MANAGEMENT DISCUSSION AND ANALYSIS

For the three and twelve months ending December 31, 2013

This management's discussion and analysis ("**MD&A**") should be read in conjunction with the audited financial statements for the years ended December 31, 2013 and December 31, 2012 for Alaris Royalty Corp., ("**Alaris**" or the "**Corporation**"). The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and are recorded in Canadian dollars. (See "Transition to International Reporting Standards" under "New Accounting Pronouncements" in this Management's Discussion and analysis). Certain dollar amounts in the MD&A have been rounded to the nearest thousands of dollars.

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

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

Normalized EBITDA refers to EBITDA excluding items that are non-recurring in nature, such as gains associated with the reduction of interest in one partner and an impairment loss in another with which the Corporation has transacted. "Normalized EBITDA" s calculated by adding back non-recurring charges to EBITDA. Management deems non-recurring charges to be unusual and/or infrequent charges that the Corporation incurs outside of its common day-to-day operations. For the three and twelve months ended December 31, 2013, the gain on the reduction of financial interests in LifeMark as well as the loss on the SHS contribution are considered by management to be non-recurring charges. Adding back these non-recurring charges allows management to assess EBITDA from ongoing operations.

Earnings coverage ratio refers to EBITDA divided by the sum of debt servicing (interest and principal), maintenance capital expenditures and distributions to Alaris.

Payout Ratio: The term "payout ratio" is a financial measure used in this news release that is not a standard measure under International Financial Reporting Standards. Actual Payout Ratio means Alaris' total dividends paid over the fiscal twelve months ended 2013 and 2012 divided by its net cash from operating activities over that same period. Annualized Payout Ratio means Alaris' total annualized dividend per share expected to be paid over the next twelve months divided by the estimated net cash from operating activities per share Alaris expects to generate over the same twelve month period (after giving effect to the impact of all information disclosed today).

The Corporation has provided a reconciliation of net income to EBITDA and Normalized EBITDA in this MD&A. These Non-IFRS measures, as well as Earnings Coverage Ratio and Payout Ratio, 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 ten employees.

RESULTS OF OPERATIONS

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

	Year ending Dec 31		
	2013	**2012**	**% Change**
Revenue per share	$1.97	$1.53	+28.8%
Normalized EBITDA per share	$1.65	$1.25	+32.0%
Net cash from operating activities per share	$1.64	$1.26	+30.2%
Dividends per share	$1.36	$1.18	+15.3%
Weighted average basic shares outstanding (000's)	28,696	20,935	+27.5%

2013 was another year of significant accretive growth for the Corporation as demonstrated in the table above. The Corporation deployed $173 million of capital in 2013 while continuing to focus on its investment pillars of: (i) growing cash flow on a per share basis; (ii) reducing volatility of cash flow; (iii) diversifying our revenue base; (iv) increasing visibility of our cash flows and; (v) providing liquidity to shareholders. Management believes that by applying these pillars, the Corporation can provide a more secure and growing dividend to its shareholders. Examples of the implementation of the pillars are:

Growth:

- Contributed capital to four new partners in 2013: SHS Services Management, LP ("SHS"), SCR Mining and Tunneling, LP ("SCR"), Sequel Youth and Family Services, LLC ("Sequel") and SM Group International, LP ("SMi").
- Follow on investments into Agility Health LLC ("Agility"), Killick Aerospace Limited Partnership ("Killick") and LMS Reinforcing Steel, LP ("LMS").
- Due to the increase in net cash from operating activities in 2013, Alaris increased its monthly dividend twice to an annualized rate of $1.44 per share, a total increase of 20%.

Reducing Volatility:

- Negotiated collars on the maximum increase or decrease of the annual distributions from SCR, Sequel & SMi.
- Nine out of the twelve current revenue streams from Partners are dictated by a volatility reducing collar.
- Negotiated a distribution reset for SCR which will be based on the rolling averages of 2015/2014 financial performance vs the financial performance of 2014/2013 and will not take place until January 1, 2016.
- Estimated net organic growth in annual distributions from Partners of +1.0% for 2014.

Diversification:

- Continued diversification ensured that the failure of SHS did not impact Alaris' monthly dividend and had a minimal impact on the Corporation's payout ratio.
- Alaris' single largest annualized revenue source is now only 17% and now has only four annualized revenue streams accounting for more than 10% of total revenue.

Visibility:

- Revenues from the Corporation's twelve Partners for 2014 are largely determined at this time and the Corporation expects to continue to have predictable and relatively low general and administrative expenses in 2014.

Liquidity:

- The Corporation's float increased throughout 2013 as a result of equity offerings in January and July and average daily trading volumes continue to provide adequate trading liquidity.

Revenues from Partners for the year ended December 31, 2013 totaled $52.7 million compared to $32.1 million in the year ended December 31, 2012. The increase of 61% compared to the prior year is a result of year over year performance metric adjustments from each of the current Partners and the addition of new Partners as described below: See "Private Company Partner Update" for more information on the individual Partners' performance.

Partner Revenue (000's)	Year ending Dec 31, 2013	Year ending Dec 31, 2012	% Change	Comment
KMH	$8,269	$4,756	+73.9%	Further contributions into KMH of $27 million in the last half of 2012
Labstat	6,180	3,610	+71.2%	No reset until Jan 1, 2014; interest income on prom note included in 2012
Killick	5,873	4,389	+33.8%	+4% gross revenue July 1/13, further contributions in Dec 2012, Dec 2013
Sequel	5,099	-	N/A	Contribution closed July 1, 2013
LifeMark	4,970	6,885	-27.8%	+4% fixed increase July 1/12, reduced financial interest by another $30 million in Q2 2013
Quetico	4,816	4,248	+13.5%	Max +10% increase on gross profit Jan 1/13, currency difference
Solowave	4,662	4,960	-6.0%	-6% same customer sales decline Jan 1/13 due to softness in US market
SCR	3,874	-	N/A	Contribution closed in May 2013
LMS	2,457	2,003	+22.6%	+22.8% increase in gross profit Jan 1/13 due to increased volumes
Agility Health	2,275	69	+3212.9%	Contribution closed in Dec 2012, further contributions of $7.6 million late 2013
SHS	1,243	-	N/A	Contribution closed in March 2013, no further revenues after Q3 2013
End of the Roll	1,148	1,170	-1.8%	-2.5% same store sales decrease May 1/13
SMi	710	-	N/A	Contribution closed in November 2013
Subtotal	**$51,576**	**$32,089**	**+60.7%**	
Interest	1,131	20	N/A	Interest on promissory notes
Total	**$52,707**	**$32,109**	**+61.0%**	

Finance costs of $1,677,102 in the year were higher compared to $1,033,392 in the prior year because of modestly higher senior debt levels and a temporary extension of the facility in mid-2013 to accommodate the Sequel contribution.

In the year ending December 31, 2013, the Corporation recorded non-cash stock based compensation expenses totaling $3,808,518 (2012 - $1,901,683) which included: $1,717,600 to amortize the fair value of the RSU Plan (2012 – $663,185); $2,090,918 to recognize the fair value of outstanding stock options (2012 – $1,154,248); and $nil to recognize the fair value of shares issued to management in lieu of dividends under the RSU Plan (2012 - $84,250). Also in the year, the Corporation made cash payments based on current dividend rates of $292,790 to employees and directors in lieu of dividends under the RSU Plan (2012 - $241,738).

Salaries and benefits were $2,679,570 in the year compared to $1,796,174 in the prior year period. The 49.2% increase is due to a $500,000 increase in the bonus pool in 2013 due to the increase in distributable cash per share formula that dictates the bonus pool, modest increases in base salaries effective July 2012 and the addition of two new management positions in October 2013.

Corporate and office expenses were $1,371,188 compared to $971,072 in the prior year and include office rent, travel and corporate administrative expenses. The 41.2% increase was due to the higher travel and associated costs in 2013 with increased deal flow, and an increase in costs such as the annual Private Company Partner conference due to the addition of new Partners. 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 $919,791 for the year compared to $1,330,689 for the prior year. The 30.9% ($411K) decrease was due mostly to $320K in expenses incurred in 2012 on a deal that didn't close.

Amortization and depreciation include the amortization of the intangible assets and the depreciation of capital assets. The Corporation amortizes its intangible assets over the term of the licensing agreement and depreciates capital assets over the estimated useful lives. The Corporation does not amortize preferred interests in limited partnerships. Since these transactions are treated as financial instruments, they are assessed for objective evidence of impairment at each balance sheet date. The Corporation recorded amortization and depreciation of $106,283 (2012 - $107,633) in the year ended December 31, 2013.

The Corporation recorded earnings of $29.82 million, EBITDA of $42.15 million and Normalized EBITDA of $43.93 million for the year ended December 31, 2013 compared to earnings of $18.04 million and EBITDA of $25.87 million and Normalized EBITDA of $26.11 million for the year ended December 31, 2012. The increase in earnings and EBITDA can be attributed to the addition of new Partners in SCR (May 2013), Sequel (July 2013) and SMi (Nov 2013) and follow on contributions to Agility, Killick and LMS toward the end of 2013. Normalized EBITDA increased as the impairment loss on SHS in Q4 was $2.4 million more than the $13.1 million gain on the reduction of interest in LifeMark in Q2, both items viewed by management as non-recurring items.

Reconciliation of Net Income to EBITDA (thousands)	**Year ending December 31, 2013**	**Year ending December 31, 2012**
Earnings	$29,823	$18,036
Adjustments to Net Income:		
Amortization and depreciation	106	108
Interest	1,677	1,033
Income tax expense	10,544	6,688
EBITDA	**$42,150**	**$25,865**
Normalizing Adjustments		
Gain on reduction of LifeMark interests	(13,052)	-
Loss on SHS	15,512	-
Bad debts expense	575	-
Unrealized foreign exchange loss/(gain)	(1,258)	245
Normalized EBITDA	**$43,927**	**$26,110**

For the year ending December 31, 2013, dividends were declared for January through May at $0.105 per common share; for June it was increased to $0.115 per common share; and for July through December it was increased to $0.12 per common share totalling $36,746,213 for the year. In the prior year, dividends were declared totalling $24,959,880.

