Alaris Income Growth Fund
Management's Discussion & Analysis
August 28, 2008

Management's Discussion & Analysis as at June 30, 2008

Management's discussion and analysis (MD&A) should be read in conjunction with the unaudited interim financial statements for Alaris Income Growth Fund (the "Fund") for the three and six-month periods ended June 30, 2008 and the annual financial statements for the Fund for the year ended December 31, 2007. 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 Fund'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, uncertainty and assumptions relating to those statements. Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, the factors described under "Risk Factors". This MD&A also refers to certain non-GAAP measures, including EBITDA, to assist in assessing the Fund's financial performance. Non-GAAP measures do not have standard meanings prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. The financial statements of the Fund have been prepared in accordance with Canadian generally accepted accounting principles. Certain dollar amounts in the MD&A have been rounded to the nearest thousands of dollars.

Overview

On July 31, 2008, Alaris Royalty Corp. (formerly 6550568 Canada Inc.) ("Alaris " or the "Corporation") completed the acquisition of Alaris Income Growth Fund L.P. ("Alaris L.P."), a wholly-owned subsidiary of the Fund. Alaris will continue the business and operations of Alaris L.P. For accounting purposes, the acquisition will be accounted for as a reverse take over with Alaris L.P. being considered the acquiring entity.

Immediately prior to the closing of the acquisition, Alaris satisfied the release conditions of its previously announced subscription receipt financing and issued an aggregate of 4,607,213 Common Shares (on a post consolidation basis) to the former holders of subscription receipts in accordance with the terms of the subscription receipt certificates. The subscription receipts had been issued at price of $12 per subscription receipt for aggregate proceeds of $55,286,556.

The Fund earns its revenues by investing capital in private businesses under various structures. The Fund's revenue consists of royalties and preferred distributions received in regular monthly payments that are contractually agreed to between the Fund and the Portfolio Companies. These payments are adjusted annually based on the performance of the Portfolio Company's as measured by its gross revenue, gross margin, same store sales, or some other "top-line" performance measure.

The Fund has limited general and administrative expenses with only seven employees. Interest costs have historically been significant, as the Fund’s investments have historically been funded by debt.

Results of Operations

Three Months Ended June 30, 2008 Compared to Three Months Ended June 30, 2007

Revenues for the three months ended June 30, 2008 reflect full royalties and distributions from each of the four investments that closed prior to December 31, 2007. In the period, revenues from these investments totaled $4,737,408 and were received from LifeMark Health Limited Partnership ("LifeMark Health") ($1,866,366), Lower Mainland Steel Limited Partnership ("Lower Mainland Steel") ($2,259,730), End of the Roll Carpet & Vinyl ("End of the Roll") ($331,870) and MEDIchair Ltd.("MEDIchair") ($279,442). MEDIchair as a subsidiary of LifeMark Health but the annual royalty is based solely on MEDIchair results. In the three months ended June 30, 2007, revenues from investments were $2,830,393. Revenue during the period was received from LifeMark Health ($1,809,704), Lower Mainland Steel ($416,650), End of the Roll ($307,487), MEDIchair ($263,250) and Palliser Lumber Sales Ltd.("Palliser Lumber") ($33,302). The increase over last year was because the Fund had closed only a portion of the Lower Mainland Steel investment by the end of the second quarter of 2007. Additionally, each of LifeMark Health (3.1%), End of the Roll (7.8%) and MEDIchair (6.1%) recorded same store sales increases in 2008 that increased the annual royalty or distribution and the investment in Palliser Lumber was sold at its original cost early in the second quarter of 2007.

Interest expense of $3,341,893 was significantly higher in the second quarter of 2008 compared to the second quarter of 2007 ($1,285,012) because of a change in capital structure. In December 2007, the Fund refinanced concurrently with investing another $36 million in Lower Mainland Steel. The refinancing reduced senior debt to $25 million and a fund owned by the Fund’s largest unitholder provided a $90 million subordinated debt facility at 13% per annum interest compared to $75 million of senior debt outstanding at an interest rate of Canadian prime plus 2% during most of the second quarter in 2007 (8% at June 30, 2007).

