ALARIS
ROYALTY CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

For the three and twelve months ending December 31, 2015

This management's discussion and analysis ("**MD&A**") should be read in conjunction with the audited financial statements for the years ended December 31, 2015 and December 31, 2014 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. 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, Contracted EBITDA, Annualized Payout Ratio, and Per Share values as well as certain financial covenants defined below to assist in assessing the Corporation's financial performance. The terms EBITDA, Normalized EBITDA, Earnings Coverage Ratio, Contracted EBITDA, Annualized Payout Ratio, and Per Share values (the "**Non-IFRS Measures**") as well as certain financial covenants as defined below 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 and is calculated by adjusting for non-recurring expenses and gains to EBITDA. Management deems non-recurring items to be unusual and/or infrequent items that the Corporation incurs outside of its common day-to-day operations. For the year ended December 31, 2015, the gain on the redemption of the Killick units, bad debt expense, impairment of investments and the unrealized foreign exchange gains and losses are considered by management to be non-recurring charges. Adjusting for these non-recurring items allows management to assess EBITDA from ongoing operations.

Earnings Coverage Ratio refers to EBITDA of a Partner (as defined below) divided by such Partner's sum of debt servicing (interest and principal), unfunded maintenance capital expenditures and distributions to Alaris.

Per Share values, other than earnings per share, refer to the related financial statement caption as defined under IFRS or related term as defined herein, divided by the weighted average basic shares outstanding for the period.

Fixed Charge Coverage Ratio refers to EBITDA divided by the sum of capital expenditures, interest, current income taxes and dividends.

Contracted EBITDA refers to EBITDA for the previous twelve months excluding proceeds from any disposition of investments but including all projected contracted payments from new investments for the twelve-month period following the investment date.

Annualized Payout Ratio: Annualized payout ratio refers to 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 as of the date of this report).

Tangible Net Worth refers to the sum of shareholders' equity.

The Non-IFRS measures should only be used in conjunction with the Corporation's annual audited statements, excerpts of which are available below, while complete versions are available on SEDAR at www.sedar.com.

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 eleven employees.

RESULTS OF OPERATIONS

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

	Year ending Dec 31		
	2015	**2014**	**% Change**
Revenue from partners per share	$2.44	$2.28	+7.0%
Normalized EBITDA per share	$2.05	$1.87	+9.6%
Net cash from operating activities per share	$1.65	$1.63	+1.2%
Dividends per share	$1.565	$1.475	+6.1%
Weighted average basic shares outstanding (000's)	33,960	30,446	+11.5%

2015 was another successful year of growth as Alaris continued to experience increases in its four key performance metrics of revenue, Normalized EBITDA, net cash from operating activities and dividends on a per share basis in the three and twelve months ended December 31, 2015 (the Corporation used Normalized EBITDA rather than EBITDA to back out the non-cash foreign exchange gains and losses, as well as gains and losses on the redemption or sale of the Corporation`s financial interest in partners no longer with Alaris). These increases are a direct result of the continued execution of our business plan to fund well run, successful new private businesses with a long track record of sustainable cash flow.

The Corporation deployed a record $178.2 million of capital in 2015 through contributions to three new Partners; DNT Construction, LLC ("DNT"), Federal Resources Supply Company ("Federal Resources") and MAHC Holdings, LLC ("MAHC") as well as follow on investments into two current Partners: PF Growth Partners, LLC ("Planet Fitness") and Kimco Holdings, LLC ("Kimco"). Due to the accretive nature of each of these transactions as well as steady existing cash flows, Alaris increased its monthly dividend to an annualized rate of $1.62 per share in July 2015 with $1.565 per share paid in 2015, a total increase of 6.1% over dividends paid in 2014. The Corporation also experienced organic growth from its Partners with weighted average net annual performance metric resets increasing by an estimated 2.1%, which results in increases to our existing distribution base for 2016. Diversification improved in the year such that Alaris' single largest annualized revenue source is now only 16% (2014 – 17%) and has only two annualized revenue streams accounting for more than 10% (2014 – three) of total revenue.

Revenues from Partners for the year ended December 31, 2015 totaled $82.85 million compared to $69.31 million in the year ended December 31, 2014. The increase of 19.5% compared to the prior year is a result of foreign exchange and 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, 2015	Year ending Dec 31, 2014	% Change	Comment
Sequel	$14,796	$11,580	+27.8%	Same clinic sales +5% July 1/15, further contribution late 2014, strengthening USD
DNT	8,017	-	+100.0%	Contribution closed in June 2015
Planet Fitness	7,207	563	+1180.1%	Contribution closed in November 2014
SMi	6,703	5,307	+26.3%	Gross revenue +4.1% January 1/15, further contributions in Q4 2014
Solowave	6,490	5,003	+29.7%	Same customer sales +4.9% January 1/15, further contribution in Q4 2014
SCR	6,400	6,400	0.0%	First reset January 1/16
Kimco	6,007	2,920	+105.7%	Contribution closed in June 2014, strengthening USD
Labstat	5,575	5,843	-4.6%	2nd year of restructure for smaller fixed portion and cash sweep of free cash flow, increased capital expenditures and taxes reduced sweep modestly
Federal Resources	4,653	-	+100.0%	Contribution closed in July 2015
LifeMark	4,197	4,049	+3.7%	+4% fixed increase July 1/15
LMS	4,168	3,375	+23.5%	+23.5% increase in gross profit January 1/15
Agility Health	4,076	3,584	+13.7%	Same clinic sales -2.0% January 1/15 offset by strengthening USD
KMH	1,890	7,938	-76.2%	Nothing accrued since April 1/15, undergoing strategic process
End of the Roll	1,177	1,143	+3.0%	Same store sales +4.3% May 1/15
Killick	538	6,805	-92.1%	Redeemed in January 2015
Quetico	-	3,662	-100.0%	Redeemed in November 2014
Subtotal	**$81,895**	**$68,172**	**+20.1%**	
Interest	952	1,135	-16.1%	Interest on promissory notes
Total	**$82,846**	**$69,307**	**+19.5%**	

Finance costs of $3,205,244 in the year were higher compared to $2,759,380 in the prior year because of higher senior debt levels leading up to the financing in July as well as approximately $50 million of debt carried for most of the second half of the year.

In the year ending December 31, 2015, the Corporation recorded non-cash stock based compensation expenses totaling $3,535,268 (2014 - $4,143,549) which included: $2,340,386 to amortize the fair value of the RSU Plan (2014 – $1,974,905); and $1,194,882 to recognize the fair value of outstanding stock options (2014 – $2,168,644). The decrease in non-cash stock based compensation expenses compared to the prior year period was due to an executive retirement at June 30, 2015 resulting in options and RSUs being forfeited as well as the Corporation's lower stock price impacting the Black-Scholes expense calculations.

Also in the year, the Corporation made cash payments based on current dividend rates of $137,974 to directors in lieu of dividends under the RSU Plan (2014 - $261,629). In the prior year cash payments were made to employees as well but those payments were converted to salary expense in 2015.

Salaries and benefits were $2,822,459 in the year compared to $3,621,464 in the prior year period. The 22.1% decrease is due to a $1,175,000 decrease in the bonus pool in 2015 paid based on the increase in distributable cash per share formula that dictates the bonus pool. The decreased bonus was partially offset by the addition of three new positions in the past twelve months.

Corporate and office expenses were $2,849,447 compared to $1,947,484 in the prior year and include office rent, travel and corporate administrative expenses. The 46.3% increase was due mainly to: an increase in TSX fees, increased rent with a move to larger space in 2015, increased levels of community sponsorship, and increased travel and other administrative costs due to a higher head count and an increase in deal-related activity.

Legal and accounting expenses were $2,262,792 for the year, consistent with $2,219,063 for the prior year.

Deferred income taxes for the year ended December 31, 2015 were $11,469,427 compared to $11,901,005 in the prior year period. Current income taxes for the year ended December 31, 2015 were $3,178,030 compared to a recovery of ($1,099,516) in the prior year period. The increase in current taxes was due to growth in taxable income in the United States where the Corporation is paying current taxes.

Depreciation and amortization 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 their estimated useful lives. The Corporation recorded depreciation and amortization of $203,170 (2014 - $110,536) in the year ended December 31, 2015. The increase was due to the amortization of leasehold improvements relating to the move to new office space in July 2015.