Three Months Ended December 31, 2013 Compared to Three Months Ended December 31, 2012

	3 months ending Dec 31		
	2013	**2012**	**% Change**
Revenue per share	$0.54	$0.41	+31.7%
Normalized EBITDA per share	$0.48	$0.34	+41.2%
Net cash from operating activities per share	$0.51	$0.23	+121.7%
Dividends per share	$0.36	$0.305	+18.0%
Weighted average basic shares outstanding (000's)	26,894	22,337	+28.4%

Revenues from Partners for the three months ended December 31, 2013 totaled $15.4 million compared to $9.2 million in the three months ended December 31, 2012. The increase of 68.1% compared to the prior period is a result of new Partners added in 2013 as well as year over year performance metric adjustments from each of the Partners as described below. See “Private Company Partner Update” for more information on the individual Partners’ performance.

Partner Revenue (000’s)	3 months ending Dec 31, 2013	3 months ending Dec 31, 2012	% Change	Comment
KMH	$2,067	$1,517	+36.3%	Further contributions into KMH of $27 million in the last half of 2012
Labstat	1,545	1,593	-3.0%	No reset until Jan 1, 2014; interest income on prom note included in 2012
Killick	1,502	1,131	+32.8%	+4% gross revenue July 1/13, further contribution in Dec 2012, Dec 2013
Sequel	2,598	-	N/A	Contribution closed July 1, 2013
LifeMark	989	1,755	-43.6%	+4% fixed increase July 1/12, reduced financial interest by another $30 million in Q2/13
Quetico	1,227	1,062	+15.5%	Max +10% increase on gross profit Jan 1/13, currency difference
Solowave	1,166	1,240	-6.0%	-6% same customer sales decline Jan 1/13 due to softness in US market
SCR	1,600	-	N/A	Contribution closed in May 2013
LMS	624	508	+22.8%	+22.8% increase in gross profit Jan 1/13 due to increased volumes
Agility Health	743	66	+1030.5%	Contribution closed in Dec 2012, further contributions late 2013
End of the Roll	270	277	-2.5%	-2.6% same store sales decrease May 1/13
SMi	710	-	N/A	Contribution closed in November 2013
Subtotal	**$15,040**	**$9,148**	**+64.4%**	
Interest	368	20	N/A	Interest on promissory notes
Total	**$15,408**	**9,168**	**+68.1%**	

Interest expense of $433,478 in the period was 29.3% higher compared to $335,172 in the prior year period. In the fourth quarter of 2013, the Corporation started with nil debt then drew $14.5 million for follow on contributions to Agility and Killick and $30 million for the contribution to SMi.

Salaries and benefits were $350,348 in the quarter, up 29.1% compared to the prior year period due to modest increases in base salaries effective August 1st and two new management positions added in October.

In the three months ending December 31, 2013, the Corporation recorded non-cash stock based compensation expenses totaling $983,153 (2012 – $753,620) which included: $442,205 to amortize the fair value of the Corporation’s restricted share unit plan (the “RSU Plan”) (2012 –$298,919); and $540,947 to recognize the fair value of outstanding stock options (2012 – $454,701). The increases are due to additional options and RSUs issued in July 2013 in accordance with the compensation plan. Also in the quarter, the Corporation made cash payments based on current dividend rates of $83,958 to employees and directors in lieu of dividends under the RSU Plan (2011 - $62,786).

Corporate and office expenses were $302,243 compared to $202,506 in the prior year and include office rent, travel and corporate administrative expenses. The 49.3% increase was due to an increases in TSX fees as well as higher travel costs relating to increased deal flow.

Legal and accounting expenses were $90,065 for the three months ended December 31, 2013 compared to $282,244 for the prior year period. The significant decrease relates to an increase in legal fees in late 2012 around some one-time projects relating to the Corporation’s international structure.

Depreciation and amortization was comparable to the prior year period.

The Corporation recorded a loss of ($2.86) million, EBITDA of $(1.07) million and Normalized EBITDA of $13.66 million for the three months ended December 31, 2013 compared to earnings of $4.93 million, EBITDA of $7.86 million and Normalized EBITDA of $7.54 million for the three months ended December 31, 2012. The decrease in earnings and EBITDA can be attributed to the loss on SHS of $15.5 million which was partially offset by the addition of new Partners in 2013: SCR (May

2013), Sequel (July 2013) and SMi (Nov 2013); and follow on contributions to Agility and Killick toward the end of 2013. Normalized EBITDA increased with the addition of the new partners and the addback of the SHS loss.

Reconciliation of Net Income to EBITDA (thousands)	**3 months ending December 31, 2013**	**3 months ending December 31, 2012**
Earnings	$(2,856)	$4,931
Adjustments to Net Income:		
Amortization and depreciation	27	27
Interest	433	335
Income tax expense	1,325	2,571
EBITDA	**$(1,071)**	**$7,864**
Normalizing Adjustments		
Loss on SHS	15,512	-
Bad debt expense	575	-
Unrealized foreign exchange loss/(gain)	(1,358)	(321)
Normalized EBITDA	**$13,658**	**$7,543**

For the three months ending December 31, 2013, dividends were declared of $0.12 per month for a total of $0.36 per share and $10,329,730 in aggregate. In the prior year period, dividends were declared totalling $0.305 per share and $6,812,676 in aggregate.

A portion of the $9.0 million of cash held at December 31, 2013 was used to satisfy the dividend declared in December 2013 (payable January 15, 2014).

The Corporation has a $75.1 million, interest-only senior debt facility with a two-member Canadian bank syndicate, which was drawn to $44.5 million at December 31, 2013. Interest is paid monthly at the lenders' prime rate plus three percent per annum (6.0% at December 31, 2013). During the current quarter, the Corporation drew $44.5 million for the further contributions to Killick and Agility as well as the SMi transaction.

The Corporation has recorded a $3.8 million deferred tax asset on its balance sheet to reflect the accounting value of unused tax pools based on the Corporation's internal projections.

PRIVATE COMPANY PARTNER UPDATE

The Corporation's interest in each of the Partners consist of a preferred partnership interest, preferred LLC 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 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 or other significant matters outside the normal course of business. Such transactions generally include acquisitions & divestitures, major capital expenditures, change of control and incurring additional indebtedness.

The following is a summary of each of the Partners recent financial results. Included in this summary will be a comment on the Partner's earnings coverage ratio that the Corporation discloses annually in the Annual Information Form. This earnings coverage ratio is defined as EBITDA divided by debt servicing (interest and principal), maintenance capital expenditures and distributions to Alaris. Because this information from time to time is based on unaudited information provided by Partner company management, each Partner will be identified as part of a range. The ranges are: less than 1.0x, 1.0x to 1.5x, 1.5x to 2.0x and greater than 2.0x. A result greater than 1 is considered appropriate and the higher the number is, the better the rating.

LifeMark

The Corporation's original contribution into LifeMark was in 2004. When LifeMark was sold to Centric Health Corporation ("Centric""), a Canadian public company, in 2011, the Corporation reduced its financial interest by approximately 50%. In 2013, Centric repaid $30 million of the $65.5 million repurchase right that was negotiated as part of the sale. Based on the terms of the amended Partnership agreement dated June 9, 2011, the LifeMark distribution will not be subject to potential decreases and instead is fixed at a 4% increase each period ending June 30 and the distributions are now supported by Centric, who report to Alaris quarterly.

LifeMark provides integrated health, medical and rehabilitation services through over 120 facilities across Canada. While physiotherapy and rehabilitation services have historically seen few significant year over year swings, changes in reimbursement rates from government agencies can produce some volatility. As the distribution reset is fixed at an increase of 4%, Alaris will not be affected by annual swings in LifeMark's revenue.

Based on unaudited financial statements for the nine months ended September 30, 2013, Centric's revenues are approximately 6% ahead and EBITDA is flat compared to the prior year period results. Centric currently has the option to repurchase the remaining partnership units owned by the Corporation at a fixed price of $35.5 million. If the units are not repurchased by June 13, 2014, the $35.5 million will increase by 4%. Distributions for Lifemark are currently scheduled at $4.04 million for 2014.

The fair value of the LifeMark units remains unchanged at $35.5 million as Centric has the option to repurchase the remaining units for that amount and has expressed its intention to do so in the next year. The earnings coverage ratio for LifeMark is in the 1.0x – 1.5x range and has improved (increased) in 2013.

LMS

The Corporation's original contribution into LMS was in 2007. On December 31, 2013, the Corporation converted, at its option, $3 million of the $6 million in promissory notes outstanding into additional preferred partnership units. The yield on those units will be 16% plus the percentage change in gross profit for the year ended December 31, 2013. Total gross profit is the top-line performance metric on which the annual distributions to the Corporation are reset. A portion of the annual distributions from LMS will reset on January 1, 2014 and the remainder on April 1, 2014 based on the December 2013 results.

LMS is a western Canadian based concrete reinforcing steel fabricator and installer. Over the course of 2013 LMS continued to see improvement in volumes and work on hand across each of its residential, commercial and infrastructure business segments. Margins remain under pressure from a competitive landscape but have stabilized in recent years and show continued improvement. The Company benefited from increased volume and consistent margins over the past few years, and based on work on hand, LMS management expects continued improvement into its 2014 fiscal year.