Salaries and benefits were 5% higher for the three months ended June 30, 2008 as the Fund increased salaries by 5% effective January 1, 2008. Corporate and office expenses were almost identical for the two periods and include office rent, travel and corporate administrative expenses. Legal and accounting fees were $156,513 for the period, up from $106,175 in 2007 and relate to general legal and accounting fees. The increase is related to the increase in activity surrounding the transaction described in the “Overview” section of the MD&A that closed subsequent to June 30, 2008.

Amortization and depreciation include the amortization of investments and the depreciation of capital assets. The Fund amortizes investments structured as royalty payments over the term of the investment and depreciates capital assets according to GAAP. The Fund does not amortize investments structured as preferred interests in limited partnerships and instead will individually review those investments for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Net income for the three months ended June 30, 2008 was $896,170 and EBITDA was $4.3 million compared to $1,099,064 of net income and $2.44 million of EBITDA for the three months ended June 30, 2007. The increase in the EBITDA is attributed to the 67% increase in revenues in the second quarter of 2008.

Reconciliation of Net Income to EBITDA (thousands)	**3 months ending June 30,2008**	**3 months ending June 30,2007**
Net Income	$896	$1,099
Adjustments to Net Income:		
Amortization	$58	$60
Interest	$3,342	$1,285
EBITDA	**$4,296**	**$2,444**

The Fund has historically paid out all of its earnings to unitholders. For the three months ended June 30, 2008, the Fund paid monthly distributions to its unitholders of $0.18 per month totalling $810,000 during the period. For the three months ended June 30, 2007, the Fund paid a one-time special distribution of $1.04 per unit.

Accounts receivable at June 30, 2008 consists of costs incurred relating to the transaction described in the “Overview” section of the MD&A that closed subsequent to June 30, 2008 and includes legal and due diligence costs related to the transaction that were recovered from the proceeds on closing.

The Fund has a $25 million senior debt facility with a three Canadian bank syndicate, which was fully drawn at June 30, 2008. Interest is paid monthly at Canadian prime rate plus two percent per annum. At June 30, 2008, the Fund also had a $90 million subordinated debt facility from a company owned by the Fund’s largest shareholder. Interest was paid monthly at 13% per annum.

Cash held at June 30, 2008 was to satisfy the unitholder distributions for July 2008 and for the costs related to the transaction described in the “Overview” section of the MD&A. Unitholders' capital consists of the original investment of $150,000 for 1,500,000 Units at $0.10. No additional Units have been issued since inception.

Six Months Ended June 30, 2008 Compared to Six Months Ended June 30, 2007

The results for the six months ended June 30, 2008 reflect full royalties and distributions from each of the four investments that closed prior to December 31, 2007. In the period, revenues from these investments totaled $9,418,233 and were received from LifeMark Health ($3,732,732), Lower Mainland Steel ($4,384,719), End of the Roll ($733,607) and

MEDIchair ($567,175). In the six months ended June 30, 2007, revenues from investments were $6,064,971. Revenue during the period was received from LifeMark Health ($3,619,406), Lower Mainland Steel ($813,930), End of the Roll ($679,708), MEDIchair ($527,749) and Palliser Lumber ($424,178). The increase over last year was because the Fund had closed only a portion of the Lower Mainland Steel investment by the end of the second quarter of 2007. Additionally, each of LifeMark Health (3.1%), End of the Roll (7.8%) and MEDIchair (6.1%) recorded same store sales increases in 2008 that increased the annual royalty or distribution and the investment in Palliser Lumber was sold at its original cost early in the second quarter of 2007.

Interest expense of $6,725,708 was significantly higher in the first two quarters of 2008 compared to 2007 ($2,579,236) because of a change in capital structure. In December 2007, the Fund refinanced concurrently with investing another $36 million in Lower Mainland Steel. The refinancing reduced senior debt to $25 million and a fund owned by the largest unitholder provided a $90 million subordinated debt facility at 13% per annum interest compared to $75 million of senior debt outstanding at an interest rate of Canadian prime plus 2% during most of the first six months of 2007 (8% at June 30, 2007).

Salaries and benefits were 15% higher for the three months ended June 30, 2008 as the Fund increased salaries by 5% effective January 1, 2008 and a one-month bonus was paid to staff in March 2008.

