on the change in gross profit for LMS effective January 1, 2010. Revenues from End of the Roll were $1.35 million in the year compared to $1.40 million in the prior year, a decrease of 2.9%, the net result of a same store sales decrease to the annual royalty of -7.4% effective May 1, 2009 and a same store sales increase of 0.5% effective May 1, 2010. Revenues from MEDIchair were $1.2 million in the year compared to $1.18 for the prior year, the net result of a same store sales decrease of -1.9% for the twelve months ended September 30, 2009 and a same store sales increase of 3.0% effective October 1, 2010. Revenues from KMH started in April 2010 and were $0.56 million in the year and revenues from Solowave started in mid-December 2010 and were $0.21 million for the year. See "Private Company Partner Update" for more information on the individual Partners' performance.

Interest expense of $1,513,863 in the year was lower compared to $2,166,257 in the prior year because of lower senior debt and subordinated debt levels. During the year, $2,850,000 of senior debt and the entire $6,500,000 in outstanding subordinated debt was repaid.

In the year ending December 31, 2010, the Corporation recorded non-cash stock based compensation expenses totaling $1,872,830 (2009 - $1,714,209) that included: $1,634,059 to amortize the fair value of the RSU Plan (2009 – $1,505,300); $100,721 to recognize the fair value of outstanding stock options (2009 – $76,561); and $138,050 to recognize the fair value of shares issued to management in lieu of dividends under the RSU Plan (2009 - $132,348). Also in the year, the Corporation made cash payments based on current dividend rates of $226,105 to employees and directors in lieu of dividends under the RSU Plan (2009 - $221,703). Salaries and benefits were up 7.7% compared to the prior year due to an increase in management bonuses paid from $100,000 in 2009 to $200,000 in 2010 and were $1,060,915 in the year (2009 - $984,933). There were no salary adjustments in the year.

Corporate and office expenses were $626,990 compared to $460,018 in the prior year and include office rent, travel and corporate administrative expenses. The 36.3% ($166,972) increase was due mostly to the new office lease which is at higher rates than the previous five year lease that expired June 30, 2009. Travel and associated costs increased in 2010 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 $443,262 for the year ended December 31, 2010 compared to $471,848 for the prior year. The 6.0% decline is due to higher than normal professional fees in the prior year and a reduction in legal fees as more legal functions were performed in-house in 2010. Bank fees were lower in the current year as a portion of the senior credit renewal facility was deferred until April 2011.

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 depreciation of $16,795 (2009 - $36,216) and amortization of $173,233 (2009 - $173,233) in the year ended December 31, 2010. Depreciation was lower in the current year due to depreciation of leasehold improvements under the office lease that expired in June 2009.

The Corporation recorded net income of $10.0 million, EBITDA of $12.2 million and Normalized EBITDA of $14.1 million for the year ended December 31, 2010 compared to net income of $17.5 million, EBITDA of $14.0 million and Normalized EBITDA of $15.7 million for the year ended December 31, 2009. The decrease in net income, EBITDA and Normalized EBITDA can be attributed to the decline in the LMS distributions partially offset by an increase in the LifeMark distributions and new contributions from KMH and Solowave. Additionally, there was a recovery (non-cash) of future income tax expense in the fourth quarter of 2009 that resulted in a $5.9 million increase to net income for 2009. Total expenses of the Corporation decreased by 5.4% in 2010.

Reconciliation of Net Income to EBITDA (thousands)	Year ending December 31, 2010	Year ending December 31, 2009
Net Income	$9,986	$17,497
Adjustments to Net Income:		
Amortization	190	209
Interest	1,514	2,166
Income tax expense	546	(5,904)
EBITDA	**$12,236**	**$13,968**
Normalizing Adjustments:		
Non-cash stock based compensation	1,873	1,715
Normalized EBITDA	**14,109**	**15,683**

For the year ending December 31, 2010, dividends were declared for January and February at $0.07 per common share (voting and non-voting); for March through November it was increased to $0.08 per common share (voting and non-voting); and for December it was increased again to $0.085 per common share totalling $12,628,484 for the year. In the prior year, dividends were declared for January and February at $0.12 per common share (voting and non-voting) and reduced to $0.07 per common share in March through December 2009 totalling $9,070,333 for the prior year.