The Corporation recorded earnings of $57.9 million, EBITDA of $75.6 million and Normalized EBITDA of $69.7 million for the year ended December 31, 2015 compared to earnings of $49.0 million, EBITDA of $62.7 million and Normalized EBITDA of $57.4 million for the year ended December 31, 2014. The increase in earnings and EBITDA can be attributed to the addition of new Partners in DNT (June 2015) and Federal Resources (July 2015) and follow on contributions to Planet Fitness and Kimco during 2015.

Reconciliation of Net Income to EBITDA (thousands)	**Year ending December 31, 2015**	**Year ending December 31, 2014**
Earnings	$57,861	$49,049
Adjustments to Net Income:		
Amortization and depreciation	203	110
Interest	3,205	2,759
Income tax expense	14,315	10,801
EBITDA	**$75,584**	**$62,719**
Normalizing Adjustments		
(Gain)/loss on redemption of partner interests	(2,792)	860
Impairment of units	20,460	-
Bad debts expense	1,880	500
Unrealized foreign exchange loss/(gain)	(25,446)	(6,707)
Normalized EBITDA	**$69,686**	**$57,372**

The Corporation recorded a loss on foreign exchange contracts of $7,958,958 ($4,155,100 is realized, $3,803,858 is unrealized) in the year ended December 31, 2015 compared to a loss of $1,770,386 in the prior year period. This is due to the fact that the price of the USD forward contracts is lower than the spot USD exchange rate in the current period and the difference between the spot price and the average contract price was larger in 2015. The Corporation also recorded an unrealized foreign exchange gain of $34,079,695 in the year ended December 31, 2015 compared to an unrealized gain of $8,476,913 the prior year period. The gain is due to the impact of the change in the US exchange rate from January 1, 2015 to December 31, 2015 on the USD loan to the Corporation's wholly-owned subsidiary as well as the USD loan to Federal Resources. The net impact of each of the above foreign exchange items is deducted in the Normalized EBITDA schedule above.

In the year ending December 31, 2015, other normalizing adjustments include the deduction of a $2.79 million gain on the disposition of the Killick units in January 2015; the addition of $1.88 million in unpaid distributions from KMH relating to 2014 that the Corporation wrote off in 2015 (total write off was $3.57 million); and during 2015 the value of the KMH units were reduced by $15 million (from $50 million to $35 million) with the changes made permanent in addition to the $5.46 million provision booked in prior periods for a total addition of $20.46 million to EBITDA. For more information, see the Private Partner Company Update section for KMH.

For the year ending December 31, 2015, dividends were declared for January through May at $0.125 per common share; for June it was increased to $0.13 per common share and for July through December it was increased to $0.135 per common share totalling $53,517,530 for the year. In the prior year, dividends were declared totalling $45,279,198.

Three Months Ended December 31, 2015 Compared to Three Months Ended December 31, 2014

	3 months ending December 31		
	2015	**2014**	**% Change**
Revenue per share	$0.64	$0.60	+6.7%
Normalized EBITDA per share	$0.56	$0.50	+12.0%
Net cash from operating activities per share	$0.64	$0.53	+20.8%
Dividends per share	$0.405	$0.375	+8.0%
Weighted average basic shares outstanding (000's)	36,116	32,072	+12.6%

Revenues from Partners for the three months ended December 31, 2015 totaled $23.0 million compared to $19.2 million in the three months ended December 31, 2014. The increase of 19.9% compared to the prior period is a result of new Partners added in 2015 as well as foreign exchange and 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, 2015**	**3 months ending Dec 31, 2014**	**% Change**	**Comment**
Sequel	$3,939	$3,194	+23.3%	Same clinic sales +5% July 1/15, further contribution, strengthening USD
DNT	3,504	-	+100.0%	Contribution closed in June 2015
Federal Resources	2,344	-	+100.0%	Contribution closed July 2015
Planet Fitness	1,989	579	+243.5%	Contribution closed in November 2014
Solowave	1,623	1,385	+17.2%	Same customer sales +4.9% January 1/15
SCR	1,600	1,600	0.0%	No reset until January 1/16
SMi	1,600	1,500	+6.7%	Gross revenue +4.1% January 1/15, further contributions in Q4 2014
Kimco	1,572	1,328	+18.4%	Contribution closed in June 2014, strengthening USD
Labstat	1,075	2,026	-46.9%	Majority of cash sweep accrued in Q4 2014, smoother in 2015
LifeMark	1,070	1,029	+4.0%	+4% fixed increase July 1/15
Agility Health	1,060	922	+15.0%	Same clinic sales -2.0% January 1/15, strengthening USD
LMS	1,056	850	+24.2%	Gross profit +23.5% January 1/15
End of the Roll	284	277	+2.5%	Same store sales increase May 1/15
KMH	-	1,991	-100.0%	Nothing accrued since April 1/15, undergoing strategic process
Killick	-	1,724	-100.0%	Redeemed in January 2015
Quetico	-	554	-100.0%	Redeemed in November 2014
Subtotal	**$22,716**	**$18,959**	**+19.8%**	
Interest	274	247	+10.9%	Interest on promissory notes
Total	**$22,990**	**$19,206**	**+19.7%**	

Interest expense of $852,957 in the period was 81.3% higher compared to $470,376 in the prior year period due to higher debt levels in 2015 slightly offset by lower interest rates from the new credit facility commencing in November 2015.

Salaries and benefits were $506,441 in the quarter, up 12.0% compared to the prior year period due to three new management positions added since November 2014.

In the three months ending December 31, 2015, the Corporation recorded non-cash stock based compensation expenses totaling $888,881 (2014 – $1,192,125) which included: $545,500 to amortize the fair value of the Corporation's restricted share unit plan (the "RSU Plan") (2014 –$626,199); and $343,380 to recognize the fair value of outstanding stock options (2014 – $565,926). The decreases are due to the lower stock price impacting the Black-Scholes expense calculations.

Corporate and office expenses were $611,405 compared to $452,610 in the prior year and include office rent, travel and corporate administrative expenses. The 35.1% increase was due to increased rent at the new, larger location as well as higher travel and other administrative costs due to the increased head count.

Legal and accounting expenses were $744,599 for the three months ended December 31, 2015 compared to $1,000,551 for the prior year period. The 25.6% decrease relates to approximately $700,000 in legal and financial diligence costs expensed in the fourth quarter of 2014 due to a transaction that was close to completion but did not close.

Deferred income taxes for the three months ended December 31, 2015 were $7,064,371 a 16.4% increase compared to $6,070,636 in the prior year period. Current income taxes for the three months ended December 31, 2015 were ($2,806,155) compared to $667 in the prior year period. The increase in deferred income taxes and the decrease in current taxes due to smaller annual allocations of income in the year from partner companies compared to the actual distributions received resulting in less current tax payable and a larger deferred tax expense.

Depreciation and amortization of $62,655 increased compared to $28,377 in the prior year period due to the amortization of leasehold improvements relating to the new office space in July 2015.

The Corporation recorded earnings of $20.6 million, EBITDA of $25.4 million and Normalized EBITDA of $20.2 million for the three months ended December 31, 2015 compared to earnings of $13.6 million, EBITDA of $17.5 million and Normalized EBITDA of $16.1 million for the three months ended December 31, 2014. The increase in earnings, EBITDA and Normalized EBITDA can be attributed to the addition of new Partners in DNT (June 2015), Federal Resources (July 2015) and Planet Fitness (November 2014) and follow on contributions to Planet Fitness and Kimco during 2015.

Reconciliation of Net Income to EBITDA (thousands)	**3 months ending December 31, 2015**	**3 months ending December 31, 2014**
Earnings	$20,550	$13,593
Adjustments to Net Income:		
Amortization and depreciation	63	28
Interest	853	470
Income tax expense	3,925	3,382
EBITDA	**$25,391**	**$17,473**
Normalizing Adjustments		
Loss on partner redemption/sale	-	860
Bad debt expense	-	500
Unrealized foreign exchange loss/(gain)	(5,153)	(2,753)
Normalized EBITDA	**$20,238**	**$16,080**

The Corporation recorded a loss on foreign exchange contracts of $2,305,867 in the three months ended December 31, 2015 compared to a loss of $1,127,116 in the prior year period. This is due to the fact that the price of the USD forward contracts is lower than the spot USD exchange rate in the current period and the difference between the spot price and the average contract price was larger in 2015. The unrealized foreign exchange gain for the three months ending December 31, 2015 of $8,133,580 ($3,932,363 gain in the prior year period) relates to the translation of the USD intercompany loan that funds a large portion of the US partner contributions and results from the change in the US exchange rate from September 30, 2015 to December 31, 2015. Also included is the gain from the translation of the loan to Federal Resources made in June 2015. The net of those two foreign exchange items is deducted in the Normalized EBITDA schedule above.