Based on unaudited financial statements, for the year ended December 31, 2013, total gross profit dollars were more than 15% ahead of the prior year. Including the estimated reset for 2014 and the conversion of the promissory note, distributions are currently expected to be $3.5 million for 2014. The reset for 2014 will be confirmed upon completion of the audited financial statements.

Because of the continued strong performance of LMS (four straight years of revenue, gross profit and EBITDA growth), the fair value of the LMS units was increased at September 30, 2013 to $29.3 million. With the conversion of the $3 million promissory note into additional preferred units in LMS on December 31, 2013, the fair value is now $32.5 million. The earnings coverage ratio for LMS is in the 1.0x – 1.5x range and has improved significantly in 2013 since being slightly below 1.0x in 2012.

End of the Roll

The Corporation's original contribution in End of the Roll was in 2005. Same store sales results are the top-line performance metric on which the annual payments to the Corporation are reset.

End of the Roll is a Canada-wide retail flooring franchise system and completed its eighth fiscal year as an Alaris partner on April 30, 2013. The renovation industry was relatively stable year over year and End of the Roll's results reflect that.

Based on unaudited financial statements for the eight months ended November 30, 2013, revenues and EBITDA are over 10% ahead of prior year results. Annualized distributions are currently scheduled at $1.14 million for 2014 but will reset on May 1, 2014 based on the April 30, 2014 same store sales results.

The End of the Roll transaction is recorded as an intangible asset and is reviewed regularly for impairment. No impairment exists at this time. The earnings coverage ratio for End of the Roll continues to be greater than 2.0x consistent with the prior year.

KMH

Since 2010, the Corporation has acquired $54.8 million of preferred partnership units in KMH Limited Partnership in five separate contributions. Same clinic sales is the top-line performance metric on which the annual distributions to the Corporation are reset and tracks the organic growth of clinics open for at least two years. Due to a number of transactions with the Corporation, the next reset date is set for January 1, 2015.

KMH is a private healthcare company operating twelve diagnostic clinics (nuclear medicine, cardiology and MRI) in Ontario and nine clinics in the United States. KMH's 2013 results benefited from full year contributions from a number of acquisitions completed in 2012 which the Corporation helped fund.

Based on unaudited internal financial statements provided by KMH's management for the year ended December 31 2013, total revenues and EBITDA are both over 30% ahead of the prior year. Distributions on the KMH preferred units are currently scheduled at $8.27 million for 2014.

The fair value of the KMH units remains unchanged at $55.4 million. The earnings coverage ratio for KMH is in the 1.0x – 1.5x range and has improved slightly in 2013.

Solowave

In December 2010, the Corporation purchased preferred partnership units in Solowave Design Limited Partnership for an aggregate acquisition cost of $32.5 million. The annual distributions increase and decrease based on same customer net sales and both growth and declines are capped at 6% per year.

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". The results of the business for the period are in part due to the recent recovery in the American housing market as well as modest growth in Canadian and international business.

Solowave's year end is October 31st and based on audited financial statements for fiscal 2013, revenues were 2% higher and EBITDA increased by 6% compared to prior year results. Based on unaudited information provided by management, for the three months ended January 1, 2014, revenues and EBITDA is again ahead of the prior year results. Based on audited information, Solowave's same customer net sales increased by 3.5% for the fiscal 2013 period. After consideration of this 3.5% increase on the annual distribution effective January 1, 2014, Solowave distributions are scheduled to be $4.82 million for 2014.

Due to better than expected same customer sales results in 2013, the fair value of the Solowave units has increased by $1.1 million to $32.6 million at December 31, 2013. The earnings coverage ratio for Solowave is in the 1.5x – 2.0x range and has improved in 2013.

Killick

In December 2013, the Corporation announced the purchase of $5 million in additional preferred partnership units of Killick Aerospace Limited Partnership. This contribution was in addition to the initial acquisition of units for $27.25 million in July 2011 and a $9.0 million acquisition of units in 2012, for an aggregate cost of $41.25 million. The annual growth and decline in Killick's distributions to Alaris is capped at 4% based on the annual change in gross revenues. The distributions increased by 4% effective July 1, 2013 based on the audited December 2012 results.

Killick is a Canadian-owned, Dallas-based privately held participant in the global aircraft maintenance, repair and overhaul industry. Killick has experienced significant growth as they continue to find new opportunities, particularly in the aftermarket parts sales business.

Killick's year end is December 31st and based on unaudited internal financial statements for fiscal 2013, revenues and EBITDA are significantly ahead of the prior year. The distributions are currently scheduled at $6.69 million and are expected to increase again (except on the portion relating to the $5 million recently contributed) on July 1, 2014 by the maximum 4% and will be confirmed upon completion of audited results for December 2013.

Due to continuing strength of financial performance, as well as the additional contribution for preferred units of $5 million in December 2013, the fair value of the Killick units has increased by $1.2 million to $44.8 million at December 31, 2013. The earnings coverage ratio for Killick is greater than 2.0x and has improved significantly in 2013.

Quetico

In November 2011, the Corporation announced the purchase of preferred LLC units in Quetico, LLC for an aggregate acquisition cost of $26.9 million USD. Annual growth in Quetico's distributions to Alaris is capped at 10% and is based on the change in gross revenues. Maximum decline in the annual distribution is capped at 20%.

Quetico is a provider of wholesale textiles, inventory management and third party logistic services predominantly for the textile business segments of big box retailers. Coming off a record setting year in 2012 in which the Corporation received the maximum 10% upwards adjustment to the annual distribution Quetico fell short of repeating these results. The business remains highly profitable and 2013 results were still ahead of those achieved in 2011.

Quetico's year end is December 31st and based on unaudited internal financial statements for the fiscal year, revenues and EBITDA are behind the prior year results. As a result distributions from Quetico will decrease by approximately 15% effective January 1, 2014 and are scheduled at approximately $4.2 million in Canadian dollars for 2014. The Corporation has purchased monthly forward contracts locking in the foreign exchange rate for all of 2014 and 70% of 2015 and the new rates on the forward contracts offset approximately half of the decrease in annual distributions.

The fair value of the Quetico units will fluctuate each quarter with foreign exchange rates but the underlying valuation of the Quetico units remains unchanged. The Corporation was expecting a modest decline in performance levels during 2013, and believes the business remains in excellent shape. The earnings coverage ratio for Quetico remains greater than 2.0x but has declined in 2013.

Labstat

In June 2012, the Corporation announced the purchase of partnership units in Labstat International, ULC for an aggregate acquisition cost of $41.2 million. Labstat is a global leader in regulation-driven analysis of tobacco smoke and products. Annual growth and decline in Labstat's distributions to Alaris are capped at 6% and is based on the change in gross revenues.

Labstat's year end is December 31st and based on unaudited information provided by management, revenues were down approximately 15% and EBITDA was down over 30% compared to the prior year thus triggering the maximum decline of 6% to the annual distribution, effective January 1, 2014. Many US tobacco importers have stopped regulatory pre-testing of products as they await the expected launch of new regulations under the Tobacco Control Act, previously expected to be in place by April 2013. That launch has been delayed and while it is still expected, Alaris and Labstat's lenders needed a capital structure that was not dependant on the future work from the FDA regulations.

As previously announced Alaris agreed to contribute $6 million in preferred equity alongside $1 million from Labstat to deleverage the business, bringing Alaris' total preferred equity investment to $47.2 million. These contributions took place on February 28, 2014. Alaris also agreed to temporarily restructure the form of its distributions, reducing the fixed portion to 7.25% on all preferred equity contributed with a variable portion in the form of a cash sweep up to the maximum that would have been paid under the original agreement, which is $6.67 million in 2014, provided certain financial covenants and performance targets are met. While the Corporation doesn't expect it will be required, Alaris has agreed to a further deleveraging in August 2014 if certain covenants are over predetermined levels.

During 2013, the Corporation created a short-term credit facility of $5.6 million to ensure Labstat had sufficient working capital throughout the year. No further loans are anticipated at this time. Taking into consideration the contribution in February 2014, fixed distributions are currently scheduled at $3.36 million for 2014. A variable portion in the form of a cash sweep is also scheduled bringing the maximum possible distribution up to $6.67 million, which equals the original $6.18 million adjusted for the 6% decline from the reset effective January 1, 2014, plus the distribution on the $6 million contributed in February 2014.

Due to the challenges described above, the earnings coverage ratio for Labstat fell below 1.0x for 2013 but as a result of working capital loans provided by the Corporation, they remained on covenant with their senior lenders. Given the changes made to the distribution going forward, the reduced fixed amount and the variable cash sweep, the ratio is expected to be in the 1.0x to 1.5x range for 2014.

While the specifics of the measures taken were not known at September 31, 2013, there was sufficient information to support a $2 million decrease in the fair value of the Labstat units to $39.7 million. As expected, the details Alaris agreed to with Labstat's lenders were substantially similar to the inputs used in that analysis and thus the fair value remains unchanged at December 31, 2013.

Agility

In December 2012, the Corporation announced the purchase of preferred LLC units in Agility Health, LLC for an aggregate acquisition cost of $12.5 million USD. The Corporation acquired additional preferred LLC units in the last quarter of 2013 for an aggregate acquisition cost of $7.6 million USD. Agility's year end is December 31st, annual growth and decline in Agility's distributions to Alaris is capped at 6% and is based on the change in same clinic sales.

Agility Health is a private health care company specializing in providing physical and occupational therapy and speech pathology services to health care providers and employers through 27 hospital clinics, 47 long term care facilities and 46 outpatient clinics across the United States.

Based on unaudited statements provided by management for the year ending December 31, 2013, revenue and EBITDA were both modestly ahead of the prior year and same clinic sales were up approximately 1.5%. Distributions are currently scheduled at $3.41 million in Canadian dollars for 2014. The Corporation has purchased monthly forward contracts locking in the foreign exchange rate for all of 2014 and 70% of 2015, which will result in an increase in CAD distributions.

