



# 2015

# ANNUAL REPORT

Fiscal year ended December 31, 2015

*Creating the optimal dividend stream  
available for investors*

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## *PROFILE*

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*Alaris is a Canadian company based in Calgary, Alberta. We provide preferred equity financing to private businesses across North America using an innovative structure which fills a niche in the private capital markets. This niche is: providing capital to successful businesses, which are in need of capital, but are unwilling to compromise the current state of their equity ownership and operational control of the business. Alaris Royalty Corp. trades on the Toronto Stock Exchange under the symbol "AD".*

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## *OBJECTIVE & STRATEGY*

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*Alaris is dedicated to creating long-term value for its shareholders.*

*We provide capital to well-run, profitable private companies in exchange for a monthly preferred equity distribution. These distributions to Alaris are set for 12 months and adjusted annually based on the "top-line" results of our private company partners ("Partners"). Alaris creates long-term partnerships with companies that have a proven track record of stability and profitability in varying economic conditions. Our Partners are mostly closely held businesses that use our capital for growth, generational transfers, partial liquidity, management or private equity partner buyouts, or a combination of the aforementioned. For private companies with exceptional results, where giving up traditional common equity would be far too expensive, we believe that Alaris' preferred equity represents the lowest cost, least intrusive equity in the private capital market.*

*Our goal is to continue to diversify and increase our revenue streams by adding a select few new Partners each year in addition to providing follow-on capital to our existing Partners. Within our current revenue streams we aim to generate organic growth of 3-5% per year.*

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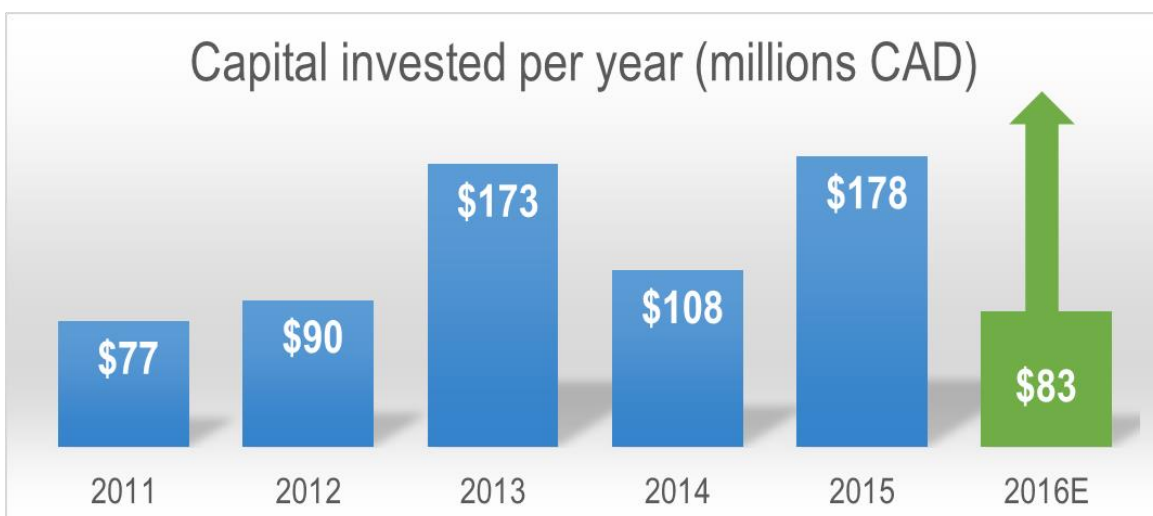
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## OUR PERFORMANCE