For the three months ending December 31, 2015, dividends were declared of $0.135 per month for a total of $0.405 per share and $14,660,301 in aggregate. In the prior year period, dividends were declared totalling $0.375 per share and $12,027,134 in aggregate.

A portion of the $21.0 million of cash held at December 31, 2015 was used to satisfy the dividend declared in December 2015 (payable January 15, 2016).

The Corporation has a new $200 million credit facility (entered into in November 2015) with a syndicate of Canadian banks led by the Corporation's current lenders. This new expanded facility will allow the Corporation to carry up to 1.5x EBITDA over a four-year term keeping the remainder available for new transactions. The four year revolving facility has no amortization, and the annual fees and interest rates are lower (with the interest rate being 0.50% lower than the current facility). As of the date hereof, the Corporation has approximately $122.5 million of capacity for new accretive partnerships plus an additional $50 million accordion feature on the facility. During the three months ended December 31, 2015, the Corporation drew $24 million for the previously disclosed MAHC contribution and a follow on contribution to Kimco.

The Corporation has recorded an $8.5 million investment tax credit asset and an $19.5 million deferred income tax liability 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 consists of a preferred partnership interest, preferred LLC or other equity interest, a loan, or ownership of intellectual property with a return based on a formula linked to a top-line metric (i.e. 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 except in limited situations of uncured events of default. 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.

For the revenues received in USD, the Corporation has purchased monthly forward contracts locking in the foreign exchange rate for the next twelve months and approximately 70% the following twelve months.

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. Because this information from time to time is based on unaudited information provided by Private Partner Company management, each Earnings Coverage Ratio, based on the most current information for the trailing twelve months, 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 rati0.

Additionally, at the header for each Partner, the Corporation has disclosed the % of current annualized revenue based on the expected distributions from each Partner for 2016 based on information at March 8, 2016. New Partner Sandbox is 4.7% of revenue and interest from promissory notes is 0.9%,

LifeMark/Centric ***1.0% of revenue (4.7% at Dec 31/15)***

The Corporation's original contribution into LifeMark Health Limited Partnership ("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 return for a cash payment of $65 million. In 2013, Centric purchased $30 million of the remaining $65.5 million of preferred units ("LifeMark Units") held by the Corporation.

Centric reports to Alaris quarterly and for the nine months ended September 30, 2015, Centric's revenues and EBITDA were both 14% ahead of prior year results.

The fair value of the LifeMark units remained at $38.4 million at December 31, 2015 and the Earnings Coverage Ratio for LifeMark improved over last quarter and remained in the 1.0x – 1.5x range.

On December 31, 2015, Centric sold the assets of LifeMark and after satisfying other required obligations with the proceeds from the sale, Centric purchased all of Alaris' remaining LifeMark Units for $38.4 million consisting of $30.0 million in cash as well as an $8.4 million note with interest at 11.15% (principal of the note and the annual interest rate to increase by 4% on July 1st of each year as per the previous economics of the LifeMark Units).

LMS ***4.4% of revenue***

The Corporation's original contribution into LMS Limited Partnership ("LMS") was in 2007. On December 31, 2013, the Corporation converted, at its option, $3 million in promissory notes outstanding into additional preferred partnership units. 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 reset on January 1st and the remainder on April 1st based on the December year end results from the previous year.

LMS is a western Canadian based concrete reinforcing steel fabricator and installer. LMS has experienced strong volumes and work on hand across each of its residential, commercial and infrastructure business segments. Margins have continuously improved over the last several years. The Company benefited from increased volume and consistent margins over the past few years, and based on work on hand, LMS management expects continued success throughout the 2016 fiscal year due to increased infrastructure spending in Alberta and British Columbia.

Based on unaudited financial statements prepared by management for the year ended December 31, 2015, revenue is approximately 10% behind the prior year, EBITDA approximately 5% behind the prior year and gross profit, the performance metric on which the LMS distributions are adjusted, is approximately 4% behind the prior year due to some significant adjustments relating to inventory and work in progress. The Corporation was previously expecting a small increase to the annual distribution and is awaiting audited results to confirm the reset.

The fair value of the LMS units remains at $33.0 million at December 31, 2015. The Earnings Coverage Ratio for LMS remains in the 1.5x – 2.0x range and is consistent with the last quarter.

End of the Roll ***1.2% of revenue***

The Corporation's original contribution in End of the Roll was in 2005. Same store sales is 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 tenth fiscal year as an Alaris partner on April 30, 2015. The renovation industry has been relatively stable year over year and End of the Roll's results reflect that.

Based on audited financial statements for the year ended April 30, 2015, same store sales increased 4.1% increasing the distributions to Alaris for the twelve months ending April 30, 2016 by the same amount to $1.2 million. Based on unaudited financial statements prepared by management for the seven months ended November 30, 2015, revenue and EBITDA are consistent with the prior year.

The End of the Roll transaction is recorded as an intangible asset and is reviewed for impairment when triggers exist. No impairment triggers exist at this time. The Earnings Coverage Ratio for End of the Roll declined slightly but continues to be well over 2.0x.

KMH ***0% of revenue***

Since 2010, the Corporation has acquired $54.8 million of preferred partnership units in KMH Limited Partnership ("KMH") 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.

KMH is a private healthcare company operating twelve diagnostic imaging clinics (nuclear medicine, cardiology and MRI) in Ontario and eight clinics in the United States.

Based on unaudited internal financial statements provided by KMH's management for the eleven months ended November 30, 2015, revenues are consistent with the prior year and EBITDA is approximately 25% behind the prior year. The Earnings Coverage Ratio for KMH is below 1.0x if all 2015 distributions currently owed to the Corporation are included but none were paid in 2015. Only $200,000 in distributions were paid in 2015.

KMH ceased paying regular distributions to the Corporation in November 2014. Unpaid distributions from KMH up to March 31, 2015 of $3.57 million were written off during the year. At December 31, 2015, the only amount included in receivables from KMH include accrued interest on the promissory note of $0.8 million. The $3.5 million promissory note is also outstanding at December 31, 2015.

Alaris has been working with stakeholders of KMH to find a viable solution to recapitalize the business. A strategic process has been ongoing and resulted in a number of different options which would provide Alaris with a meaningful value for its units in KMH. The strategic process has taken longer than anticipated and during the last quarter of 2015, the Corporation formally gave KMH notice of default and demanded that KMH repurchase the preferred units and repay the outstanding promissory notes and accrued interest. Very recently, KMH and Alaris have reached an agreement in principle on a transaction that would see Alaris receive approximately $35 million in value for its preferred units consisting of between $15 and $20 million in cash and the remainder in a note payable or some other form of negotiated future compensation. The Corporation expects a Letter of Intent to be signed in the near term with timing to close to be determined between the parties; however, the Corporation is seeking to finalize this arrangement as soon as commercially possible. Alaris did not accrue any revenue from KMH in the last three quarters of 2015 and does not expect to accrue any additional revenue until the process is complete.

The fair value of the KMH units is consistent with the prior quarter at $35 million at December 31, 2015. In the absence of regular cash distributions to support a discounted cash flow valuation, the Corporation has used a liquidation value supported by third party valuations received during the strategic process to approximate the current valuation.

Solowave ***7.4% of revenue***

In December 2010, the Corporation purchased preferred partnership units in Solowave Design Limited Partnership ("Solowave") for an aggregate acquisition cost of $32.5 million. In November 2014, the Corporation purchased additional preferred units for $10 million. The annual distributions fluctuate 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 as well as ready to assemble wooden residential products. Solowave sells its products under the brands "Big Backyard", "Cedar Summit Play Systems" and "Yardistry". The improved results of the business for the period are in part due to a modest recovery in the American housing market as well as modest growth in Canadian and international business.

Based on audited information for the year ended October 31, 2015, revenues and EBITDA were both over 15% ahead of the prior year. The audited increase in same customer net sales for 2015 was well in excess of the maximum 6.0% resulting in scheduled Solowave distributions of $6.9 million for 2016.

As a result of another tremendously successful year increasing the 2016 distribution by the maximum 6%, the fair value of the Solowave units increased by $4.5 million to $50.5 million at December 31, 2015. The Earnings Coverage Ratio for Solowave improved since the last quarter and remains over 2.0x.