Corporate and office expenses were almost identical for the two periods and include office rent, travel and corporate administrative expenses. Legal and accounting fees were $167,878 for the period, up from $126,289 in 2007 and relate to general legal and accounting fees. The increase is related to the increase in activity surrounding the transaction described in the “Overview” section of the MD&A that closed subsequent to June 30, 2008.

Amortization and depreciation include the amortization of investments and the depreciation of capital assets. The Fund amortizes investments structured as royalty payments over the term of the investment and depreciates capital assets according to GAAP. The Fund does not amortize investments structured as preferred interests in limited partnerships and instead will individually review those investments for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Net income for the six months ended June 30, 2008 was $1,811,341 and EBITDA was $8.65 million compared to $2,601,917 of net income and $5.3 million of EBITDA for the six months ended June 30, 2007. The increase in the EBITDA is attributed to the 55% increase in revenues in the first six months of 2008.

Reconciliation of Net Income to EBITDA (thousands)	6 months ending June 30,2008	6 months ending June 30,2007
Net Income	$1,811	$2,602
Adjustments to Net Income:		
Amortization	$117	$119
Interest	$6,726	$2,579
EBITDA	**$8,654**	**$5,300**

The Fund has historically paid out all of its earnings to unitholders. For the six months ended June 30, 2008, the Fund paid monthly distributions to its unitholders of $0.18 per month totalling $1,620,000 during the period. For the six months ended June 30, 2007, the Fund paid a one-time special distribution of $1.04 per unit.

Liquidity and Capital Resources

All of the Fund's investments and operating expenses were funded by debt prior to June 30, 2008 through the $25 million senior credit facility and the $90 million subordinated debt facility provided by the Fund's largest unitholder. The transaction described in the "Overview" section of the MD&A that closed subsequent to June 30, 2008 resulted in the reduction of the subordinated debt to $6.5 million and the senior debt remained the same.

Summary of Contractual Obligations

The only significant contractual obligation of the Fund is its lease for office space through July 2009. Annual lease payments are approximately $90,000 and the Fund has an option for another five-year term.

Years ending December 31	
2008	$90,348
2009	$45,174

Transactions with Related Parties

In December 2007, the Fund borrowed $90 million from a company owned by its largest unitholder. The Fund paid a loan fee of $1.5 million (1.67%) and the annual interest rate is fixed at 13%. On July 31, 2008, the Fund used proceeds from the transaction described in the "Overview" section of the MD&A to reduce the outstanding related party debt to $6.5 million.

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.

The Fund capitalizes legal and accounting costs relating to a specific investment once a letter of intent has been signed. The Fund's investments in limited partnerships are not amortized and will be individually reviewed for impairment annually, or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Fund's royalty investments are being amortized over the 80-year term of the agreements on a straight-line basis.

Financial Instruments and Off Balance Sheet Arrangements

As at June 30, 2008, the Fund had not entered into any derivative financial instruments nor did it have any off balance sheet arrangements.

Summary of Quarterly Results

Amounts are in thousands except for earnings per unit:

	Q2-08	Q1-08	Q4-07	Q3-07	Q2-07	Q1-07	Q4-06	Q3-06
Revenue	4,744	4,682	2,901	2,418	2,832	3,235	2,742	2,641
Earnings (loss) from operations	896	915	(1,722)	845	1,099	1,475	339	287
Basic and Diluted Earnings per Unit	$0.60	$0.61	($1.15)	$0.56	$0.73	$0.98	$0.23	$0.19

The loss for the three months ended December 31, 2007 was due to a $1.5 million loan fee paid on the subordinated debt facility as well as significant legal expenses incurred relating to a potential transaction with a private equity firm that was never completed.

Outstanding Shares

At June 30, 2008, the Fund had 1,500,000 voting units issued and outstanding.

Outlook

With the closing of the acquisition of Alaris LP, the agreements with the Portfolio Companies provide for payments estimated to provide the Corporation approximately $19.1 million of revenues on an annual basis. General and administrative expenses are expected to increase as a result of public company costs. The senior debt facility is fully drawn to $25 million and the interest rate on that debt is 6.75% at June 30, 2008. $6.5 million of subordinated debt is outstanding with an interest rate of 13%. Cash requirements after net income are expected to be minimal, as current capital expenditures will consist of office furniture and computer equipment. In August 2008, the Corporation declared is first monthly dividend of $0.12 per voting and non-voting common share to be paid on September 15, 2008.