- Alaris and its predecessors have contributed over \$870 million in equity capital to private businesses since 2004
  - \$178 million of capital deployed in 2015 – three new Partners and two follow-on transactions
  - \$83 million of capital deployed year to date in 2016 (as of May 1, 2016) – two new Partners and two follow-on transaction
- Alaris has paid its shareholders over \$220 million in dividends since inception
- Alaris has increased its dividend 10 consecutive times since 2010 for a total gross increase of 93%
  - 2 dividend increases in 2015 (8% increase)
- For the 5 year period ending December 31, 2015, Alaris shares have generated total returns to shareholders of 160% (21% compounded annually), compared to the total returns of the S&P TSX Composite Index for the same period of 12% (2% compounded annually)



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## *PRESIDENT'S MESSAGE*

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2015 was another record year for Alaris. The Corporation was able to show another year of strong growth, with revenue up 20% and Normalized EBITDA up by 21.5%, while continuing to provide a low volatility free cash flow stream to our shareholders. This continued growth allowed us to increase our dividends twice during 2015 – our ninth and tenth dividend increases since the summer of 2010.

At the heart of this financial performance are preferred revenue streams from a group of 16 (and counting) private companies that are diverse in their businesses and geographies such that our shareholders can be confident in our dividend stream even when the economy is not firing on all cylinders. Only two of our private company partners represent more than 10% of our revenue and given that our dividend only represents less than 80% of our monthly EBITDA, this provides safety to weather life's inevitable storms. Our defensive way of investing and our careful selection of partners is essential but as with any form of investing, diversification is the most important element of risk reduction.

The double edged sword of diversification is that the more partners you have in your portfolio, the more likely it is that some of them will, from time to time, encounter operational issues. Alaris' management and board continue to work with the few partners in our portfolio that are having challenges to find solutions to both short-term as well as fundamental long-term issues. Our ability to navigate through these issues have led to very positive outcomes in the past for companies like Labstat and LMS and we feel that similarly positive outcomes are likely for SM and Kimco. We are pleased to have reached a tentative agreement with the management of KMH in a very challenging situation and we also expect a positive outcome for Alaris shareholders from that strategic process.

The Alaris portfolio continues to perform admirably. Based on 2015 results, the average organic growth of the annual distributions across the portfolio grew by an estimated 2.1% (using a weighted average), which is our sixth straight year of organic growth as the majority of our portfolio continues to operate at or above expectations. It should also be noted that if you add up all of the private companies that have exited our company over the years, taking all of the good and the bad (and including the partial write off of KMH), our net result is a gain of \$31 million and including distributions taken out along the way, that number is \$169 million – a net gain of nearly 80% on invested capital. Whether calculated by annual financial results, tracking of organic distribution resets or through full investment cycle gains, we are very proud of the track record that we have created over our twelve year history.

Moving forward, the environment for capital deployment that not only powers our diversification but also our growth rate has improved substantially over the course of the last six months. The last few years has seen an overheated market for private equity fueled by access to inexpensive and large amounts of senior debt, particularly in the US. The debt markets have tightened considerably in the last few months and has made alternative financiers such as Alaris even more attractive. While we still do not see any direct competitors in our market place, the normalized behavior of other types of capital providers is contributing to a very robust outlook for 2016. Even in a highly competitive environment in 2015, Alaris set a new record for capital deployment in 2015 of \$178.2 million and based on our current pipeline of opportunities, I would expect another very strong year in 2016.

Yours truly,



Steve King  
President and CEO  
Alaris Royalty Corp.