Labstat ***5.8% of revenue***

In June 2012, the Corporation purchased partnership units in Labstat International, ULC ("Labstat") 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.

In February 2014, Alaris contributed $6 million in preferred equity alongside $1 million from Labstat to deleverage the business, bringing Alaris' total preferred equity investment to $47.2 million. 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, being $7.07 million in 2015, provided certain financial covenants and performance targets continued to be met in 2015. Labstat distributions totaled $5.57 million (total of $5.85 million paid for 2014) consisting of $3.42 million in fixed monthly distributions and an additional $2.15 million based on the cash flow sweep that is to be received before April 2016. $450,000 of the sweep was received in January 2016. Of note, earlier in the year the Corporation expected a larger sweep but the Corporation approved approximately $1.5 million in additional capital expenditures to expand Labstat's testing capabilities that reduced the sweep.

Fixed distributions of $3.42 million are scheduled for 2016. Based on unaudited financial statements prepared by management for the year ended December 31, 2015, revenue and EBITDA are approximately 10% ahead of the prior year and slightly better than the unaudited internally prepared budget. The Corporation expects total distributions from Labstat of approximately $6 million for 2016 up to a maximum of $7.5 million if the audited statements confirm the maximum 6% increase to the annual distributions.

The Earnings Coverage Ratio has improved since last quarter and continues to be in the 1.0x to 1.5x range. The fair value of the Labstat units remains at $47 million at December 31, 2015.

Agility — *4.2% of revenue*

In December 2012, the Corporation purchased preferred LLC units in Agility Health, LLC ("Agility") 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. 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 health care company specializing in providing physical and occupational therapy and speech pathology services to health care providers and employers through 37 hospital clinics, 34 long term care facilities and 70 outpatient clinics across the United States.

Based on unaudited statements provided by management for the year ended December 31, 2015, revenue was down marginally but EBITDA was over 30% ahead of the prior year due to the implementation of cost cutting measures in 2015.

The fair value of the Agility units will fluctuate each quarter with foreign exchange rates but the underlying valuation of the Agility units is evaluated each quarter. The fair value of the Agility units remains at $20.0 million USD at December 31, 2015. The Earnings Coverage Ratio for Agility has improved since last quarter and is still below 1.0x based on actual expenses but now slightly above 1.0x on a pro forma basis.

SCR — *6.4% of revenue*

In May 2013, the Corporation purchased partnership units in SCR Mining and Tunneling, LP ("SCR") 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 year ended December 31, 2015, SCR's revenue and EBITDA were both significantly behind prior year results due to one of SCR's larger customers changing mining techniques as well as a general slowdown in the Canadian mining sector. SCR management has been successful in replacing some of that business with current and new customers but the industry slow down is impacting SCR's ability to generate new business. SCR has significant cash on its balance sheet, no debt and annual distributions are currently scheduled at $6.02 million for 2016 based on the maximum 6% decline in gross revenue. Distributions were paid in January and February 2016 as scheduled and are expected to continue in the coming months but the Corporation is working with SCR management on a long-term solution should the industry downturn continue for a considerable time.

The Earnings Coverage Ratio for SCR dropped below 1.0x, down from last quarter resulting in a fair value reduction of $5 million to $33.0 million at December 31, 2015.

Sequel ***15.6% of revenue***

In July 2013, the Corporation purchased preferred LLC units in Sequel Youth and Family Services, LLC ("Sequel") for an aggregate acquisition cost of $66 million USD. In 2014, the Corporation purchased additional preferred units in Sequel for $7.5 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 youth with behavioral, emotional, or physical challenges.

Based on audited financial statements prepared by Sequel management, for the year ended June 30, 2015, same programs sales increased significantly more than the 5% maximum and distributions increased accordingly to $11.8 million USD for the twelve months ended June 30, 2016.

Based on unaudited information for the six months ended December 31, 2015, revenues and EBITDA are both over 10% ahead of the prior year.

The fair value of the Sequel units remain at $78.5 million USD. The fair value of the Sequel units will also fluctuate each quarter with foreign exchange rates. The Earnings Coverage Ratio for Sequel was consistent with last quarter and remains between 1.0x and 1.5x.

SMi ***7.2% of revenue***

In November 2013, the Corporation purchased partnership units in SM Group International, LP ("SMi") for an aggregate acquisition cost of $30 million. During the last six months of 2014, the Corporation purchased additional preferred units in SMi for $10.5 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.

Distributions are currently scheduled at a current annual run rate of $6.77 million. SMi reports to Alaris quarterly and based on unaudited financial statements provided by management for the year months ended December 31, 2015, revenue was approximately 10% behind and EBITDA approximately 30% behind the prior year period. As previously disclosed, SM was dealing with cash constraints brought on by several factors, including the funding of a new business segment, declines in profit margin as well as costs associated with a lawsuit against an international customer, which resulted in increased legal expenses and a decrease to its international bonding capability. As a result, SMi was in breach of certain financial covenants and its senior lender suspended the monthly distribution to Alaris beginning in Q3 2015 and continuing today. A combination of a capital injection, improvements to the company's cost structure, the cessation of the majority of legal costs associated with the lawsuit as well as an expected improvement in credit capabilities are expected to improve SMI's cash flow position going forward.

The Corporation remains confident in the management team at SMi and the long-term prospects for the business remain positive. However, the business is currently constrained by a lack of bonding capabilities on international business while the lawsuit is ongoing as well as credit capacity issues on its revolving line of credit. Upon a successful settlement of the lawsuit as mentioned above, the Corporation expects collection of all outstanding distributions from 2015 and 2016 in fiscal 2016 and also expects the outstanding principal on the loans provided to SMi to be repaid in 2016. If the lawsuit is not settled in SMi's favor, other alternatives will have to be utilized to address the cash constraints, such as replacing SMi's current lender or a full sale of the company. A resolution of the lawsuit will open up international bonding capabilities, regardless of the outcome.

In June 2015, the Corporation loaned $3 million by way of a promissory note and during the three months ended December 31, 2015, the Corporation approved an additional loan of up to $10 million as required (total of $13 million). $7.25 million has been drawn on the additional loan as of December 31, 2015 (total $10.25 million outstanding) and $1.75 million has been drawn subsequent to December 31, 2015.

The fair value of the SMi units remains at $42.6 million. The Earnings Coverage Ratio for SMi has dropped below 1.0x when considering the distributions that should have been paid, consistent with the previous quarter.

Kimco ***6.7% of revenue***

In June 2014, the Corporation announced the purchase of preferred units in Kimco Holdings, LLC ("Kimco") for an aggregate acquisition cost of $29.2 million USD. The Corporation purchased additional preferred units in December 2015 for $3 million USD. Annual growth or decline in Kimco`s annualized distributions of $5.09 million USD to Alaris is capped at 6% and is based on gross revenue. Kimco has been providing commercial janitorial services since the 1970s. The majority of Kimco's services are generated under long-term contracts (generally 1-3 years) to more than 375 customers, which range in size from multi-location national customers to regional single-site customers. The first reset will occur on January 1, 2016.

Based on unaudited financial statements provided by management for the year ended December 31, 2015, Kimco's revenue and EBITDA were approximately 5% behind budget. In the first few months of 2015 there were operational cost increases from overtime incurred on a number of projects as well as lower than expected revenues. As disclosed previously, Kimco was facing cash constraints, which we felt were short-term in nature due to a weak start to 2015 in terms of revenue cost overruns. As a result of the slow start to 2015, Kimco was in breach of certain financial covenants with its senior lenders which resulted in the distribution to Alaris being temporarily suspended in July 2015. The Corporation now has a formal agreement in place with Kimco's senior lenders to temporarily amend the monthly distribution schedule. Beginning in 2016, there will be a fixed distribution of approximately one quarter of the contractual distribution (USD$100,000 per month) and a quarterly cash flow sweep for the remaining distribution outstanding, subject to a defined fixed charge coverage ratio, that includes a catch up of distributions that were previously deferred by the Corporation. Kimco's results in the latest quarter were ahead of expectations due to a number of initiatives to reduce costs and increase revenues. Based on the recent monthly performance, the Corporation expects to receive payment of the full contractual amount of distributions for each quarter in 2016 while beginning to catch up on unpaid distributions from 2015 on a quarterly basis. This expectation is based on current information Alaris has been provided by Kimco management and the expectations can be impacted by unexpected changes in the business throughout 2016.