Alaris LP plans to continue to seek out and make investments accretive to the Corporation's earnings per share in the current Portfolio Companies and other private businesses that meet Alaris' investment criteria.

Risk Factors

Risks Relating to Investments in Portfolio Companies

Financial Health of Portfolio Companies

The Corporation is entirely dependent on the operations and assets of the Portfolio Companies through its indirect partnership interests and royalty and loan arrangements. The Corporation's ability to pay regular dividends to shareholders is dependent on the distributions received in respect of investments in the Portfolio Companies.

Reliance on Key Personnel

The success of Alaris, Alaris LP and of each of the Portfolio Companies 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. In addition, the growth plans of the Corporation and the Portfolio Companies may require additional employees, increase the demand on management and produce risks in both productivity and retention levels.

General Economic Conditions

The Corporation's business and the business of each of the Portfolio Companies are subject to changes in national or North American economic conditions.

Failure to Complete or Realize Anticipated Benefits of Investments

A key element of the Corporation's growth plan is investing in additional Portfolio Companies and making additional investments in the initial Portfolio Companies in the future. The ability of Alaris and Alaris LP to identify and complete new investment opportunities is not guaranteed. Achieving the benefits of future investments will depend in part on successfully identifying and completing such opportunities in a timely and efficient manner and in structuring such investments to ensure a stable and growing stream of distributions.

Limited Diversification of Alaris' Investments

Alaris does not have stringent fixed guidelines for diversification of Alaris LP's investments in Portfolio Companies. At any given point in time, Alaris LP may have a significant portion of its assets invested in a single business or industry.

Ability to Manage Future Growth

The ability of Alaris to sustain continued growth depends on its ability to identify, evaluate and invest in suitable private businesses that meet its criteria.

Availability of Future Financing

The Corporation's principal sources of funds will be cash generated from the Portfolio Companies. The Corporation believes that funds from these sources will provide it with sufficient liquidity and capital resources to meet its ongoing business operations at existing levels. Despite the Corporation's expectations, however, it may require additional equity or debt financing to meet its 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.

Competition with other Investment Entities

Alaris competes with a large number of private equity funds and mezzanine funds, investment banks and other equity and non-equity based investment funds, and other sources of financing, including the public capital markets. Some of Alaris' competitors are substantially larger and have considerably greater financial resources than Alaris. Competitors may have a lower cost of funds and many have access to funding sources that are not available to Alaris.

Leverage

The ability of the Corporation to pay dividends or make other payments or advances will be subject to applicable laws and contractual restrictions in the instruments governing any indebtedness of those entities. The degree to which the Corporation is leveraged could have important consequences for shareholders including: (i) the Corporation's ability to obtain additional financing for working capital or investments in the future may be limited; (ii) all or part of the Corporation's cash flow from operations may be dedicated to the payment of the principal of and interest on the Corporation's indebtedness, thereby reducing funds available for future operations or for distribution to shareholders; (iii) certain of the Corporation's borrowings will be at variable rates of interest, which exposes the Corporation to the risk of increased interest rates; and (iv) the Corporation may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. These factors may adversely impact the Corporation's cash flow, and, as a result, the amount of cash available for payment of dividends by the Corporation.

Investment Termination Rights

Each of the Portfolio Companies has the right to terminate Alaris LP's investment through a repurchase or redemption right that arises after a fixed period of time following the closing of Alaris LP's investment in the applicable Portfolio Company. Although Management believes that the repurchase or redemption purchase price would adequately compensate Alaris LP for the foregone payments, Alaris LP would be required to reinvest the cash received in order to maintain distribution levels and there is no assurance that it would be able to successfully identify and complete any such alternative investments.

Risks Relating to the Portfolio Companies

Risks Relating Generally to the Portfolio Companies

Alaris invests in private businesses. There is generally no publicly available information about these 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, Alaris relies on its management and consultants to investigate these businesses. There can be no assurance that Alaris' due diligence efforts will uncover all material information about the privately held businesses necessary to make fully informed decisions. Portfolio Companies may have significant variations in operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position or may be adversely affected by changes in the business cycle. Numerous factors may affect the quantum of, or the ability of a Portfolio Company to service, its distribution obligations to Alaris, including the failure to meet its business plan, a downturn in its industry or negative economic conditions. Deterioration in a Portfolio Company's financial condition and prospects may be accompanied by a material reduction in the distributions or payments received by Alaris LP and, as a result, the distributions received by Alaris from Alaris LP.