The fair value of the Agility units will fluctuate each quarter with foreign exchange rates but the underlying valuation of the Agility units remains unchanged. The earnings coverage ratio for Agility is expected to be in the 1.0x to 1.5x range.

SHS

In March 2013, the Corporation announced the purchase of partnership units in SHS Services Management, LP for an aggregate acquisition cost of $15.5 million. During this period SHS entered into a strategic alliance with Sears Canada Inc. ("Sears") whereby SHS would operate the Sears installed home improvements business as a licensee to Sears. Due to a sharp decline in sales, cost overruns and challenges in transitioning the business from Sears to SHS, SHS entered a receivership process in December 2013. The Corporation does not expect to recover a material amount out of the receivership process, except for the $2 million secured loan, and as a result has reduced the fair value of its preferred units in SHS to nil at December 31, 2013.

The receiver is currently in the process of liquidating SHS's assets. The value of the liquidated assets and any priority claims, as well as the timing of completion of the receivership process, has yet to be determined, and, therefore, Alaris cannot estimate the amounts it will recover, if any, from the receivership process or other remedies available to it. As such Alaris is not using any estimates of recovery in its future guidance.

SCR

In May 2013, the Corporation announced the purchase of partnership units in SCR Mining and Tunneling, LP for an aggregate acquisition cost of $40 million. Due to the multiyear business cycles of SCR's operations, the Corporation established that the first reset would not be until January 1, 2016 and will be based on the two year average revenue results for 2014 and 2015 compared to the two year average for 2013 and 2014. Annual growth or decline in SCR's distributions to Alaris is capped at 6% and are based on net revenue.

SCR provides mining, surface and underground construction, electrical and mechanical services to the Canadian mining industry.

Based on unaudited financial statements provided by management for the trailing twelve months ended December 31, 2013, SCR's revenue and EBITDA are behind the prior year as was expected. SCR's year end is December 31st and the distributions to the Corporation will not change until the completion of SCR's 2015 fiscal year. Of note, SCR has no debt and annual distributions are currently scheduled at $6.4 million until December 31, 2015.

The SCR units have only been owned for seven months and the business has performed as expected thus the fair value of the SCR units remains unchanged at $40.5 million. The earnings coverage ratio for SCR is greater than 2.0x.

Sequel

In July 2013, the Corporation announced the purchase of preferred LLC units in Sequel Youth and Family Services, LLC for an aggregate acquisition cost of $66 million USD. Annual growth or decline in Sequel's distributions to Alaris is capped at 5% and is based on same program sales.

Sequel is a privately owned company founded in 1999 which develops and operates programs for people with behavioral, emotional, or physical challenges.

Based on unaudited financial statements provided by management for the six months ended December 31, 2013, Sequel's revenue and EBITDA are modestly ahead of the prior year but the first reset is not until July 1, 2014. Distributions are currently scheduled at $9.9 million USD dollars for the first twelve months.

The Sequel units have only been owned for six months and the business has performed as expected thus the fair value is unchanged except for the fact that the fair value of the Sequel units will fluctuate each quarter with foreign exchange rates. The earnings coverage ratio for Sequel is between 1.0x and 1.5x.

SMi

In November 2013, the Corporation announced the purchase of partnership units in SM Group International, LP for an aggregate acquisition cost of $30 million. Annual growth or decline in SMi's distributions to Alaris is capped at 6% and is based on gross revenue. SMi is a privately owned company founded in 1972 which specializes in the delivery of integrated scientific, engineering and IT solutions dedicated to the areas of buildings, energy, energy efficiency, environment, industry, infrastructure, natural resources, power, security, telecommunications and materials testing.

Based on unaudited financial statements provided by management for the year ended December 31, 2013, SMi's revenue and EBITDA were modestly ahead of the prior year but the first reset is not until January 1, 2015 and will be based on 2014 results. Distributions are currently scheduled at $4.8 million for the first twelve months.

The SMi units have only been owned for two months and the business has performed as expected thus the fair value of the SMi units remains unchanged at $30.7 million. The earnings coverage ratio for SMi is between 1.5x and 2.0x.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation has a $75.1 million senior credit facility provided by two Canadian chartered banks. The senior facility was renewed on December 31, 2013 at an interest rate of Canadian prime interest rate plus 3%. The senior credit facility is an interest-only, 364-day revolving loan that is expected to be renewed December 31, 2014. The facility carries a three-year term out option in the event the loan is not renewed. Therefore at December 31, 2013, no amount is recorded as a current liability as the first potential principal repayment would be in January 2015 and then only if the facility is not renewed in December 2014. At December 31, 2013, 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 (0.8:1 at December 31, 2013); minimum tangible net worth of $401.7 million ($429.8 million at December 31, 2013); and a minimum fixed charge coverage ratio of 1:1 (1.10:1 at December 31, 2013).

Subsequent to year end, the Corporation drew $6 million for a further contribution to Labstat leaving $24.5 million undrawn at March 10, 2014.

The Corporation had 28.694 million voting common shares outstanding at December 31, 2013. The Corporation had working capital of approximately $4.24 million at December 31, 2013. 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, 2013 and 2012 is set forth in the tables below.

	2013	2012
Cash	8,998,342	3,638,255
Trade and other receivables	955,831	3,417,642
Prepayments	125,543	182,811
Total Current Assets	**$10,079,716**	**$7,238,708**
Accounts payable & accrued liabilities	1,361,588	1,805,561
Dividends payable	3,443,243	2,345,347
Income taxes payable	1,031,701	40,585
Total Current Liabilities	**$5,836,532**	**$4,191,493**
Net Amount at December 31	**$4,243,184**	**$3,047,215**

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

FINANCIAL INSTRUMENTS

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

Financial Instrument	Category	Measurement Method
Cash and cash equivalents	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Promissory note receivable	Loans and receivables	Amortized cost
Preferred LP units	Available for sale	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Bank indebtedness	Other liabilities	Amortized cost
Derivative financial instruments	Loans and receivables	Fair value

The Corporation will assess at each reporting period whether there is a financial asset, other than those classified as held for trading, that is impaired. An impairment loss, other than temporary, is included in net earnings.

The Corporation holds derivative financial instruments to hedge its foreign currency exposure. The Corporation has entered into forward contracts equal to the monthly and quarterly flow of funds from its investments in Quetico, Agility and Sequel, the Corporation's US investments. The Corporation matched 100% of the 2014 scheduled distributions to the Canadian parent and approximately 70% to 80% of the expected 2015 distributions resulting in an economic hedge of the foreign currency exposure. The fair value of the forward contracts will be estimated at each reporting date and any gain or loss on the contracts will be recognized in profit or loss.

The Corporation records all transaction costs incurred, in relation to the acquisition of investments classified as "available for sale", as an additional cost of the investment. The Corporation applies trade-date accounting for the recognition of a purchase or sale of cash equivalents and derivative contracts.

The Corporation has the following financial instruments that mature as follows:

December 31, 2013	Total	0-6 Months	6 mo – 1 yr	1 – 2 years	3 – 4 years
Accounts payable and accrued liabilities	1,361,588	1,361,588	0	0	0
Dividends payable	3,443,243	3,443,243	0	0	0
Income taxes payable	1,031,701	1,031,701	0	0	0
Foreign exchange contracts	633,801	633,801	0	0	0
Bank indebtedness	44,500,000	0	0	29,666,667	14,833,333
Total	**50,970,333**	**6,470,333**	**0**	**29,666,667**	**14,833,333**

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.

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, 2013.

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, 2013. 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 International Financial Reporting Standards and are effective as of December 31, 2013.

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 seven-year lease at a new location that commenced in 2009. Annual leasing costs are approximately $175,000.

Contractual Obligations	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long term debt	44,500,000	0	44,500,000	0	0
Office lease	513,030	175,896	337,134	0	0
Total Contractual Obligations	50,513,030	175,896	44,837,134	0	0

TRANSACTIONS WITH RELATED PARTIES

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

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

	2013	2012
Base salaries and benefits	717,750	678,414
Bonus	1,140,000	660,000
Share-based payments (non-cash)	2,515,630	1,112,955
	$4,373,380	**$2,451,369**

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, and the valuation of intangible assets and preferred limited partnership units.

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

RECENT ACCOUNTING PRONOUNCEMENTS

Transition to International Financial Reporting Standards

The Corporation has adopted International Financial Reporting Standards ("IFRS") for its 2012 and 2013 fiscal years as required by the Accounting Standards Board of the Canadian Institute of Chartered Accountants. The Corporation provided information on its transition to IFRS in its 2011 Annual Management's Discussion and Analysis. The assessments and impacts discussion in the 2011 Annual Management's Discussion and Analysis remains largely unchanged.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Corporation, except for IFRS 9, Financial Instruments, with an effective date yet to be determined and could change the classification and measurement of financial assets. The Corporation does not plan to adopt this standard early and the extent of the impact has not been determined.

Effective January 1, 2013, the Corporation adopted IFRS 10, 11, 12 and 13. These new standards do not affect the recognition or measurement of any items in the Corporation's Financial Statements. Disclosure requirements under IFRS 13 have been provided in Note 4. There have been no other changes to the Corporation's accounting policies from those disclosed in the consolidated Financial Statements of the Corporation for the years ended December 31, 2012 and 2011.