The fair value of the Kimco units in Canadian dollars will fluctuate each quarter with foreign exchange rates but the underlying fair value will be evaluated each quarter in USD. The fair value of the Kimco units remains at $29.6 million USD. The Earnings Coverage Ratio for Kimco has improved since last quarter but remains just below 1.0x for the last twelve-month period as the poor first quarter of 2015 is still impacting the calculation. Using the last six months only, and including full distributions to Alaris, the coverage ratio is between 1.0x and 1.5x.

Planet Fitness ***8.3% of revenue***

In November 2014, the Corporation announced the purchase of preferred units in PF Growth Partners, LLC ("Planet Fitness"), for an aggregate acquisition cost of $35.0 million USD. In July 2015, the Corporation purchased an additional $5 million of preferred units. Annual growth or decline in Planet Fitness' annualized distributions of $5.96 million USD to Alaris is capped at 6% and is based on same club sales.

Planet Fitness, through its affiliates, operates 41 fitness clubs in Maryland, Tennessee, Florida and Washington (as of December 31, 2015) as a franchisee of Planet Fitness® and has area development agreements ("ADA's") to open up to 42 Planet Fitness® clubs in those same States. Planet Fitness has grown to become one of the top 3 largest non-corporate affiliated franchisees in the Planet Fitness® system. Planet Fitness has a very repeatable, predictable and scalable business model and intends to open additional clubs in 2016 and currently employs over 450 individuals company-wide.

Based on unaudited financial statements provided by management for year ended December 31, 2015, Planet Fitness' revenue and EBITDA are both over 15% ahead of the prior year and same club sales was estimated at well over the maximum 6% increasing the distributions to $6.22 USD for 2016.

Due to the first reset of the distributions expected to exceed the maximum 6% increase, the fair value of the Planet Fitness units increased by $1.4 million USD at December 31, 2015 to $42.0 million USD. The fair value of the Planet Fitness units in Canadian dollars will fluctuate each quarter with foreign exchange rates. The Earnings Coverage Ratio for Planet Fitness has increased since the last quarter and remains between 1.0x and 1.5x.

DNT ***13.9% of revenue***

In June 2015, the Corporation announced the purchase of preferred units in DNT Construction, LLC ("DNT"), for an aggregate acquisition cost of $70 million USD. Annual growth or decline in DNT's annualized distributions of $10.5 million USD to Alaris is capped at 6% and is based on gross revenues.

DNT specializes in turnkey civil construction services to residential, commercial and municipal end markets including excavation, the installation of wet and dry utilities such as electrical, gas, sewage and water as well as paving and the building of retaining walls. With its head office in Austin, Texas, DNT employs over 650 people during peak season and is one of the largest service providers of its kind in the Austin market while also holding significant market share in San Antonio. These markets are attractive, fast growing and have diverse economies with major industry employers including healthcare, government, technology and education. Both Austin and San Antonio have strong employment rates and significant job growth at rates above the U.S. National average.

Based on unaudited financial statements provided by management for year ended December 31, 2015, DNT's revenue is ahead of the prior year and EBITDA trailed behind the prior year due to a wet spring in Texas which impacted margins. However, trailing twelve months EBITDA has increased over last quarter and the earnings coverage ratio has increased to exceed 1.5x after being between 1.0x and 1.5x at September 30, 2015.

The DNT units were purchased in June 2015 so the fair value is what the Corporation paid for the units plus capitalized costs, $70.6 million USD. The fair value of the DNT units in Canadian dollars will fluctuate each quarter with foreign exchange rates.

Federal Resources ***9.3% of revenue***

In June 2015, the Corporation announced a $7.0 million USD subscription for preferred stock (the "FR Units") of Federal Resources Supply Company ("Federal Resources") and a $40 million USD secured subordinated loan (the "FR Loan") to Federal Resources, for an aggregate cost of US$47 million. Annual interest on the FR Loan is fixed at $7.05 million USD to Alaris. Commencing in January, 2017, Alaris will also be entitled to receive an annual preferred dividend based on an increase to Federal Resources' gross revenues (subject to a 6% collar). Such annual dividend will be adjusted (up or down) each year based on any increases or decreases in Federal Resources' gross revenues for its immediately preceding fiscal year, subject to a maximum increase or decrease of six percent (6%) per year.

Federal Resources is a leading value-added provider of mission critical products and solutions to defense, first responder, homeland security and maritime end users in the United States. In particular, Federal Resources specializes in the provision of detection and protection equipment to end-users dealing with chemical biological, radiological, nuclear and explosive ("**CBRNE**") threats. According to Federal Resources' management, CBRNE products are one of the highest growth product categories in the defense procurement budget with CBRNE threats representing the most widely anticipated global threat over the next 10 years. Federal Resources was founded in 1986 and employs 150 people.

Based on unaudited financial statements provided by management for year ended December 31, 2015, Federal Resource's revenue and EBITDA were both over 40% ahead of the prior year.

The FR Units were purchased in June 2015 so the fair value is what the Corporation paid for the units plus capitalized costs, $7 million USD. The FR Loan was made in June 2015, so the fair value of the Loan is the outstanding principal amount of $40 million USD. The fair value of the FR Units and the FR Loan in Canadian dollars will fluctuate each quarter with foreign exchange rates. The Earnings Coverage Ratio for FR has improved since the last quarter and remains between 1.0x and 1.5x.

MAHC Holdings, LLC ***3.0% of revenue***

On December 31, 2015, the Corporation announced the purchase of preferred units in MAHC for an aggregate acquisition cost of $13.275 million USD. Annual growth or decline in MAHC's annualized distributions of $1.99 million USD to Alaris is capped at 6% and is based on same facility sales.

Founded in 2003 and headquartered in Timonium, MD, Mid-Atlantic Health Care has grown to be an innovator in post-hospital services throughout Maryland and Pennsylvania, operating 21 facilities and over 3,800 beds in those states. Mid-Atlantic Health Care prides itself on providing the highest quality of healthcare by offering a caring environment, quality hands-on clinical and nursing services, and a commitment to outstanding, patient-centered care. Mid-Atlantic is a leader in managing skilled short-term stays for rehabilitation as well as long term care.

On a pro forma basis, the earnings coverage ratio for MAHC is between 1.5x and 2.0x.

The MAHC units were purchased in December 2015 so the fair value is what the Corporation paid for the units plus capitalized costs, $14.0 million USD. The fair value of the MAHC units in Canadian dollars will fluctuate each quarter with foreign exchange rates.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2015 the Corporation has a $200 million credit facility with a syndicate of five Canadian chartered banks. The interest rate on the new facility is prime plus 2.25% (4.95% at December 31, 2015). The covenants on the new facility include a maximum debt to EBITDA of 1.5:1 (can extend to 2.25:1 for up to 90 days), minimum tangible net worth of $450 million; and a minimum fixed charge coverage ratio of 1:1. At December 31, 2015, the facility was $77.5 million drawn. This facility was closed on November 9, 2015 to replace a $90.1 million senior credit facility provided by two Canadian chartered banks. At December 31, 2015, the Corporation met all of its covenants as required by the facility. Those covenants include a maximum debt to EBITDA of 1.5:1 (0.9:1 at December 31, 2015); minimum tangible net worth of $450.0 million ($670.7 million at December 31, 2015); and a minimum fixed charge coverage ratio of 1:1 (1.27:1 at December 31, 2015).

The Corporation had 36,302,736 voting common shares outstanding at December 31, 2015. The Corporation had working capital of approximately $23.3 million at December 31, 2015. 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, excluding promissory notes and investment tax credits receivable, less current liabilities) at December 31, 2015 and 2014 is set forth in the tables below.

	2015	**2014**
Cash	$20,990,702	$13,483,524
Prepayments	2,434,451	200,495
Income tax receivable	3,528,509	1,866,572
Trade and other receivables	10,577,985	5,551,730
Total Current Assets	**$37,531,647**	**$21,102,321**
Accounts payable & accrued liabilities	2,138,132	1,453,661
Dividends payable	4,900,869	4,009,045
Foreign exchange contracts	5,345,488	1,541,630
Income tax payable	1,841,634	-
Total Current Liabilities	**$14,226,123**	**$7,004,336**
Net Amount at December 31	**$23,305,524**	**$14,097,985**

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
Trade and other receivable	Loans and receivables	Amortized cost
Promissory note receivable	Loans and receivables	Amortized cost
Preferred LP and LLC units	Available for sale	Fair value
Loan receivable	Available for sale	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Loans and borrowings	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 the Corporation's US investments. The Corporation matches approximately 100% of the next twelve months' scheduled distributions to the Canadian parent and a portion of the following twelve months' 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. As at December 31, for the next twelve months, total contracts of $27.02 million USD average $1.21 CAD. For the following twelve months, total contracts of $19.0 million USD average $1.32 CAD. As at March 8, 2016, for 2016, total contracts of $31.63 million USD average $1.24 CAD. For 2017, total contracts of $21.5 million USD average $1.33 CAD.