Three Months Ended December 31, 2010 Compared to Three Months Ended December 31, 2009

Revenues for the three months ended December 31, 2010 reflect Distributions from transactions involving each of Alaris' five Partners for that period. In this period, revenues from the Partners totaled $4.4 million compared to $4.8 million in the three months ended December 31, 2009. The decrease of 8.8% compared to the prior period is a result of year over year performance metric adjustments from each of the Partners. Revenues from LifeMark Health Limited Partnership (“**LifeMark**”) were $2,955,188 compared to $2,434,311 in the same prior year period, an increase of 21.4%. 4.5% of that increase can be attributed to the same clinic sales increase that increased distributions from LifeMark effective January 1, 2010 and the remainder of the increase is due to a further transaction in May 2010. LifeMark’s same clinic sales results of 5.6% in 2008 and 4.5% in 2009 would indicate the 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 $386,514 in the period compared to $1,733,250 in the prior year period, a decrease of 77.7% due to the year over year performance adjustment based on the change in gross profit for LMS effective January 1, 2010. The decline, a direct result of the significant economic challenges across North America which resulted in reduced production volumes from cancelled projects and reduced margins. Revenues from End of the Roll Carpet & Vinyl (“**End of the Roll**”) were $322,364 in the quarter compared to $320,951 in the same prior year period, an increase of 0.4% as a result of a same store sales increase that was effective May 1, 2010. Revenues from MEDIchair Ltd. (“**MEDIchair**”) were $312,324 in the quarter compared to $302,456 for the same prior year period, an increase of 3.2% as a result in an estimate of the increase in same store sales effective October 1, 2010. Strong demographics supported what was otherwise a very challenging year for retailers. MEDIchair sells home mobility products to seniors and disabled individuals and historically doesn’t see significant fluctuations in its business. Distributions from KMH Limited Partnership (“**KMH**”) commenced in April 2010 and were $218,750 in the period. Distributions from Solowave Limited Partnership (“**Solowave**”) commenced in December 2010 and were $208,333 for a half month payment in the period. See “Private Company Partner Update” for more information on the individual Partners’ performance.

Interest expense of $337,229 in the period was 35.7% lower compared to $524,767 in the prior year period because of lower senior debt and subordinated debt levels. Since January 1, 2010, $2,850,000 of senior debt and the entire $6,500,000 of subordinated debt was repaid.

In the three months ending December 31, 2010, the Corporation recorded non-cash stock based compensation expenses totaling $542,330 (2009 – $949,913) that included: $480,859 to amortize the fair value of the Corporation’s restricted share unit plan (the “RSU Plan”) (2009 –896,500); $25,721 to recognize the fair value of outstanding stock options (2009 – $25,000); and $35,750 to recognize the fair value of shares issued to management in lieu of dividends under the RSU Plan (2009 - $28,440). Also in the quarter, the Corporation made cash payments based on current dividend rates of $61,136 to employees and directors in lieu of dividends under the RSU Plan (2009 - $49,512). Salaries and benefits were $432,303 in the quarter, up 32% compared to the prior year period due to an increase in the management bonus pool. There were no salary adjustments in this period.

Corporate and office expenses were $159,764 compared to $106,466 in the prior year and include office rent, travel and corporate administrative expenses. The 50% increase was due mostly to the new office lease which is at higher rates than the previous five year lease that expired June 30, 2009. Travel and associated costs increased in the quarter due to 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 period.

Legal and accounting expenses were $122,045 for the three months ended December 31, 2010 compared to $102,275 for the prior year period. The 19% increase is due to accounting and legal due diligence fees incurred on a deal that didn’t close and thus were expensed in the period.

The Corporation recorded depreciation of $4,723 and amortization of $43,308 in the three months ended December 31, 2010, both amounts were unchanged from the prior year period.

The Corporation recorded net income of $2.7 million, EBITDA of $2.9 million and Normalized EBITDA of $3.4 million for the three months ended December 31, 2010 compared to net income of $8.6 million, EBITDA of $3.0 million, and Normalized EBITDA of $4.0 million for the three months ended December 31, 2009. The decrease in net income, EBITDA and Normalized EBITDA can be attributed to the decline in the LMS distributions partially offset by an increase in the LifeMark distributions and new distributions from KMH commencing in May and Solowave late in the year. Additionally, there was a recovery (non-cash) of future income tax expense in the fourth quarter of 2009 that resulted in a $6.2 million increase to net income for that period compared to a $0.4 million future income tax expense in the last quarter of 2010. The expenses of the Corporation did not change materially from the prior year period.