SUMMARY OF ANNUAL RESULTS

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

	2013	2012	2011
Revenue	$49,595	$32,106	$49,274
Earnings	29,823	18,036	34,712
Basic and Diluted Income per Share/Unit	Basic - $1.12 Diluted - $1.09	Basic - $0.86 Diluted - $0.84	Basic - $2.04 Diluted - $1.97
Total Assets	480,730	332,941	246,478
Total Financial Liabilities	50,970	54,191	9,964
Cash Dividends/Distributions declared per Share/Unit	Basic - $1.36 Diluted - $1.34	Basic - $1.18 Diluted - $1.16	Basic - $1.06 Diluted - $1.02

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

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

	2013	2012	2011
Net cash from operating activities	43,746	26,464	14,610
Dividends/distributions paid	35,648	24,465	17,560
Payout ratio	81%	92%	120%

SUMMARY OF QUARTERLY RESULTS

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

	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12	Q2-12	Q1-12
Revenue	(758)	15,229	24,351	10,807	9,037	8,792	7,239	7,038
Earnings	(2,856)	8,388	17,597	6,689	4,931	4,868	4,160	3,957
Basic and Diluted	($0.10)	$0.30	$0.70	$0.27	$0.22	$0.22	$0.21	$0.20
Income (loss) per Share/Unit	($0.09)	$0.29	$0.68	$0.26	$0.22	$0.21	$0.20	$0.20

In Q2 2013, the Corporation recorded a $13.1 million gain on the reduction of the financial interest in LifeMark and in Q4 2013, the Corporation recorded a $15.5 million loss on SHS that affected both revenue and earnings in those periods.

OUTSTANDING SHARES

At December 31, 2013, the Corporation had authorized, issued and outstanding, 28,693,694 voting common shares.

In the year ended December 31, 2013, the Corporation issued: 5,888,000 shares by way of short form prospectus; 181,821 by way of a private placement; 241,021 shares as a result of the exercise of options; and 46,250 shares under the Restricted Share Unit ("RSU") Plan.

At December 31, 2013, 233,207 RSUs and 1,748,998 stock options were outstanding under the Corporation's long-term incentive compensation plans. The weighted average exercise price of the outstanding options is $23.67.

Subsequent to December 31, 2013, the Corporation issued 2,227 shares as a result of the exercise of options and 26,250 shares that vested to Directors under the RSU Plan. At March 7, 2014, the Corporation had 28,722,171 common shares outstanding.

CRA UPDATE

In January 2014, the Corporation received proposal letters (the "Proposal Letters") from the Canada Revenue Agency (the "CRA") wherein the CRA advised that it intended to reassess Alaris and deny the deduction of certain non-capital losses claimed by Alaris for the taxation year ended July 14, 2009. The CRA indicated in the Proposal Letters that it intends to reassess Alaris on the basis that there occurred an acquisition of control in 2006 in connection with a reorganization of the Corporation. The Corporation then received a notice of reassessment (the "Notice of Reassessment") from the CRA in February 2014 pursuant to which the CRA did deny the deduction of the non-capital losses claimed by Alaris for the taxation year ended July 14, 2009 and was challenging Alaris' July 14, 2009 tax filing based on the acquisition of control rules of the Income Tax Act (Canada).

In management's view, the CRA's reassessment of Alaris, and certain of its recent reassessments of other Canadian companies, is part of a broader initiative on the CRA's part to challenge companies with respect to the use of tax assets. Alaris has received legal (tax) advice that Alaris should be entitled to deduct the non-capital losses, and as such, Alaris is of the opinion that its tax filings to date are correct and will withstand any reassessment by the CRA. Alaris intends to vigorously defend its tax filing position.

Any future reassessment of the Corporation's non-capital losses by the CRA on any of its other tax filings to date would not affect the Corporation's current annualized dividend of $1.44 per share, nor would it change Alaris' long-term strategy, even if the CRA's position was ultimately upheld. Alaris' current annualized payout ratio of approximately 80% will allow it to pay both current, and future cash taxes while maintaining the current dividend rate. Alaris expects to fully utilize its current tax assets by mid-2015. Therefore, management has been managing Alaris' payout ratio to a target level so that upon the eventual utilization of all of its available tax assets, and its requirement to begin paying cash taxes in Canada, the dividend would be sustainable at its current level. This target is achieved at today's ratio of 80%.

Alaris intends to file a notice of objection to the Notice of Reassessment and has 90 days from the date the Notice of Reassessment is mailed to do so. Alaris is required to pay a deposit of 50% of the assessed tax liability (plus interest) at that time. Alaris' total federal and provincial assessed tax liability (as described in the Notice of Reassessment) is estimated to be $3.6 million and Alaris will be required to pay a deposit of approximately $1.8 million on that amount, with the remaining amount not payable until the dispute with the CRA is resolved and only if the result is not in Alaris' favor. Although the Corporation does not expect to receive any additional reassessments in respect of its taxation years subsequent to July 14, 2009 until matters under the Notice of Reassessment have been resolved, the Corporation may also be reassessed with respect to the deduction of its non-capital losses in all of its tax filings subsequent to July 14, 2009. In such event, Alaris' aggregate total assessed tax liability (including interest) is estimated to be approximately $25 million (see table below) and the total aggregate deposits Alaris would be required to pay in order to contest such reassessments is estimated to be approximately $12.5 million, with the remaining amount not payable until the dispute with the CRA is resolved and only if the result is not in Alaris' favor. Alaris has adequate capital available to it to pay the maximum amount of all tax liabilities it could incur if it was reassessed on all of its tax filings to date and if these reassessments were ultimately upheld through the tax adjudication process.

Tax Year	Losses Applied	Estimated tax and interest
July 2009	$10,532	$3,600
December 2009	5,118	1,700
December 2010	12,828	3,900
December 2011	40,197	11,500
December 2012	16,774	4,300
Total	**$85,449**	**$25,000**

Alaris anticipates that legal proceedings through the CRA and tax courts would take considerable time to resolve. The Corporation firmly believes it will be successful in defending its position and therefore, any deposits paid to the CRA would be refunded, plus interest.

SUBSEQUENT EVENTS

Subsequent to December 31, 2013, the Corporation contributed $6 million to Labstat for 600,000 additional Labstat Units. Distributions on those units are on similar terms as the other Labstat Units with a fixed distribution of $435,000 (7.25%) in the first twelve months along with a variable portion that will depend on the performance of the business up to a maximum $857,143.

OUTLOOK

Alaris' agreements with its Partners provide for estimated revenue to the Corporation of approximately $63.2 million in 2014. For the first quarter of 2014, those same agreements with its Partners provides for estimated revenue to the Corporation of approximately $15.6 million. On a per share basis, even with the reduction of the SHS distribution to nil in December 2013, as well as the temporary restructuring of the distribution from Labstat International, ULC ("Labstat") to a reduced fixed amount and the addition of a variable portion, revenues in the first quarter of 2014 are expected to be the same as the fourth quarter in 2013 at $0.54 per share and 22.7% higher than the revenue per share numbers reported for the first quarter of 2013 ($0.44 per share). Annual general and administrative expenses are currently estimated at $5.3 million annually and include all public company costs. The senior debt facility was drawn to $44.5 million at December 31, 2013 and $50.5 million at March 10, 2014, leaving the Corporation with approximately $27 million of net debt available. The annual interest rate on that debt was approximately 6.0% at December 31, 2013 and remains at that level today. Cash requirements after net income are expected to be minimal, as current capital expenditures consist of office furniture and computer equipment.

Alaris' unique capital structure continues to fill a niche in the private capital markets. Therefore, Alaris continues to attract interest in its capital from private businesses across North America and is confident it will contribute capital to new, and existing Partners in 2014. As a conservative measure, Alaris does not use any estimates for future revenue earned from the contribution of capital into new or existing Partners in its guidance or budgeting process

Certain information contained herein may be considered to be future oriented financial information or financial outlook under applicable securities laws, the purpose of providing such information in this MD&A is to demonstrate the visibility the Corporation has with respect to its revenue streams, and such statements are subject to the risks and assumptions identified for the business in this MD&A, and readers are cautioned that the information may not be appropriate for other purposes. See also "Forward Looking Information" below.

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 depend upon the operations, assets and financial health of our Private Company Partners

We are entirely dependent on the operations, assets and financial health 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. Adjustments of 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 material Private Company Partner to fulfill its distribution obligations to Alaris could materially adversely affect our financial condition and cash flows. We have conducted due diligence on each of our Private Company Partners prior to entering into our agreements with them. In addition, we continue to have regular discussions with our Private Company Partners and we receive regular financial reporting from them. However, there is a risk that there may be some liabilities or other matters that are not identified by us through our due diligence or ongoing communications that may have a material adverse effect on the Private Company Partners and the applicable performance measure.

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 are secured by the assets of the Private Company Partner (for example, End of the Roll) or are guaranteed by an affiliated entity (for example, Solowave). 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 have numerous positive and negative covenants in place with our Private Company Partners designed to protect our Distributions and typically our prior consent is required for items outside of the ordinary course of business; however, we generally do not have significant voting rights in our Private Company Partners and accordingly the our ability to exercise direct control over the operations of our Private Company Partners (except with respect to our consent rights and in circumstances where there has been an uncured event of default and payment to Alaris has not been made as required) may be limited. The Distributions received by us from the 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, we rely on our Management and consultants to investigate these businesses. There can be no assurance that our due diligence efforts will uncover all material information about the privately held businesses necessary to make fully informed decisions. Private Company Partners may have significant variations in operating results; may from time to time be parties to litigation; may be engaged in rapidly changing businesses; may expand business operations to new jurisdictions or business lines, 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 their business cycle or changes in the industries in which they operate in.

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, regulatory or other changes affecting its industry, integration issues with respect to acquisitions or new business lines, 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 are subject to risks affecting any new Private Company Partners

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

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

A key element of our growth plan is adding new Private Company Partners and making additional investments in existing 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 have limited diversification in our Private Company Partners

Although Alaris currently has 12 (excluding SHS) Private Company Partners, Alaris continues to have limited diversification in its Private Company Partners, although transactions over the last 24 months have greatly improved the diversification of Alaris revenue streams. Alaris does not have stringent fixed guidelines for diversification with respect to our Private Company Partners. At any given point in time, we may have a significant portion of our assets dedicated to a single business or industry. In the event that any such business or industry is unsuccessful or experiences a downturn, this could have a material adverse effect on our business, results from operations and financial condition.