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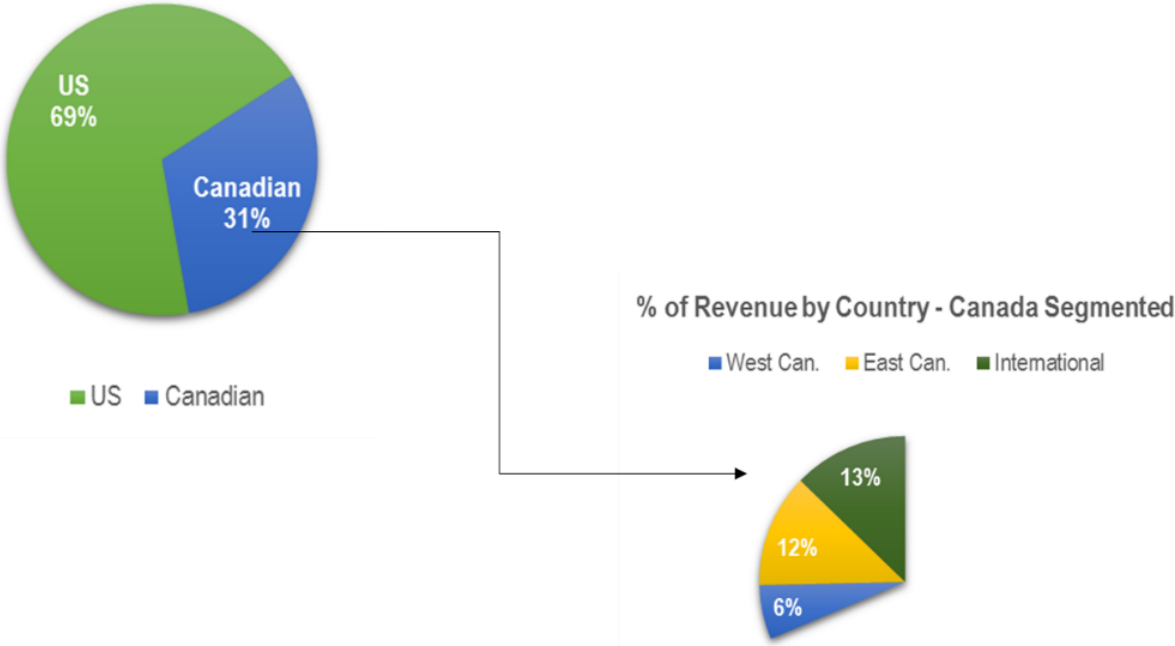
# PRIVATE COMPANY PARTNER SUMMARIES

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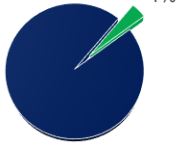
- Alaris generates annualized revenue in excess of \$102 million from 16 Partners
  - 69% of its revenue from U.S. based Partners
  - Of the 31% of Canadian revenue, only 6% is from Partners who generate the majority of their revenue in Western Canada (LMS/End of the Roll)
  - The other 25% of revenue from Canadian Partners is generated predominately in Eastern Canada or Internationally

*Note: distributions for all Partners are estimated on an annualized basis for the next 12 months as of May 1, 2016*

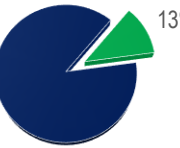
Revenue by Country (CAD\$)



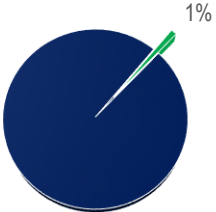
### Agility Health

<b>Business Description:</b>	<p>Agility is a leading healthcare provider in the United States devoted to the rehabilitation of patient physical injuries and conditions. Agility operates a multi-state network of outpatient rehabilitation clinics and provides contracted services to hospitals, nursing homes and other institutional clients, providing care and treatment for orthopedic-related disorders, sports-related injuries, preventative care, rehabilitation of injured workers, and a variety of other injuries and conditions. In addition, Agility provides a number of ancillary services related to physical rehabilitation, including practice management software systems and custom orthotics. Agility Health operates outpatient or onsite rehabilitation locations in 17 states. Agility contract therapy services business provides rehabilitative services to hospitals and inpatient rehabilitation units, nursing homes, long-term care facilities and other service locations in 9 states. Agility's customers are individual's payers as well as referrals from third party's such as insurance companies or physicians. Agility will continue to benefit from the aging U.S. population, the increasing popularity of physical therapy services as a first step treatment option and the increased insurance coverage made available by the affordable care act.</p>	
<b>Industry:</b>	Healthcare: <i>Physiotherapy and Occupational Therapy Services</i>	<p><b>Percentage of Alaris' total revenue</b></p>  <p>A pie chart with a dark blue base and a small green slice representing 4% of the total revenue.</p>
<b>Capital Invested:</b>	Total US\$20.10m (3 tranches)	
<b>Annualized Distribution:</b>	US\$3.08m	
<b>Distribution collar:</b>	NA	
<b>Year end:</b>	December 31	
<b>Website:</b>	<a href="http://www.agilityhealth.com">www.agilityhealth.com</a>	
<b>Partner since:</b>	December 2012	