The following represent key risk factors challenging the businesses of each of the Portfolio Companies and the industries in which they operate.

Competition

Portfolio Companies 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 the Portfolio Companies 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 the Corporation.

Supplier and Brand Reputations

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

Additional Franchises and Franchise Operations

Two of the Portfolio Companies, End of the Roll, and MEDIchair are franchisors. The growth of revenues of these companies is largely dependent upon their ability to maintain and grow their franchise systems and to execute their current growth strategy for both increasing the number of franchisees and increasing the number of locations. If these companies are unable to attract qualified franchisees, their operations could be adversely affected. The slowing of growth could lead potential and existing franchisees to begin to look elsewhere for better opportunities. The growth of the franchise network through adding new franchisees is somewhat dependant upon available personnel.

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

Seasonality

Businesses that generate revenue from the sale of seasonal merchandise or products are subject to the risk of changes in consumer spending behaviour as a result of unseasonable weather patterns or other seasonal factors.

Reliance 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 Portfolio Company's operations or ability to access additional capital qualified personnel, expand or compete.

Leverage

Leverage may have important adverse consequences to the Portfolio Companies and to Alaris. Portfolio Companies may be subject to restrictive financial and operating covenants. The leverage may impair their 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 were not used.

Risks Relating Specifically to LifeMark Health

The following represents key risk factors affecting the integrated physical rehabilitation service industry and LifeMark Health's business.

Government Regulation

Healthcare service providers in Canada are subject to various governmental regulation and licensing requirements. Unlike certain other healthcare industry segments, specifically pharmaceuticals, laboratory services and hospital management companies, LifeMark Health operates in markets that are not regulated. LifeMark Health does not require a special license or permit from any governmental body to operate, aside from the license required for the medical imaging business and those normally required for all businesses.

All of LifeMark Health's medical personnel, both physicians and registered nurses, are required to maintain the requisite professional licenses from their respective governing professional bodies. Notwithstanding that LifeMark Health operates in markets that are not currently regulated, any change in governmental regulation and licensing requirements or interpretation and application of same relating to healthcare services could have an adverse impact on the scope of LifeMark Health's activities.

Funding

LifeMark Health will continue to require additional working capital to conduct existing marketing activities and to expand its network of clinics. LifeMark Health will need to raise additional funds through collaborations with corporate partners or through private or public financings to support its long-term acquisition and marketing efforts. If adequate funds are not available, LifeMark Health would be required to curtail its business objectives in one or more areas. There can be no assurance that unforeseen developments or circumstances will not alter LifeMark Health's requirements for capital, and no assurance can be given that additional financing will be available on acceptable terms, if at all.

Customer Concentration

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

Confidentiality of Personal and Health Information

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

Risks Relating Specifically to Lower Mainland Steel

The following represents key risk factors affecting the steel manufacturing and installation industries and Lower Mainland Steel's business.

Volatility of Steel Prices

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

Inventory and Fixed Price Contracts

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

Lower Mainland Steel's other steel products are sold and shipped within a very short timeframe. These sales are often supported with large inventories of raw materials. During a period of falling prices for raw materials, Lower Mainland Steel would normally expect price realization on shipments of Lower Mainland Steel's finished products to deteriorate, producing inferior returns during the period when older inventories are being sold.

Supplier Base

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

Labour Relations Risk

Approximately one-half of Lower Mainland Steel's employees are unionized or governed by collective trade agreements (e.g., steelworkers or automotive). Labour disruptions could adversely affect Lower Mainland Steel's business; however, Lower Mainland Steel notes that the agreements are with multiple union locals within diverse regions.

Trade Policy Restrictions

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

Risks Relating Specifically to MEDIchair

The following represents key risk factors affecting the home medical equipment industry and MEDIchair's business.

Product Liability

MEDIchair, like other retail and distributing companies, is subject to a variety of potential liabilities connected with its business operations, including potential liabilities and expenses associated with possible product defects. MEDIchair's products are highly complex and sophisticated and, from time to time, contain design and manufacturing defects that are difficult to detect and correct. There can be no assurance that errors will not be found in new products after sales to consumers or, if discovered, that the manufacturers of such products will be able to successfully correct such errors in a timely manner or at all. The consequences of such errors and failures could have a material adverse affect on MEDIchair's business, financial condition and results of operations.