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, 2015	Total	0-6 Months	6 mo – 1 yr	1 – 2 years	3 – 4 years
Accounts payable and accrued liabilities	$2,138,132	$2,138,132	$-	$-	$-
Dividends payable	4,900,869	4,900,869	-	-	-
Foreign exchange contracts	5,345,488	3,139,449	1,240,243	965,796	-
Income tax payable	1,841,634	1,841,634	-	-	-
Loans and borrowings	77,447,075	-	-	-	77,447,075
Total	**$91,673,198**	**$12,020,084**	**$1,240,243**	**$965,796**	**$77,447,075**

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, 2015. The Corporation uses the 2013 Committee of Sponsoring Organization of the Treasury Commission (COSO) framework.

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, 2015. 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, 2015.

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 leases for office space. The Corporation agreed to a seven-year lease that commenced in 2009. Annual leasing costs were approximately $175,000 however that space was no longer sufficient for the Corporation so in December 2014, the Corporation agreed to a five-year lease commencing July 2015 at a new location. The commitments below include recovery from a sub-lease for the final year of the 2009 lease.

Contractual Obligations	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long term debt	$77,447,075	$-	$-	$77,447,075	$-
Office lease	1,963,716	484,832	1,263,099	215,785	-
Total Contractual Obligations	$79,410,791	$484,832	$1,263,099	$77,662,860	$-

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:

	2015	2014
Base salaries and benefits	$876,492	$860,687
Bonus	360,000	1,325,000
Share-based payments (non-cash)	2,611,211	911,245
	$3,847,703	**$3,096,932**

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

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

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2016, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the unaudited condensed consolidated financial statements of the Corporation, except for IFRS 9, Financial Instruments, with an effective date for annual periods beginning on or after January 1, 2018 and could change the classification and measurement of financial assets. The Corporation does not plan to adopt this standard early and the extent of the impact has not been determined.

SUMMARY OF ANNUAL RESULTS

Amounts are in thousands except for income per share:

	2015	2014	2013
Revenue	$77,680	$66,675	$49,595
Earnings	57,861	49,049	29,823
Basic and Diluted Income per Share/Unit	Basic - $1.70 Diluted - $1.68	Basic - $1.61 Diluted - $1.58	Basic - $1.12 Diluted - $1.09
Total Assets	788,210	579,897	480,730
Total Liabilities	111,164	50,217	50,970
Cash Dividends/Distributions declared per Share/Unit	Basic - $1.55 Diluted - $1.53	Basic - $1.469 Diluted - $1.44	Basic - $1.36 Diluted - $1.34

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.

	2015	2014	2013
Net cash from operating activities	55,822	49,648	43,746
Dividends/distributions paid	52,626	44,713	35,648
Payout ratio	94%	90%	81%

SUMMARY OF QUARTERLY RESULTS

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

	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14	Q1-14
Revenue	20,683	19,082	17,734	19,763	17,139	17,545	16,910	15,441
Earnings	20,550	6,466	8,951	21,803	13,593	14,629	8,745	11,947
Basic and Diluted	$0.57	$0.18	$0.28	$0.68	$0.42	$0.46	$0.30	$0.42
Income (loss) per Share/Unit	$0.56	$0.18	$0.27	$0.66	$0.41	$0.45	$0.30	$0.41

In each quarter in 2014 and 2015, an unrealized foreign exchange gain has increased earnings. In Q1, 2015, the Corporation recorded a $2.8 million gain on the Killick redemption that increased revenue and earnings in that period; in Q4 2014, the Corporation recorded a $0.8 million loss on the Quetico redemption that decreased revenue and earnings in that period.

OUTSTANDING SHARES

At December 31, 2015, the Corporation had authorized, issued and outstanding, 36,302,736 voting common shares.

In the year ended December 31, 2015, the Corporation issued: 3,771,655 shares by way of short form prospectus; 288,138 shares as a result of the exercise of options; and 170,585 shares under the Restricted Share Unit ("RSU") Plan.

At December 31, 2015, 243,852 RSUs and 1,966,484 stock options were outstanding under the Corporation's long-term incentive compensation plans. The weighted average exercise price of the outstanding options is $26.93.

At March 8, 2016, the Corporation still had 36,302,736 common shares outstanding.

CRA UPDATE

In 2014, the Corporation received a notice of reassessment from the Canada Revenue Agency in respect of its taxation year ended July 14, 2009 (the "Reassessments"). In 2015, the Corporation received a notice of reassessment from the Canada Revenue Agency in respect of its taxation years ended December 31, 2009 through December 31, 2014. Pursuant to the Reassessments, the deduction of approximately $110 million of non-capital losses by the Corporation was denied, resulting in reassessed taxes and interest of approximately $34.2 million. Subsequent to filing the notice of objection for the July 14, 2009 taxation year, Alaris received an additional proposal from the CRA pursuant to which the CRA is proposing to apply the general anti avoidance rule to deny the use of non-capital losses, accumulated scientific research and experimental development expenditures and investment tax credits for taxation years from 2006 through to 2012. The proposal does not impact the Corporation's previously disclosed assessment of the total potential tax liability (including interest) or the deposits required to be paid in order to dispute the CRA's reassessment. The Corporation has received legal advice that it should be entitled to deduct the non-capital losses and as such, the Corporation remains of the opinion that its July 14, 2009 tax return, and each return filed after that date, were filed correctly and it will be successful in appealing such Reassessment. The Corporation intends to vigorously defend its tax filing position. In order to do that, the Corporation was required to pay 50% of the reassessed amount as a deposit to the Canada Revenue Agency. The Corporation paid $1.27 million in deposits in 2014 and an additional $10.7 million in 2015 relating to these reassessments. Subsequent to December 31, 2015 the Corporation paid a $1.3 million deposit to the Alberta Treasury Board and Finance. It is possible that the Corporation may be reassessed with respect to the deduction of its non-capital losses in respect of its tax filings subsequent to December 31, 2015, on the same basis. Remaining investment tax credits of $8.4 million at December 31, 2015 are at risk should the Corporation be unsuccessful in defending its position. The Corporation anticipates that legal proceedings through the CRA and the courts will take considerable time to resolve and the payment of the deposits, and any taxes, interest or penalties owing will not materially impact the Corporation's payout ratio.

Tax Year	Pools Applied	Tax, interest & penalties
July 2009	$10,532	$4,108
December 2009	1,916	719
December 2010	14,646	5,273
December 2011	14,992	4,908
December 2012	16,774	4,947
December 2013	22,642	6,286
December 2014	29,153	7,958
Total	**$110,655**	**$34,199**

The Corporation firmly believes it will be successful in defending its position and therefore, any current or future deposit paid to the CRA would be refunded, plus interest. The Corporation will continue to file its tax returns by claiming the remaining available scientific research and experimental development expenses and investment tax credits of approximately $8.4 million at December 31, 2015.

SUBSEQUENT EVENTS

Subsequent to December 31, 2015, the Corporation redeemed all of its preferred units in LifeMark in exchange for $30 million in cash and an $8.4 million promissory note with interest at 11.15% (principal of the note and the annual interest rate increase at 4% each July 1st as per the previous business terms of the preferred units.

Subsequent to December 31, 2015, the Corporation, through its wholly-owned subsidiary Alaris USA Inc., collectively contributed $22.0 million USD to Sandbox Acquisitions, LLC and its affiliate (collectively "Sandbox"). Pursuant to agreements dated March 8, 2016, the Corporation is entitled to receive an annual preferred distribution of $3.3 million USD in priority to distributions on Sandbox's common shares in an amount equal to the preferred distribution for the prior fiscal year multiplied by the percentage increase or decrease in Sandbox's gross revenues for the previous fiscal year subject to a maximum increase or decrease of 6%. Distributions on the Sandbox units are receivable monthly.