Reconciliation of Net Income to EBITDA (thousands)	3 months ending December 31, 2010	3 months ending December 31, 2009
Net Income	$2,100	$8,621
Adjustments to Net Income:		
Amortization	48	48
Interest	337	525
Income tax expense	407	(6,186)
EBITDA	**$2,892**	**$3,008**
Normalizing Adjustments:		
Non-cash stock based compensation	542	950
Normalized EBITDA	**$3,434**	**$3,958**

For the three months ending December 31, 2010, dividends were declared in October and November at $0.08 per common share (voting and non-voting) and in December were increased to $0.085 per common share totalling $3,620,808 for the quarter. In the prior year, dividends were declared for each month at $0.07 per common share, and there were fewer shares outstanding, totalling $2,407,551 for the prior year quarter.

Cash held at December 31, 2010 of $1.8 million was used to satisfy the dividend declared in December 2010 (payable January 15, 2011).

The Corporation has a $30 million interest only senior debt facility with a two-member Canadian bank syndicate, which was drawn to $29.2 million at December 31, 2010. Interest is paid monthly at the lenders' prime rate plus three and a half percent per annum (6.5% at December 31, 2010). The Company drew $9.5 million on the facility to close the Solowave transaction. During the quarter, the Corporation repaid the $1.2 million remaining on the demand subordinated debt facility owing to a company controlled by the Corporation's largest shareholder.

The Corporation has recorded a $21.4 million net future income tax asset on its balance sheet to reflect the accounting value of unused tax pools based on the Corporation's internal projections. An offsetting liability has been recorded as a deferred credit for the amount of the tax asset less the fair value of the shares held by the shareholders of the Corporation prior to July 31, 2008.

PRIVATE COMPANY PARTNER UPDATE

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 – Same clinic sales is the top-line performance metric on which the annual distributions to the Corporation are reset. Same clinic sales for LifeMark increased by 4.5% and 5.6% in the previous two fiscal years as the services provided by LifeMark were not negatively impacted by the economy. 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. Additionally, LifeMark continues to add new services to clinics it has recently acquired. LifeMark has over 100 clinics across Canada, a strong balance sheet and is well positioned to continue consolidating a fragmented industry. Based on unaudited internal financial statements provided by LifeMark's management for the year ended December 31, 2010, total revenues have increased over 20% and EBITDA has increased by approximately 15% compared to the prior year. The revenue growth includes acquisition growth. Same clinic sales results for 2010 are estimated by LifeMark management at 5%.

LMS – LMS continues to recover from a challenging 2009 fiscal year. Volumes have increased significantly since the first few months of 2010 and will continue to improve based on work on hand and recent project bidding activity. Based on unaudited internal financial statements provided by LMS' management for the year ended September 30, 2010, sales volumes were down 17% (due in large part to significant road restrictions leading up to, during and shortly after the Vancouver Olympics), but total gross profit dollars were approximately 5% ahead of the prior year period as gross margin percentages have increased significantly compared to the prior year. Based on unaudited internal financial statements provided by LMS' management, for the four months ended January 31, 2011, total volumes are over 110% ahead of the prior year and total gross profit dollars are approximately 50% ahead of the prior year. 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 are reset on January 1, 2011 and the remainder on April 1, 2011 based on the September 2010 results. EBITDA was also higher in the year ended September 2010 compared to 2009. LMS management expects continued improvement for the remainder its 2011 fiscal year.

End of the Roll – End of the Roll completed its fifth fiscal year as an Alaris partner on April 30, 2010. Based on audited financial statements for the year ended April 30, 2010, total revenues increased over 7% and EBITDA has increased over 10% compared to the prior year period. 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 increased 0.5% for the year ended April 30, 2010. Based on unaudited financial statements for the nine months ended January 31, 2011, revenues and EBITDA are marginally behind prior year results.