Consistent with industry practice, MEDIchair allows customers to return products for warranty repair, replacement or credit. Although MEDIchair will provide allowances for anticipated returns, and management believes that the policies of MEDIchair have resulted in the establishment of allowances that are adequate, there is no assurance that such product returns will not exceed such allowances in the future and as a result may have a material adverse effect on future operating results. If any of the products distributed by MEDIchair prove defective, MEDIchair may be required to refund the price of or replace the product.

MEDIchair maintains product liability and other insurance coverage which it believes to be generally in accordance with industry practices. Nevertheless, such insurance coverage may not be adequate to protect MEDIchair fully against substantial damage claims which may arise from product defects and failures.

Government Regulation

All MEDIchair products are submitted to, and meet the requirements of the Canadian Standards Association. Although MEDIchair intends to seek any other necessary approvals for future products, there can be no assurance that the codes and standards relating to such approvals will not change, thus requiring additional approvals, or that MEDIchair will be able to secure all necessary approvals at acceptable costs or within desired time frames.

Healthcare Reimbursement

MEDIchair's ability to grow sales of accessibility equipment may depend, in part, on the extent to which reimbursement for the cost of such products will be available from government health administration authorities, private health coverage insurers, and other organizations. Third-party payors are increasingly challenging the price of medical equipment. There can be no assurance that third-party coverage will be available to assist potential buyers of MEDIchair's products.

Risks Relating to the Structure of the Corporation

Tax Related Risks

The income of Alaris LP and the Corporation must be computed and is taxed in accordance with Canadian tax laws. There can be no assurance that Canadian income tax laws will not be changed in a manner that adversely affects the Corporation or the holders of Common Shares. The Corporation has various unclaimed non-capital losses, Scientific Research and Experimental Development Expenditure pools and other deductions and credits available to it for Canadian federal income tax purposes. These unclaimed deductions and credits are subject to assessment and possible adjustment by Canadian tax authorities.

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 Alaris LP and the Portfolio Companies, the general economy, the amount and timing of the payment of distributions by Alaris LP, the future financial position or results of the Fund, business strategy, proposed acquisitions, growth opportunities, budgets, litigation, projected costs and plans and objectives of or involving the Fund, Alaris LP or the Portfolio Companies. Many of these statements can be identified by looking for words such as "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. There can be no assurance that the plans, intentions or expectations upon which these forward looking statements are based will occur. Forward looking statements are subject to risks, uncertainties and assumptions and should not be read as guarantees or assurances of future performance. Accordingly, readers are cautioned not to place undue reliance on any forward looking information contained in this MD&A. Statements containing forward looking information reflect Management's current beliefs and assumptions based on information in its possession on the date of this MD&A. Although Management believes that the expectations represented in such forward looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

Statements containing forward-looking information by their nature involve numerous assumptions and significant known and unknown facts and uncertainties of both a general and a specific nature. 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 Fund on Alaris LP and the Portfolio Companies; reliance on key personnel; general economic conditions; failure to complete or realize the anticipated benefits of investments; limited diversification of Alaris' investments; management of future growth; availability of future financing; competition; government regulation; leverage and restrictive covenants under credit facilities; the ability of the Portfolio Companies to terminate the Investment Agreements; risks relating to the Portfolio Companies and their businesses; unpredictability and potential volatility of the trading price of the Common Shares; fluctuations of cash dividends; restrictions on the potential growth of Alaris LP as a consequence of the payment by Alaris LP of substantially all of its operating cash flow; income tax related risks; future sales of Common Shares by significant shareholders; ability to recover from the Portfolio Companies for defaults under the Investment Agreements; conflicts of interest; dilution ; and liquidity of Common Shares. The information contained in this MD&A, including the information set forth under "Risk Factors", identifies additional factors that could affect the operating results and performance of the Fund and Alaris LP.

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 neither the Fund nor Alaris Royalty Corp. undertakes or assumes any obligation to update or revise such statements to reflect new events or circumstances except as expressly required by applicable securities legislation.