Sandbox offers a wide range of marketing and advertising services including strategic marketing and planning, creative development for all media and digital strategy solutions including CRM and data analytics for clients in a variety of industries within the US and Canada. Sandbox has decades of proven results and is owned and managed by highly experienced advertising professionals with global experience. Sandbox focuses on serving clients primarily in highly specialized industries such as life sciences, agriculture and financial services. The company plans to continue to acquire and combine regional marketing communication companies that would complement the entire organization through diversity of clients and industries, skill sets and expertise. Sandbox is headquartered in Chicago, IL with offices in Chicago, Kansas City, Indianapolis, Des Moines, Santa Monica, New York and Toronto.

OUTLOOK

Based on Alaris' current agreements with its partners, it expects revenues to the Corporation of approximately $95 million for 2016. For the first quarter of 2016, those same agreements provide for revenues of approximately $23.4 million for the Corporation. Annual general and administrative expenses are currently estimated at $7.5 million annually and include all public company costs. The Corporation's annualized payout ratio is at approximately 80% today. The senior debt facility was drawn to $77.5 million at December 31, 2015 and at March 8, 2016, leaving the Corporation with approximately $170 million including the $50 million available under the accordion feature of the facility. The annual interest rate on that debt was approximately 4.95% at December 31, 2015 and remains at that level today.

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 2016. 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.

RISK FACTORS

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 AIF, 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 AIF 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 the percentage change 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 and other reports 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 and monitoring procedures 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 and Federal Resources) 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 senior and/or 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 our ability to exercise direct control or influence 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 Canadian public companies. Therefore, we rely on our Management and third party service providers to investigate these businesses. There can be no assurance that our due diligence efforts or ongoing monitoring procedures will uncover all material information about the privately held businesses necessary to make fully informed decisions. In addition, our due diligence and monitoring procedures will not necessarily result or ensure that an investment will be successful. 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 to Alaris, or the ability of a Private Company Partner to service such distribution obligations, including, without limitation: 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; negative economic conditions; disruptions in the supply chain; disputes with suppliers, customers, or service providers or changes in arrangements therewith; and working capital and/or cash flow management issues. 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. A material change in a Private Company Partner's business and/or their ability to pay the Distribution payable to us could have an adverse effect on our business.

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. From time to time, Alaris has been required to grant certain concessions to certain of its Private Company Partners to assist them in managing their debt covenants, working capital or for other reasons. Such concessions may result in a temporary or permanent reduction in our distributions from such Private Company Partner, which may negatively affect our operations, financial condition or cash flows. There are also no guarantees that the benefits of such concessions will be achieved.

We have limited diversification in our Private Company Partners

Although Alaris currently has 15 Private Company Partners, Alaris continues to have limited diversification in its distributions from Private Company Partners. However, 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. Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the American and European Sovereign debt level, have 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, some concerns remain about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions. 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 or Eastern Europe 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, mezzanine funds, equity and non-equity based investment funds, royalty companies and other sources of financing, including the public and private capital markets as well as senior debt providers. 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 as well as to use high amounts of leverage to increase valuations given to entrepreneurs. 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

CRA Re-Assessment

The Corporation has received notices of reassessment (the "**Notices of Reassessment**") wherein the CRA reassessed us for the taxation years ended July 14, 2009, December 30, 2009, December 30, 2010, December 30, 2011, December 30, 2012, December 30, 2013 and December 30, 2014. Pursuant to the Notices of Reassessment, the CRA has applied the general anti-avoidance rules to deny the use of non-capital losses, accumulated scientific research and experimental development expenditures and investment tax credits for the taxation years 2009 through 2014 (the "**GAAR Proposal**"). Based on discussions with legal (tax) counsel, Alaris is of the opinion that its tax filings to date are correct and should withstand the reassessment by the CRA. Accordingly, Alaris will vigorously defend its tax filing position and has filed notices of objection ("**Notices of Objection**") with the CRA in relation to the Notices of Reassessment. Upon filing the Notices of Objection, Alaris was required to pay 50% of the assessed federal tax liability for 2009-2014 (plus interest). Alaris' total assessed tax liability (including interest) (as described in the Notices of Reassessment and including all Federal and Provincial filings) for the 2009-2014 years are approximately $34.2 million and the total aggregate deposits Alaris has paid in order to object to such reassessments was approximately $13.1 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.

International Structure

Alaris has established Alaris Coop, Alaris USA , Salaris Coop and Salaris USA for the purpose of financing and entering into arrangements with potential Private Company Partners in the United States and other jurisdictions on a tax efficient basis. Our corporate structure for this purpose was implemented having regard to the complex 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, as well the structure of our Private Company Partners. 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 based on differences of interpretation of the applicable tax laws and the manner in which such laws have been implemented. Furthermore, certain changes in the structure and business practices of our Private Company Partners could impact our structure. 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, or if for business reasons we are not able to implement our structure fully, our operating results could be adversely affected.

General

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 Private Company Partners for defaults under our agreements with them may be limited

Each Private Company Partner provides certain representations and warranties and covenants to us regarding the Private Company Partner and its business and certain other matters. Following a transaction with Alaris, the Private Company Partner may distribute all or a substantial portion of the proceeds that it receives from us to its security holders or owners. In the event that we suffer any loss as a result of a breach of the representations and warranties or non-compliance with any other term of an agreement with a Private Company Partner, we may not be able to recover the amount of our entire loss from the Private Company Partner. The Private Company Partner may not have sufficient property to satisfy our loss. 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. An inability to meet our debt covenants could result in a default under our senior debt facility, which may then require repayment of any outstanding amounts at a time when Alaris may not have sufficient cash available to make such repayment. In addition, a default under our debt facility may impact our ability to obtain future debt financing on terms favorable to Alaris. Furthermore, an inability of any material Private Company Partner (a group of non-material Partners collectively representing a material portion of our revenues) to meet their debt covenants can have an impact on their ability to pay our distributions and therefore impact Alaris' cash flows.

Alaris and our Partners 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. The same goes for and failure to maintain compliance or obtain any required approvals. 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 to fund our operations, including our dividend will be the cash we generated from Private Company Partner Distributions. 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 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 currency hedges 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 currency hedges are for a limited period of time. There can be no guarantee that these hedges 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. The declining Canadian dollar relative to the US dollar in 2015 has been a net benefit to Alaris.

Also, certain of our currency hedges are conducted by way of a forward contract, which 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 or if Alaris was repurchased by a material U.S. partner. Any cash outlay to meet a forward contract obligation could negatively affect Alaris' cash flows. Alaris has investments in a number of U.S. based businesses, and will continue to invest in U.S. based businesses, in U.S. denominated currency by purchasing U.S. dollars in the spot market based on the USDCAD rate of exchange at the time of investment. If Alaris is redeemed on a U.S. dollar based investment it may incur a loss in the Canadian dollar equivalent if the USDCAD spot rate is lower at the time of the redemption than it was when the original investment was made. Alaris does not hedge the fair value of its U.S. dollar denominated investments due to the fact that there is no expectation to be redeemed or to exit these investments and therefore there is an uncertain time horizon of such exit events. This exposes Alaris to a cash loss, or gain, on a US dollar investment, even if the investment was successful in its U.S. based currency. Alaris adjusts the fair value of its U.S. dollar denominated investments based on the USDCAD rate on the balance sheet date for each quarter and records an unrealized gain or loss to account for the fluctuations in the exchange rate. The majority of Alaris' U.S. dollar investments were made at a much lower USDCAD exchange rate than the current spot USDCAD rate. Therefore, Alaris has significant unrealized gains on its U.S. dollar denominated investments to date.

Our Private Company Partners have termination rights which may be exercised

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

We 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.

We are not, and do not intend to become, registered 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 in reliance on the exemption from such registration provided by Section 3(c)(7) of that Act. The U.S. Investment Company Act and related rules provide certain protections to investors and impose certain restrictions on companies that are registered with the U.S. Securities and Exchange Commission (the "**SEC**") as investment companies. None of these protections or restrictions is or will be available to investors in Alaris. In addition, to comply with the Section 3(c)(7) exemption from registration and 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 Common Shares, which may materially affect your ability to hold or transfer the Common Shares. Additionally, if we were required to register with the SEC as an investment company, compliance with the U.S. Investment Company Act would significantly and adversely affect our ability to conduct our business.

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. Tax Code, (3) any other retirement or benefit plan that is not described in (1) or (2), but that is subject any 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. See "*Ownership and Transfer Restrictions"*.