MEDIchair – MEDIchair experienced a same store sales increase of 2.9% for the twelve months ended September 30, 2010. Retail sales numbers were generally down significantly across North America but MEDIchair's business was and continues to be buoyed by strong demographics and operating in a "need" business - providing home mobility products for the elderly and disabled - the main driver for the same store sales performance, which is the top-line performance metric that the annual payments to the Corporation are reset. MEDIchair is wholly owned by LifeMark and reports to Alaris on a consolidated basis.

KMH - On April 27, 2010, the Corporation announced the purchase of preferred partnership units in KMH Limited Partnership for an aggregate acquisition cost of $5 million. KMH is a private healthcare company operating eight diagnostic clinics (nuclear medicine, cardiology and MRI) in Ontario. Distributions on the KMH preferred units will be $875,000 in the first twelve months. Based on unaudited internal financial statements provided by KMH's management for the year ended November 30, 2010, total revenues have increased approximately 4% and EBITDA is up 1.5% compared to the prior year. Based on unaudited internal financial statements provided by KMH's management for the two months ended January 31, 2011, total revenues and EBITDA are tracking prior year results. Same clinic sales is the top-line performance metric on which the annual distributions to the Corporation are reset. Same clinic sales for KMH averaged over 6% in the past two fiscal years.

Solowave - On December 17, 2010, the Corporation announced the purchase of 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 31st and based on unaudited internal financial statements for the three months ended January 31, 2011, revenues and EBITDA are well ahead of the 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%.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation has a $30 million senior credit facility ($29.2 million drawn at December 31, 2010) provided by two Canadian chartered banks. The senior facility was renewed on December 18, 2010 at an interest rate of Canadian prime interest rate plus 3.5% (an increase of 0.5% over the prior renewal). The senior credit facility is an interest-only, 364-day revolving loan that is due December 31, 2011. The facility carries a three-year term out option in the event the loan is not renewed. Therefore at December 31, 2010, no amount is recorded as a current liability as the first potential principal repayment would be in January 2012 and then only if the facility is not renewed in December 2011. At December 31, 2010, 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 (1.49:1 at December 31, 2010); minimum tangible net worth of $148.6 million ($152.6 million at December 31, 2010); and a minimum fixed charge coverage ratio of 1:1 (1.04:1 at December 31, 2010).

In 2010, the Corporation repaid the entire $6.5 million subordinated demand loan with the Corporation's largest shareholder. Interest was paid at 13% per annum.

The Corporation had 16.427 million voting and non-voting common shares and 551,600 warrants outstanding at December 31, 2010. The Corporation had working capital of approximately $3.2 million at December 31, 2010, but based on circumstances explained under "Working Capital", the Corporation had $30,312 of Available Working Capital. In the year ended December 31, 2010, warrantholders exercised 598,400 warrants at $7.50, generating $4.5 million in cash proceeds that was used for the KMH acquisition in April 2010 and for general working capital purposes. Subsequent to year end, another 477,400 warrants were exercised for approximately $3.6 million in cash proceeds. $3 million of those proceeds were applied to the senior credit facility in February 2011 and the remainder will be used for general working capital purposes. 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, 2010 is set forth in the tables below. The Company defines "Available Working Capital" as current assets less current liabilities, with an exclusion of certain current liabilities and certain current assets (the "**Excluded Items**") from such calculation. The Excluded Items include: (i) the Company's senior credit facility, which was excluded from current liabilities on the basis that such facility only becomes current if the lending syndicate elects not to renew the facility; and (ii) significant non-cash estimated future income tax asset and liability accounts. The tables below reconcile the differences in the calculation of working capital to Available Working Capital.

December 31, 2010	Working Capital	Available Working Capital
Cash	1,816,868	1,816,868
Accounts receivable	688,514	688,514
Prepaid expenses	343,184	343,184
Future income taxes	-	Excluded
Total Current Assets	**$2,848,566**	**2,848,566**
Accounts payable & accrued liabilities	1,421,992	1,421,992
Dividends payable	1,396,262	1,396,262
Future income taxes	-	Excluded
Bank indebtedness	-	Excluded
Total Current Liabilities	**$2,818,254**	**$2,818,254**
Net Amount at December 31, 2010	**$30,312**	**$30,312**
Net Amount at September 30, 2010	**($2,651,683)**	**$319,696**
Net Amount at December 31, 2009	**($4,211,555)**	**($659,747)**