We may 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, capital market volatility, consumer credit availability, interest rates, consumers' disposable income and spending levels, job security and unemployment, and overall consumer confidence. Market events and conditions since 2008, including disruptions in the international credit markets and other financial systems and the American and European Sovereign debt level resulted in a deterioration of global economic conditions. These conditions caused a decrease in confidence in the broader U.S. and global credit and financial markets and created a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments since 2008, some concerns remain about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions. Volatility has decreased recently however, it could return due to similar global macro events, which could affect our ability to obtain equity or debt financing on acceptable terms. These factors negatively impacted company valuations and impacted the performance of the global economy. A return of these negative economic events 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.

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

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

We face competition with other investment entities

Alaris competes with a large number of private equity funds and mezzanine funds, investment banks, equity and non-equity based investment funds, and other sources of financing, including the public capital markets. Some of our competitors, particularly those operating in the United States, are substantially larger and have considerably greater financial resources and more diverse funding structures than Alaris. Competitors may have a lower cost of funds and many have access to funding sources and unique structures that are not available to Alaris. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships and build their market shares. There is no assurance that the competitive pressures that we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, we may not be able to take advantage of attractive investment opportunities and there can be no assurance that Alaris will be able to identify and make investments that satisfy our business objectives or that we will be able to meet our business goals.

OPERATIONAL AND FINANCIAL RISK FACTORS RELATING TO OUR BUSINESS

We are subject to tax related risks

(i) CRA Re-Assessment

In February 2014, we received a Notice of Reassessment wherein the CRA reassessed us and denied the deduction of certain non-capital losses ("Non-Capital Losses") claimed by us for the taxation year ended July 14, 2009. Alaris has received legal (tax) advice that it should be entitled to deduct the Non-Capital Losses and that all tax filings to date are correct; as such, Alaris is of the opinion that its tax filings to date are correct and will withstand any reassessment by the CRA. Accordingly, Alaris will vigorously defend its tax filing position and will file a notice of objection within 90 days from the date of the Notice of Reassessment. Upon filing a Notice of Objection, Alaris will be required to pay 50% of the assessed tax liability (plus interest). Alaris' total assessed tax liability (as described in the Notice of Reassessment) is \$3.6 million and Alaris paid a deposit of approximately \$1.8 million on that amount, with the remaining amount not payable until the dispute with the CRA is resolved and only if the result is not in Alaris' favor. We may also be reassessed with respect to the deduction of its Non-Capital Losses in all of its tax filings subsequent to July 14, 2009. In such event, Alaris' aggregate total assessed tax liability (including interest) would be approximately \$25 million and the total aggregate deposits Alaris would be required to pay in order to contest such reassessments would be approximately \$12.5 million, with the remaining amount not payable until the dispute with the CRA is resolved and only if the result is not in Alaris' favor. Alaris has adequate capital available to it to pay the maximum amount of all tax liabilities it could incur if it was reassessed on all of its tax filings to date and if these reassessments were ultimately upheld through the tax adjudication process.

(ii) International Structure

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

(iii) General

In addition to our Non-Capital Losses, Alaris has various unclaimed 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.

Income tax provisions, including current and deferred income tax assets and liabilities, and income tax filing positions require estimates and interpretations of federal and provincial income tax rules and regulations, and judgments as to their interpretation and application to Alaris' specific situation. The business and operations of Alaris are complex and we have executed a number of significant financings and transactions over the course of our history including the Conversion. The computation of income taxes payable as a result of these transactions involves many complex factors as well as Alaris' interpretation of and compliance with relevant tax legislation and regulations.

Our ability to recover from a Private Company Partner for default under our agreements with them may be limited

Each Private Company Partner provides certain representations and warranties and covenants to us regarding the Private Company Partner and its business and certain other matters. Following a transaction with Alaris, the Private Company Partner may distribute all or a substantial portion of the proceeds that it receives from us to its security holders or owners. In the event that we suffer any loss as a result of a breach of the representations and warranties or non-compliance with any other term of an agreement with a Private Company Partner, we may not be able to recover the amount of our entire loss from the Private Company Partner. The Private Company Partner may not have sufficient property to satisfy our loss. In addition, our rights and remedies in the event of a default are generally subordinated to a Private Company Partners senior lenders, which can limit our ability to recover any losses from Private Company Partners.

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.

As a public company, we are subject to significant regulation

Alaris, its subsidiaries, and the Private Company Partners are subject to a variety of laws, regulations, and guidelines in the jurisdictions in which they operate (including Dutch, U.S., and Canadian federal, provincial and local laws) and may become subject to additional laws, regulations and guidelines in the future, particularly as a result of acquisitions or additional changes to the jurisdictions in which they operate. The financial and managerial resources necessary to ensure such compliance could escalate significantly in the future which could have a material adverse effect on Alaris' and the Private Company Partners' business, resources, financial condition, results of operations and cash flows. Such laws and regulations are subject to change. Accordingly, it is impossible for Alaris or the Private Company Partners to predict the cost or impact of changes to such laws and regulations on their respective future operations.

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

The amount of dividends paid by us will depend upon numerous factors, including Distributions received, profitability, debt covenants and obligations, foreign exchange rate, the availability and cost of acquisitions, fluctuations in working capital, the timing and amount of capital expenditures, applicable law and other factors which may be beyond our control. Dividends are not guaranteed and will fluctuate with our performance and the performance of our Private Company Partners. There can be no assurance as to the levels of dividends to be paid by us, if any. The market value of the Common Shares may deteriorate if we are unable to pay dividends in accordance with our dividend policy in the future, or not at all, and such deterioration may be material.

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

We expect that our principal sources of funds will be cash generated from the Private Company Partners. We believe that funds from these sources will provide Alaris with sufficient liquidity and capital resources to meet our ongoing business operations at existing levels. Despite our expectations, however, Alaris may require additional equity or debt financing to meet our financing and operational requirements. There can be no assurance that this financing will be available when required or available on commercially favourable terms or on terms that are otherwise satisfactory to Alaris, in which event our financial condition may be materially adversely affected.

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

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

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

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

We are subject to fluctuations in the currency

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

Also, forward contracts come with an obligation to fulfill the contract at a future date. If Alaris did not have adequate USD to sell under the forward contract it would have to pay the difference between the contract price and the current spot price. If the current spot price is in Alaris' favor it could receive a cash benefit from not being able to fulfill its forward contract. However, if the spot to forward price differential is not in Alaris' favor, it could owe a substantial amount of money to the holder of the contract. A significant loss of USD revenue would be one reason why Alaris could not meet its obligations under the forward contracts. This could be as a result of a significant decrease in a Partners business, which resulted in a significant decrease in its distribution to Alaris. Any cash outlay to meet a forward contract obligation could negatively affect Alaris' cash flows.

Our private company partners have termination rights which may be exercised

Also, forward contracts come with an obligation to fulfill the contract at a future date. If Alaris did not have adequate USD to sell under the forward contract it would have to pay the difference between the contract price and the current spot price. If the current spot price is in Alaris' favor it could receive a cash benefit from not being able to fulfill its forward contract. However, if the spot to forward price differential is not in Alaris' favor, it could owe a substantial amount of money to the holder of the contract. A significant loss of USD revenue would be one reason why Alaris could not meet its obligations under the forward contracts. This could be as a result of a significant decrease in a Partners business, which resulted in a significant decrease in its distribution to Alaris. Any cash outlay to meet a forward contract obligation could negatively affect Alaris' cash flows.

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 AIF 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.

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 beyond our control.

We may issue additional Common Shares diluting existing shareholders' interests

We may issue an unlimited number of common shares, or other securities for such consideration and on such terms and conditions as shall be established by us without the approval of shareholders. Any further issuance of common shares will dilute the interests of existing shareholders, if the proceeds of such issuances are not being used in a manner that is accretive to Alaris net cash from operating activities per share. The shareholders will have no pre-emptive rights in connection with such future issuances.

We are subject to a risk of legal proceedings

In the normal course of business, we may be subject to lawsuits, claims, regulatory proceedings, 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 AIF no material claims or litigation have been brought against Alaris.

Our capacity to protect our intellectual property may be limited

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

We are not, and do not intend to become, regulated as an Investment Company under the U.S. Investment Company Act and related rules.

We have not been and do not intend to become registered as an investment company under the U.S. Investment Company Act and related rules. The U.S. Investment Company Act and related rules provide certain protections to investors and impose certain restrictions on companies that are registered as investment companies. None of these protections or restrictions is or will be applicable to our company. In addition, in order to avoid being required to register as an investments company under the U.S. Investment Company Act and related rules, we have implemented restrictions on the ownership and transfer of the Offered Shares, which may materially affect your ability to hold or transfer the Offered Shares.

Potential investors' ability to invest in Common Shares or to transfer any Common Shares that investors hold may be limited by certain ERISA, U.S. Tax Code and other considerations.

Alaris has restricted the ownership and holding of Common Shares so that none of our assets will constitute "plan assets" (as defined in Section 3(42) of ERISA and applicable regulations) of any of the following: (1) an "employee benefit plan" (within the meaning of Section 3(3) of ERISA that is subject to Part 4 of Subtitle B of Title I of ERISA, (2) a plan, individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "U.S. Tax Code"), (3) any other retirement or benefit plan that is not described in (1) or (2), but that is subject to any state, local, non-U.S. or other laws or regulations that would have the same effect as ERISA or the U.S. Tax Code so as to cause the underlying assets of the Company to be treated as assets of such investing retirement or benefit plan by virtue of its investment (or any beneficial interest) in the Company("Similar Law"), or (4) an entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement in (1) - (3) pursuant to ERISA, the U.S. Tax Code or Similar Law.