Foreign Account Tax Compliance Provisions

FATCA imposes due diligence, reporting and 30% withholding tax obligations with respect to certain U.S. source income (including interest, dividends, royalties and other passive income) and, beginning in 2020: (a) 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 made to non-compliant foreign (i.e., non-U.S.) "financial institutions" (or “FFIs”). Alaris, which is treated as an FFI under the FATCA rules, complies with its obligations under 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) (i) registered with the IRS and acquired identifying numbers, (ii) perform specified diligence to determine whether they have any "U.S. reportable accounts" and (iii) beginning in 2016, will annually report information to the 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 U.S. Internal Revenue Service (or “IRS”) in a manner consistent with the protections provided in the Canada-U.S. tax treaty. Alaris and its subsidiaries will continue refining diligence procedures to meet their obligations under FATCA.

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 report information about US holders of its Common Shares to the CRA under FATCA. 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 the U.S. Internal Revenue Code, guidance issued by the IRS and the Treasury Department, including regulations and IRS notices, and the IGA. 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, 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 such 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 owned such shares: (ii) taxed at ordinary income tax rates; and (3) subject to an interest charge for the deemed deferral in payment of 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, 2016 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 tax 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.

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, for our investment in End of the Roll. To protect our intellectual property, we may become involved in litigation, which could result in substantial expenses, divert the attention of Management, cause significant delays, materially disrupt the conduct of our business or adversely affect our revenues, financial position and results of operations.

RISKS RELATING TO OUR MATERIAL PRIVATE COMPANY PARTNERS

Our material Private Company Partners 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 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 KMH

Customer Risk	Any development that would reduce the affordability to pay for private healthcare will negatively affect KMH's volumes and revenue, particularly in the U.S. given a larger percentage of patients in the U.S. are not currently covered by employer based health insurance. A loss or reduction of personal or household 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.
Failure to achieve a positive outcome from the strategic review	KMH has been undertaking a strategic review in order to recapitalize its business and in particular, redeem Alaris' units in the form of a cash payment as well as future consideration. A failure to achieve a positive outcome from the strategic review will continue to impact the distributions to Alaris as well as the value of Alaris' investment in KMH.
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. Recently, OHIP has reduced reimbursement rates in Ontario, which has had a negative impact on margins for KMH and other service providers. Continued reimbursement rate cuts by OHIP can cause further margin erosion in the business and further impact cash flows.
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 and other important supplies. 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 SCR

Commodity Pricing and Future Exploration and Mine Development	A prolonged decrease in base and precious metals pricing that the mining industry has seen over the last several months 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 prolonged 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 major customer puts a project SCR is currently servicing to tender and SCR is not awarded the new contract, it could negatively affect its future cash flows.

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	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

Concentration

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. Although SMi is currently approved to bid on this work, if it is not able to meet the requirements regulators have put in place it could have an impact on its business.

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. SMi also needs to ensure that it collects its accounts receivable in a consistent and timely manner or it risks having working capital issues due to the nature of its business and the fact that their revolving credit facility uses accounts receivable as a borrowing base. An increase in day's sales outstanding can impact both the cash flows of the business and its borrowing base on its credit facility both of which could have an impact on distributions to Alaris.

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.

Failure to have a positive settlement of outstanding lawsuit

As previously disclosed, SM had incurred significant one-time costs associated with an outstanding lawsuit that it stands to be the beneficiary of, which along with other factors resulted in breach of certain financial covenants. As a result, its senior lender suspended the monthly distribution to Alaris. Upon a successful settlement of the lawsuit, the Corporation expects collection of all outstanding distributions from 2015 and 2016 in fiscal 2016 and also expects the outstanding principal on the loans provided to SMi to be repaid in 2016, as well as the resumption of regularly scheduled distributions to Alaris. If the lawsuit is not settled in SMi's favor, other alternatives will have to be utilized to address the cash constraints and capital owed to Alaris. A resolution of the lawsuit will open up international bonding capabilities, regardless of the outcome.

Risks Relating Specifically to DNT

Exposure to residential development

During certain times, DNT chooses to have a higher percentage of its revenue generated from new residential development projects than commercial or infrastructure projects. Although it is DNTs strategy to focus more of its efforts on the segment of the market with the most current and projected growth, it exposes DNT to a downturn in the new home development segment of the economy, which can have a material impact on its cash flows. In times of economic downturns DNT can shift its focus to commercial and infrastructure projects. However, failing to do so in a time period to offset lost revenue from the residential segment, or at all, can have a significant impact on DNT's cash flow.

Geographic exposure to Austin and San Antonio	DNT focuses primarily on the Austin and San Antonio regions of the state of Texas. Although these two regions have robust economies, which are diversified among healthcare, technology and education, they are close enough in proximity to be impacted by the same economic and weather related factors. This lack of geographic diversification exposes DNT to more concentrated events than it would otherwise be if it were to be diversified across many regions of the United States.
Bonding requirements	DNT Requires bonding on a significant number of its projects. This requires DNT to maintain a healthy balance sheet or face the risk of not being able to bid on new projects. Any lack of ability to bond new projects could have a significant impact on DNT's cash flows.
Seasonality including weather related events	Unusual amounts of rain, especially during the rainy season, can impact the business significantly as it prevents DNT from providing its services and in many instances can increase costs for things such as water remediation. The unusual wet weather can also cause "work overs" which can erode margins on certain projects. The unusual wet weather may also cause margins to erode when the work is eventually restarted as it may require overtime hours to complete the work on schedule.
Fixed price contracts	As costs are established on estimates for fixed price contracts, DNT bears the risk for cost overruns. Generally it manages the risk with vigorous pre-bid analysis and through hedging of its materials and fuel costs. However, errors in estimating and unforeseen weather events can cause both labour and materials costs overruns.
Customer concentration	DNT's generates a large portion of its revenues from a handful of customers. If DNT fails to win new tenders with these customers or if the customers face financial trouble, which results in the delay or cancelation of new projects, DNT's revenue and cash flows can be negatively impacted until the revenue can be replaced through other sources.

RISKS RELATING TO ALL OF OUR PRIVATE COMPANY PARTNERS, GENERALLY

In addition to the risks relating specifically to our material Private Company Partners, there a number of 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 well as to continue to pay our distribution. 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. See also, *"Risk Factors – Operational and Financial Risk Factors Relating to our Business"* as well as *"We and our Private Company Partners rely heavily on key personnel"*.

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 business activities and to expand their businesses. Our Private Company Partners may need to raise additional funds through collaborations with corporate partners, including Alaris, 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. In addition, a Private Company Partner's business could launch a new business line or service offering. Achieving the benefits of acquisitions and other transactions depends on, among other things, successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, allocating appropriate resources, including management time, 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 or new business lines 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 or new business lines 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 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.

Additionally, PFGP is a franchisee of Planet Fitness. As such, PGFP's operations depend, in part, on decisions made by the Planet Fitness franchisor, including decisions relating to pricing, advertising, policy and procedures as well as approvals required for acquisitions and territory expansion. Business decisions made by the franchisor could impact PFGP's operating performance and profitability. In addition, PFGP must comply with the terms of its franchise agreements with the franchisor and its applicable land development agreements. A failure to comply with such obligations or a failure to obtain renewals on any expiring franchise agreements could adversely affect PFGP's operations.

There could be material adjustments to financial information once an annual audit is conducted

Alaris receives unaudited internal financial information from each of its Private Company Partners throughout the year and bases certain estimates on this information. Upon conducting an audit of the annual information there could be material adjustments to the financial statements used by us in determining such estimates and therefore Alaris may have to change certain guidance that it had previously given to its shareholders. The adjustments could also impact financial covenants that our Private Company Partners have with their lenders and thus could impact the distribution to Alaris.

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

With the exception of Centric and Agility, 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 third party service providers to investigate these businesses. There can be no assurance that our due diligence efforts or monitoring procedures 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 2016, including, without limitation, the earnings coverage ratio for the Partners; the revenues to be received by Alaris in 2016 (on an annual and quarterly basis); the Corporation's general and administrative expenses and cash requirements in 2016; the CRA proceedings (including the expected timing and financial impact thereof); the Corporation's payout ratio; changes in distributions from Partners; the proposed resolution of the KMH cash flow issues (including the structure, amount to be received by Alaris and the timing thereof); the impact and timing of cost reduction strategies, working capital improvement and other cash flow initiatives of certain 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) and expenses, Annualized Payout Ratio, and changes 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 2016; 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 the benefit of any concessions provided to any Partners; 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 "Risks and Uncertainty", 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