Working capital increased by $4.2 million compared to December 31, 2009 as all of the $6.5 million in subordinated debt was repaid in 2010 and that was shown as a current liability. As well, $2.85 million in scheduled principal repayments for 2010 were shown as current at December 31, 2009. Each of those payments were made and there are no further repayments scheduled. Working capital increased by $2.7 million since September 30, 2010. As at September 30, 2010, $4.9 million in potential principal repayments were recorded as a current liability in the event that the credit facility was not renewed in December 2010. Additionally, the future income tax asset under the current liabilities was reduced by $2.8 million since December 31, 2009 as a result of current taxable income levels. Since the facility was renewed, no principal repayments are scheduled in all of 2011. Additionally, in December 2010 the remaining $1.2 of subordinated debt was repaid.

The table above shows $30,312 in working capital at December 31, 2010. Management of the Corporation believes that the Corporation's Available Working Capital amount is more representative of the Corporation's ability to meet obligations as they become due, due to the nature of the items excluded in calculating such amount. At December 31, 2010, Available Working Capital was the same as working capital but in previous periods there has been a significant difference. Since December 31, 2010, over

475,000 warrants have been exercised for $3.6 million in proceeds and that has bolstered the working capital position of the Corporation.

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
Preferred LP units	Available for sale	Cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Bank indebtedness	Other liabilities	Amortized cost
Subordinated debt	Other liabilities	Amortized cost

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 has no embedded derivatives. 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	1,421,992	1,421,992	0	0	0
Dividends payable	1,396,262	1,396,262	0	0	0
Bank indebtedness	29,200,000	0	0	19,466,667	9,733,333
Total	**32,018,254**	**2,818,254**	**0**	**19,466,667**	**9,733,333**

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. In the event payment of the subordinated debt is demanded, the Corporation would look to refinance the loan or raise equity to replace it.

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, 2010.

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, 2010. 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, 2010.

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 the fourth quarter of 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	29,200,000	0	29,200,000	0	0
Office lease	970,666	159,260	492,559	318,845	0
Total Contractual Obligations	30,170,666	159,260	29,692,559	318,845	0

Transactions with Related Parties

During 2010, the Corporation repaid the entire $6.5 million owing to a company controlled by Mr. Clay Riddell, its largest current shareholder. The annual interest rate was fixed at 13%. For the year ended December 31, 2010, the Corporation paid interest of $410,515 to this company (2009 - $845,000). All transactions with related parties are recorded at exchange amount. Related party transactions are measured at fair value.

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 NOT YET ADOPTED

The CICA's Accounting Standards Board confirmed the changeover from Canadian GAAP to IFRS (International Financial Reporting Standards) will be required for publicly accountable enterprises beginning on January 1, 2011. The Corporation has developed an implementation plan that includes a preliminary GAAP assessment, detailed quantification of the differences between Canadian GAAP and IFRS, the preparation of an opening balance sheet under IFRS for January 1, 2010 and a transition plan for elections under IFRS 1. The Corporation has evaluated the impact of adoption and we have identified the following differences: the Preferred LP units will be required to be re-valued to fair value at each balance sheet date with changes going through other comprehensive income (unless there is a permanent loss in value) with no earnings impact; there will be changes to the fair value calculations for non-cash stock-based compensation expenses including expanded disclosure; and the deferred credit will be transferred to retained earnings as a transitional adjustment. As our process continues we may identify items which may be material to the financial statements.

SUMMARY OF ANNUAL RESULTS

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

	2010	2009	2008
Revenue	16,659	18,071	19,031
Income (loss) from operations	9,986	17,497	(3,052)
Basic and Diluted Income (loss) per Share/Unit	Basic - $0.76	Basic - $1.83	Basic – ($0.65)
	Diluted - $0.73	Diluted - $1.83	Diluted – ($0.65)
Total Assets	209,629	164,476	149,019
Total Financial Liabilities	$32,018	$30,792	33,038
Cash Dividends/Distributions declared per Share/Unit	Basic - $0.96	Basic - $0.95	Basic - $1.63
	Diluted - $0.93	Diluted - $0.95	Diluted - $1.63

The net income for the year ended December 31, 2009 was increased by a $6 million non-cash recovery of future income taxes as a result of the extension of expiry dates on investment tax credits. Before that adjustment, basic and fully-diluted income per share in 2009 was $1.20.