If the Company's assets were considered to constitute "plan assets" of any of the foregoing entities, non-exempt "prohibited transactions" under Section 406 of ERISA, Section 4975 of the U.S. Tax Code or Similar Law could arise from transactions the Company enters into in the ordinary course of business, resulting in tax penalties and mandatory rescission of such transactions. Consequently, each recipient and subsequent transferee of Offered Shares will, or will be deemed to, represent and warrant that it is not an entity described in (1)-(4) in the preceding paragraph and that no portion of the assets used to acquire or hold its interest in Offered Shares or any beneficial interest therein constitutes or will constitute the assets of such an entity. Any holding or transfer of Offered Shares in violation of such representation will be void ab initio. See "Ownership and Transfer Restrictions".

Foreign Account Tax Compliance Provisions

FATCA imposes a reporting and 30% withholding tax regime with respect to (a) certain U.S. source income (including interest, dividends, royalties, and other passive income) and gross proceeds from the sale or other disposition of property that can produce U.S. source interest or dividends and (b) certain non-U.S. source payments paid to non-compliant foreign (i.e., non-U.S.) “financial institutions” (or FFIs). For purposes of the FATCA rules, Alaris will likely be treated as an FFI, and therefore intends to comply with FATCA.

In early 2014, Canada and the United States entered into an intergovernmental agreement (the “IGA”) to facilitate compliance with FATCA by Canadian financial institutions. Under the IGA, Alaris (and its subsidiaries) will generally be required to (i) register with the U.S. Internal Revenue Service (the "IRS") and acquire an identifying number, (ii) perform specified diligence to determine whether they have any “U.S. reportable accounts” and (iii) report information to the Canadian Revenue Agency (“CRA”) about their US “account holders”, which could include certain of Alaris’ shareholders.

The CRA will provide information about U.S. reportable accounts to the IRS in a manner consistent with the protections provided in the Canada-U.S. tax treaty.

Equity and debt interests that are regularly traded on an established securities market are not treated as "financial accounts" under the IGA. If the Common Shares are regularly traded on an established securities market, Alaris will not be required to provide information to the CRA about U.S. holders of Common Shares. The Common Shares are regularly traded on an established securities market and as such, Alaris does not expect to be required to report information about such US holders of its Common Shares to the CRA. However, should the Common Shares no longer be considered to be regularly traded on an established securities market, Alaris' reporting obligations under FATCA may change.

This description is based on guidance issued by the IRS and the Treasury Department, including recently issued final regulations, IRS notices and intergovernmental agreements. Future guidance, including explanations of and rulings interpreting current authorities, may affect the application of FATCA to Alaris in a manner that is unfavourable to Alaris and holders of Common Shares.

Passive Foreign Investment Company ("PFIC") Status for U.S. Shareholders

Generally, unfavourable rules apply to U.S. shareholders who own and dispose of shares of a PFIC for any year during which the U.S. shareholder holds such shares (regardless of whether the company continues to be a PFIC), including, without limitation, increased tax liabilities under U.S. tax laws and regulations and additional reporting requirements. Specifically, if a non-U.S. entity is classified as a PFIC, any gain on disposition of shares of a PFIC and any "excess distribution" received by a U.S. holder would be: (i) deemed to have been earned rateably over the period such holder owns such shares: (ii) taxed at ordinary income tax rates; and (3) subject to an interest charge for the deemed deferral in payment of the tax.

A non-U.S. entity will be a PFIC for any taxable year in which either (1) at least 75% of its gross income is passive income or (2) at least 50% of the value (determined on the basis of a quarterly average) of its assets is attributable to assets that produce or are held for the production of passive income.

Based upon the value of our assets and the scope of our current and projected operations and financial expectations, we believe that we were not a PFIC during our prior tax years and we expect that we will not become a PFIC during our current tax year ending December 31, 2014 or for the foreseeable future. However, the tests for determining the PFIC classification are fundamentally fact specific in nature, based on income and assets, which cannot be determined until the close of the taxation year in question and are determined annually. Additionally, the analysis depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. Consequently, there can be no assurance that we have never been and will not become a PFIC for any tax year during which U.S. shareholders hold Common Shares.

If Alaris does become a PFIC, it does not intend to make available to U.S. shareholders the financial information necessary to make a "qualified electing fund" election. However, provided the Common Shares continue to be regularly traded on an established securities market, if Alaris becomes a PFIC, U.S. shareholders will be able to make "mark-to-market" elections with respect to their Common Shares.

Alaris urges U.S. investors to consult their own tax advisors regarding the possible application of the PFIC rules

RISKS RELATING TO OUR PRIVATE COMPANY PARTNERS

Risks relating to our Material Private Company Partners

Our material Private Company Partners, being KMH, Killick, Quetico, Labstat, SCR, Sequel, and SMi 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 KMH

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

Risks Relating Specifically to Killick

Government Regulation	The size and scope of the global maintenance, repair & overhaul market is determined largely by government regulatory requirements created to ensure the safety of the air traveling public. Any change in the governmental regulation and licensing requirements or interpretation and application of the same relating to aircraft maintenance and service could have an adverse impact on the scope of Killick's operations and volumes.
New Product Risk	The threat of a new model of commercial jet engine coming to market has the potential to significantly reduce the demand for the types of engines and engine parts and accessories that Killick has inventory. However, an event can generally be predicted and planned for well in advance of the product arriving in the market.
Customer Bargaining Power Risk	In the commercial aircraft parts and accessories supply segment that one of Killick's divisions participates in, buyers are limited in number but large in size and industry influence. Buyers exercise increased power as the available options for sources of engine and aircraft parts increase. Participants in the market segment in turn work to distinguish themselves from the competition in an effort to win their business, making the market segment highly relational and service oriented.

Losing favor with a buyer could result in an adverse impact on this division's revenue.

General Economic Conditions	The growth of the small aircraft maintenance, repair and overhaul ("MRO") market is driven by two main factors: the growth of the worldwide aircraft fleet and the increased average age of the fleet as evidenced by cumulative number of flight hours. Economic factors negatively effecting demand and overall industry flight time could reduce the level of work for Killick's small aircraft MRO operations.

Risks Relating Specifically to Quetico

Customer Risk	Quetico's largest customer represents a large portion of Quetico's revenues. Substantial decreases in product and servicing orders from this customer could adversely affect Quetico's business, financial condition and results from operations. Quetico's relationship with this customer is over two decades old and Quetico is integrated into the customer's inventory system, offering services that no other company currently provides. However, if the customer starts to see its sales volumes across North America decline or decides to use additional service providers, it may have a materially negative effect on Quetico's business, and therefore have a material effect on Alaris.
Operational Risk	Quetico has no formal agreements with any of its wholesale merchandise customers, except for in respect to licensing and royalty agreements. The Company conducts wholesale business with purchase orders from retailers, or brand owners, which indicate a future commitment or promise to take ownership of inventory at some time in the future. If at any point, a customer does not honour a purchase order commitment, Quetico will have inventory to sell to cover its financial position on the transaction. There can be no guarantee that this will be sold, particularly in a weak economy. In addition, carrying the additional inventory may cause a drain on Quetico's capital availability to fund new transactions.

Risks Relating Specifically to Labstat

Timing of U.S. Regulatory Implementation	Labstat anticipates that it will benefit significantly from the implementation of new tobacco product testing regulations in the United States. These regulations were to be implemented by April 2013 but have been delayed for unknown reasons. Once implemented, the U.S. Food and Drug Administration is expected to require importers of tobacco in the United States to conduct regulatory testing on their tobacco products. Labstat's current capital structure is not dependent upon incremental revenue from these anticipated new regulations. However, if these new regulations do not get implemented as expected or if they are further delayed in their implementation, and if the market is smaller than anticipated by Labstat, Labstat may not generate incremental revenue, or any revenue at all, above the current revenue it generates from both regulatory testing in Canada and non-regulatory testing globally.
Reduction in the Number of Tobacco Brands	A significant reduction in the number of brands of tobacco products sold worldwide may affect the number of tests Labstat would conduct for specific manufacturers. Currently, each brand of tobacco product sold in Canada must be tested to meet regulatory requirements. If manufacturers merge or reduce the number of brands they sell, they will require less testing to be conducted by Labstat. This could lead to a decrease in revenue to Labstat.
Seasonality of Revenue	There is a significant seasonality of revenue in the tobacco testing industry. In the event that Labstat does not properly forecast its headcounts for slow periods, or if slow periods last longer than they have historically, it could face working capital short-falls, creating liquidity issues for the company.
Foreign Exchange Risk	Labstat is exposed to foreign exchange volatility as approximately 50% of its revenue is based in U.S dollars. Labstat currently mitigate the risk of large swings in currency rates by entering into forward contracts to match a majority of its contracted USD work. This ensures margins on those specific contracts are as anticipated when Labstat bid on those specific jobs. However, a large un-hedged swing in the USD/CAD exchange rate could negatively affect Labstat's cash flow, which in

turn may hinder its ability to pay its obligations to creditors and Alaris. Also, a strong CAD vs the USD means Labstat could be less competitive with U.S laboratories when bidding on new contracts as it will generate less exchange adjusted CAD income in times of an elevated CAD vs the USD. It may have to bid at prices which are well below typical margins in order to be competitive and win the contract in this situation, which could negatively impact cash flows. Generally, a lower CAD vs the USD is a benefit to Labstat.