The Corporation has sufficient cash flow to pay out dividends in 2010 and 2008 but due to a number of non-cash items including depreciation and amortization, future income tax expense and stock based compensation expense, dividends paid exceeded net income. Below is a table showing cash from operations from the audited statement of cash flows compared to dividends paid in the year.

	2010	2009	2008
Cash flow from operations	12,151	13,953	6,833
Dividends/distributions paid	12,035	9,362	6,550
Payout ratio	99%	67%	96%

SUMMARY OF QUARTERLY RESULTS

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

	Q4-10	Q3-10	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09
Revenue	4,403	4,165	3,897	4,194	4,792	4,335	4,344	4,600
Income from operations	2,100	2,808	2,478	2,599	8,629	3,349	2,630	2,897
Basic and Diluted Income (loss) per Share/Unit	$0.15 $0.14	$0.20 $0.20	$0.20 $0.19	$0.22 $0.21	$0.79 $0.69	$0.37 $0.34	$0.29 $0.27	$0.32 $0.30

The net income for the three months ended December 31, 2010 was lower than the previous quarter due to a a $0.4 million future income tax expense recorded in the period. The net income for the three months ended December 31, 2009 was increased by a $6 million recovery of future income taxes as a result of the extension of expiry dates on investment tax credits. There were also additional non-cash stock based compensation expenses in the quarter to offset a recovery of those same non-cash expenses recorded in the third quarter of 2009. Before those two adjustments, basic and fully-diluted income per share in the third quarter of 2009 was $0.31 and $0.29, respectively, and in the fourth quarter, $0.27 and $0.24, respectively.

OUTSTANDING SHARES

At December 31, 2010, the Corporation had 15,759,939 voting and 666,665 non-voting common shares issued and outstanding (16,426,604 common shares, collectively the "**Common Shares**" in aggregate).

To satisfy the dividend requirement under the RSU Plan, in the year ended December 31, 2010, the Corporation issued 14,191 voting common shares from treasury. At December 31, 2009, the Corporation had 1,150,000 warrants outstanding with an exercise price of $7.50. These warrants are exercisable at any time up to twenty-four (24) months from the date of their issue, subject to a mandatory exercise if, any time after twelve (12) months from their issue, if the volume weighted average price of the voting common shares on the Toronto Stock Exchange is above $9.00 per common share for twenty (20) consecutive trading days. This requirement has been met but the Corporation currently has no intention of forcing the exercise of the remaining warrants. During the year ended December 31, 2010, 598,400 of the warrants were exercised for proceeds of $4.488 million, leaving 551,600 warrants outstanding at December 31, 2010.

At December 31, 2010, 384,400 restricted share units and 610,150 stock options were outstanding under the Corporation's long-term incentive compensation plans.

Subsequent to December 31, 2010, the Corporation issued 2,957 shares to satisfy the dividend requirement under the RSU Plan, and 477,400 of the outstanding warrants were exercised at $7.50 for $3,580,500 in proceeds. At March 25, 2011, the Corporation had 16,906,961 common shares (voting and non-voting) outstanding.

OUTLOOK

Alaris' agreements with the Partners provide for payments estimated to provide the Corporation approximately $22.4 million of revenues for 2011. For the first quarter of 2011, those same agreements call for revenues of approximately $5.6 million for the Corporation. Annual general and administrative expenses are currently estimated at $2.5 million annually and include all public company costs. The senior debt facility is drawn to $29.2 million (reduced to $26.2 million subsequent to year end with warrant proceeds) and the annual interest rate on that debt was approximately 6.5% at December 31, 2010. 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

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 depend upon the operations and assets of our Private Company Partner.

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 and MEDIchair) 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 and its management and consultants to investigate and monitor the Private Company Partners. 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*".

We may not complete or realize our 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 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 resulted in a deterioration of global economic conditions through 2008 and 2009, causing a loss of confidence in the broader U.S. and global credit and financial markets. This resulted in the collapse of, and government intervention in, major banks, financial institutions and insurers 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 and renewed optimism reflected in the financial markets in the latter part of 2009 and 2010, concerns remain about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions. Although economic conditions improved towards the latter portion of 2009 and in 2010, as anticipated, the recovery from the recession has been slow in various jurisdictions including in

Europe and the United States and has been impacted by various ongoing factors including sovereign debt levels and high levels of unemployment which continue to impact commodity prices and to result in high volatility in the stock market. These factors have 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 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 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 are substantially larger and have considerably greater financial resources than us. Competitors may have a lower cost of funds and many have access to funding sources 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.

Our ability to manage future growth may have an adverse effect on our business

Our ability to sustain continued growth depends on our ability to identify, evaluate and invest in 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 could have a material adverse effect on our business, financial condition and results of operations.

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.

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 any of 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.

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 investments in the initial 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.

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.

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 and the Private Company Partners are subject to a variety of federal, provincial and local laws, regulations, and guidelines and may become subject to additional laws, regulations and guidelines in the future, particularly as a result of acquisitions. 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, 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 Common Shares or Non-Voting 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.

Alaris Management has limited public company experience

Management's collective experience operating a public company continues to improve, but remains limited. To operate effectively, we will be required to continue to implement changes in certain aspects of our business, improve and expand our management information systems and develop, manage and train management level and other employees, to comply with on-going reporting issuer requirements. Failure to take such actions, or delay in the implementation thereof, could adversely affect our business, financial condition, liquidity and results of operations.

We may issue additional Common Shares diluting existing Shareholders' interests

We may issue an unlimited number of Common Shares, Non-Voting 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.

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.

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 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 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, and such deterioration may be material.

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 securityholders. 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.

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. 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.

Our directors may have conflicts of interest

Certain directors of the Corporation are associated with other companies or entities, which may give rise to conflicts of interest. In accordance with the CBCA, directors who have a material interest in any person who are parties to a material contract or proposed material contract with Alaris are required, subject to certain exceptions, to disclose that interest and abstain from voting on any resolution to approve that contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of Alaris.

There is no market for our Warrants

A limited number of Warrants remain outstanding as of the date of this MD&A. The Warrants are not listed for trading on any stock exchange and there is currently no market through which the Warrants may be sold. As a result, Warrantholders may not be able to resell the Warrants that they purchased under the Offering. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants and the extent of issuer regulations.

Risks Relating to Our Private Company Partners

Risks relating to our Material Private Company Partners

Our material Private Company Partners, being LifeMark Health, LMS, and Solowave 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

Government Regulation

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 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. LMS' gross profits are steadily improving as LMS has worked through its high-priced inventory, has since realized on some of its material bad debt expenses, and has seen improvements in its sales volumes. However, these factors may 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. Labour disruptions could adversely affect LMS's business; however, these agreements are with multiple union locals within diverse regions.

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 a majority 80% of Solowave's revenues. Substantial decreases in product orders from these customers could adversely affect Solowave's business, financial condition and results from operations. 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 this 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.

International Operations Risk 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.

Seasonal Business Risks The majority of Solowave's back yard active play sets are shipped for delivery and sold by its customers between February and July. 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.

Natural or Other Disasters

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.

Product Recall Risk

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 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 and Solowave), 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 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.

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.

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.

Additional franchises and franchise operations may be limited

Two of our Private Company Partners, End of the Roll and MEDIchair, are franchisors. The growth of revenues of these companies is largely dependent upon their ability to maintain and grow their franchise systems and to execute their current growth strategy for both increasing the number of franchisees and increasing the number of locations. If these companies are unable to attract qualified franchisees, their 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 businesses of the franchise 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.

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.

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.

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.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward looking statements. Statements other than statements of historical fact contained in this MD&A may be forward looking statements, including, without limitation, management's expectations, intentions and beliefs concerning the growth, results of operations, performance and business prospects and opportunities of the Corporation and the Partners, the general economy, the amount and timing of the declaration and payment of dividends by the Corporation, the future financial position or results of the Corporation, business strategy, proposed acquisitions, growth opportunities, budgets, litigation, projected costs and plans and objectives of or involving the Corporation or the Partners. In particular, this MD&A contains forward looking statements regarding the 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 2010 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

Additional information relating to the Corporation, including the Corporation's Annual Information Form, is on available on SEDAR at www.sedar.com.

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