Risks Relating Specifically to SCR

Commodity Pricing and Future Exploration and Mine Development	A prolonged decrease in base and precious metals pricing could lead to future mining projects becoming uneconomical and therefore could impact SCR's ability to replace revenue as existing mines come to the end of their life cycles. Such a decrease could also impact current mine operations if the mine operator decreases mine development or production due to a prolonged decrease in commodity prices.
Industrial Accidents	Although SCR has a strong track record of safety on its work sites, an industrial accident could result in a prolonged mine shut down and/or liability for damages in the event SCR is held responsible for an accident, both of which could have an adverse effect on SCR's financial performance, even if adequate insurance is in place.
Customer Production Issues	If the operator of any of the mines SCR operates in experiences a prolonged halt to or decrease in production, SCR's financial performance could be adversely impacted.
Customer Concentration	SCR operates primarily in the Sudbury Basin and Red Lake regions of Ontario, Canada and provides services to customers operating multiple mines in the region. As such SCR is subject to customer concentration risks and any significant reduction in operations of its key customers or a reduction of mining operations in the Sudbury Basin and Red Lake regions and generally could have an adverse effect on SCR's operations and financial performance. Also, if a customer puts a major project to tender and SCR is not awarded the new contract, it could negatively affect its cash flows.

Risks Relating Specifically to Sequel

Referral Loss	Sequel receives referrals from many sources and relies on these referrals to drive its business. Though Sequel has a well-diversified referral base and does not have significant exposure to a single referral source, the loss of a few major referral sources could have an adverse effect on Sequel's revenues.
Regulatory Environment	The healthcare industry in the United States is regulated at the federal, state and municipal levels. In order for Sequel to operate its business and obtain reimbursement from third party payors, they must obtain and maintain a variety of licenses, permits and certifications and accreditations. Failure to meet the regulatory requirements could have an adverse effect on Sequel's financial performance.
Healthcare Reform	Sequel relies on income generated from treating patients covered by health insurance, whether it is a government source or third party payor. If there were to be a material adverse change in the United States healthcare system as it relates to the coverage of mental and behavioral health it could have an adverse effect on Sequel's financial performance.
Reimbursement Rate Reductions	Although Sequel does not have significant concentration from a single payor source, a reduction in the reimbursement rate by any of the payors in the industry could have an adverse effect on Sequel's financial performance.

Risks Relating Specifically to SMi

Conducting Business in Countries Prone to Political Instability, Corruption and Civil Unrest	SMi conducts business in countries which are prone to political instability, corruption and civil unrest. Any of these could lead to a negative impact on SMi's revenue and cash flow if they affect the business in any way.
Geographic Revenue Concentration	A significant amount of SMi's revenue is generated in the province of Quebec. SMi's business could be impacted if the Province of Quebec is affected by a prolonged period of stagnant or contracting economic activity; significant or prolonged bad weather or; the implementation of regulations which significantly impacts the industry in which the SMi operates, to name a few.
Quebec's Regulatory Environment	As a result of the unethical business practices of certain construction and engineering firms in Quebec, and the Charbonneau Inquiry which followed, certain regulations have been put in place to deter and prevent unethical business practices, specifically the need for Autorité des marchés financiers ("**AMF**") certification to bid on public projects larger than $10 million in size. If SMi is not able to meet the requirements regulators have put in place it could have an impact on its business. SMi currently does not bid on public projects greater than $10 million in size. Therefore, AMF certification is not critical to its business. Notwithstanding the foregoing, SMi has applied for AMF certification and feels strongly that they will be granted the certification when the AMF begins to grant certifications to construction and engineering firms in Quebec. A failure to obtain such certificate could limit SMi's future growth.
Balance Sheet	SMi needs to maintain a healthy balance sheet in order to continue to bid and be awarded larger contracts as many larger contracts require performance guarantees or letters of credit. A decline in credit worthiness could affect its ability to obtain these financial instruments which in turn could affect its ability to generate new revenue.
Unethical behavior by Consortium Partners	SMi periodically bids on projects as a part of a consortium. If any member of the consortium partakes in unethical business practices, or is accused of corruption of any kind, it could have a negative effect on SMi's reputation as well as its financial position.
Failure to replace legacy contracts	SMi relies on revenues generated from long term contracts to fund the operations of SMi as well as the distributions payable to Alaris. New contracts to replace this legacy revenues are sought out and entered into frequently. However, if SMi fails to replace the revenue from a significant legacy contract following its completion or termination it could affect its ability to fund the distribution payable to Alaris, as well as other commitments and operations.

RISKS RELATING TO ALL OF OUR PRIVATE COMPANY PARTNERS, GENERALLY

In addition to the risks relating specifically to our material Private Company Partners (being KMH, Killick, Quetico, Labstat, SCR, Sequel, and SMi), 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.

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

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

Our Private Company Partners rely on key personnel

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

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

Each of our Private Company Partners may continue to require additional working capital to conduct their existing marketing activities or to expand their businesses. Our Private Company Partners may 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.

Failure to Realize Anticipated Benefits of Acquisitions

The business model for a number of our Private Company Partners includes an acquisition strategy involving the acquisition of businesses and assets. Achieving the benefits of acquisitions depends on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner and a Private Company Partner's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses, assets and operations with those of their own. The integration of acquired businesses may require substantial management effort, time and resources diverting management's focus from other strategic opportunities and operational matters. A failure to realize on the anticipated benefits of such acquisitions could have a material adverse impact on a Private Company Partner's operations and therefore on our operations.

Our Private Company Partners may suffer damage to their brand reputations

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

Our Private Company Partners may face intense competition

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

Additional franchises and franchise operations may be limited

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

The franchisees that operate the franchises systems are independent owners. The franchisees are bound by the applicable franchise agreements to maintain certain standards and to operate within the franchise system. However, the franchisees are not directly under the control of the franchisors and may not in all cases comply with the requirements of the franchisors.

The failure of a number of franchisees to comply with the franchise agreements or to maintain the standards of the franchisors may have an adverse effect on the applicable franchisor's brand and operating results.

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

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

FORWARD-LOOKING STATEMENTS

This MD&A contains forward looking statements. Statements other than statements of historical fact contained in this MD&A may be forward looking statements, including, without limitation, management's expectations, intentions and beliefs concerning the growth, results of operations, performance and business prospects and opportunities of the Corporation and the Partners, the general economy, the amount and timing of the declaration and payment of dividends by the Corporation, the future financial position or results of the Corporation, business strategy, proposed acquisitions, growth opportunities, budgets, litigation, projected costs and plans and objectives of or involving the Corporation or the Partners. In particular, this MD&A contains forward looking statements regarding the anticipated financial and operating performance of the Partners in 2014, including, without limitation, the earnings coverage ratio for the Partners; the revenues to be received by Alaris in 2014 (aggregate and on a per share basis); the Corporation's general and administrative expenses and cash requirements in 2014; the CRA proceedings (including the expected timing and financial impact thereof); payout ratio; net growth in distributions from Partners; and Alaris' ability to attract new private businesses to invest in. Many of these statements can be identified by looking for words such as "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. To the extent that any forward-looking statements herein constitute a financial outlook, including without limitation, estimated revenues (aggregate and on a per share basis) and expenses, Annualized Payout Ratio, and net growth in distributions from Partners, they were approved by management as of the date hereof and have been included to assist readers in understanding management's current expectations regarding Alaris' financial performance and are subject to the same risks and assumptions disclosed herein. There can be no assurance that the plans, intentions or expectations upon which these forward looking statements are based will occur. Forward looking statements are subject to risks, uncertainties and assumptions and should not be read as guarantees or assurances of future performance. Accordingly, readers are cautioned not to place undue reliance on any forward looking information contained in this MD&A. Statements containing forward looking information reflect management's current beliefs and assumptions based on information in its possession on the date of this MD&A. Although management believes that the expectations represented in such forward looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

Statements containing forward-looking information by their nature involve numerous assumptions and significant known and unknown facts and uncertainties of both a general and a specific nature. The forward looking information contained herein are based on certain assumptions, including assumptions regarding the performance of the Canadian and U.S. economies over the next 24 months and how that will affect our business and our ability to identify and close new opportunities with new Private Company Partners; the continuing ability of the business of the Partners to pay the distributions; the performance of the Private Company Partners; that interest rates will not rise in a material way over the next 12 to 24 months; that the businesses of the Partners will not change in a material way; that the Corporation will experience net positive resets to its annual royalties and distributions from its Partners in 2014; more private companies will require access to alternative sources of capital; and that Alaris will have the ability to raise required equity and/or debt financing on acceptable terms. Some of the factors that could affect future results and could cause results to differ materially from those expressed in the forward looking statements contained herein include risks relating to: the dependence of the Corporation on the Partners; risks relating to the Partners and their businesses; reliance on key personnel; general economic conditions; failure to complete or realize the anticipated benefits of transactions; limited diversification of Alaris' transactions; management of future growth; availability of future financing; competition; government regulation; leverage and restrictive covenants under credit facilities; the ability of the Partners to terminate the various agreements with Alaris; unpredictability and potential volatility of the trading price of the common shares; fluctuations in the amount of cash dividends; restrictions on the potential growth of the Corporation as a consequence of the payment by Alaris of substantially all of its operating cash flow; income tax related risks; ability to recover from the Partners for defaults under the various agreements with Alaris; potential conflicts of interest; dilution; liquidity of Common Shares; changes in the financial markets; risks associated with the Partners and their respective businesses; a change in the ability of the Partners to continue to pay Distributions to Alaris; a material change in the operations of a Partner or the industries in which they operate; a failure to obtain required regulatory approvals on a timely basis or at all; changes in legislation and regulations and the interpretations thereof; litigation risk associated with the CRA's reassessment and the Corporation's challenge thereof; and material adjustments to the unaudited internal financial reports provided to Alaris by the Partners. The information contained in this MD&A, including the information set forth under "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 or under the “Investors” section of the Corporations website at www.alarisroyalty.com.