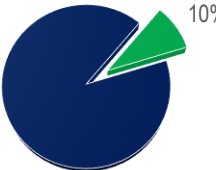
### DNT

<b>Business Description:</b>	<p>DNT was founded in 2009 and specializes in turnkey civil construction services to residential, commercial and municipal end markets. Services include; 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. DNT has strong functional capabilities and believes it is the only company in its core markets capable of providing these turnkey infrastructure solutions to its customers. 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 National average. These, among other factors, have placed both markets as amongst the most desirable for commercial and residential development. Customers of DNT's include large publicly traded commercial and residential real estate developers, regional commercial and residential real estate developers and municipal governments.</p>	
<b>Industry:</b>	Industrials: <i>Civil Construction Services</i>	<p><b>Percentage of Alaris' total revenue</b></p>  <p>A pie chart with a dark blue base and a small green slice representing 13% of the total revenue.</p>
<b>Capital Invested:</b>	US\$70.00m	
<b>Annualized Distribution:</b>	US\$10.50m	
<b>Distribution collar:</b>	+/- 6%	
<b>Year end:</b>	December 31	
<b>Website:</b>	<a href="http://www.dntconstruction.com">www.dntconstruction.com</a>	
<b>Partner since:</b>	June 2015	

*End of the Roll*

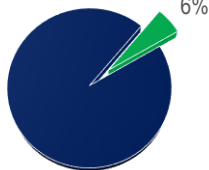
<b>Business Description:</b>	End of the Roll is Canada's largest dedicated flooring retailer. End of the Roll was incorporated in 1990 and began offering franchise locations in 1994. The discount renovation market is relatively stable compared to the new home market due to the nature of the purchase and the amount of the average sale. Currently, End of the Roll collects franchise royalties from over 50 franchisees nationwide. End of the Roll targets "budget minded" customers who prefer to purchase in smaller quantities and coordinate private installation in order to save on the costs of using a full service retailer.	<p style="text-align: center;"><b>Percentage of Alaris' total revenue</b></p>  <p>A pie chart with a dark blue background and a single green slice representing 1% of the total revenue. The label '1%' is placed to the right of the slice.</p>
<b>Industry:</b>	Consumer Discretionary: <i>Discount flooring</i>	
<b>Capital Invested:</b>	\$7.20m	
<b>Annualized Distribution:</b>	\$1.14m	
<b>Distribution collar:</b>	NA	
<b>Year end:</b>	April 30	
<b>Website:</b>	<a href="http://www.endoftheroll.com">www.endoftheroll.com</a>	
<b>Partner since:</b>	May 2005	

*Federal Resources*

<b>Business Description:</b>	Founded in 1986 and employing over 150 people, Federal Resources is a Maryland based leading value-added provider of mission critical products and solutions to defense, first responder, homeland security and maritime end users. Federal Resources is a leading provider of detection and protection equipment to first line responders dealing with chemical, biological, radiological, nuclear and explosive ("CBRNE") threats, as well as supplying tactical gear, tools and maritime products. Federal Resources management believes that the CBRNE product category is one of the highest growth product categories in the defense procurement budget with potential CBRNE attacks representing the most widely anticipated global threat for the next 10 years. Customers of Federal Resources include all branches of the US military, various municipal agencies, first responders, airports and various other private and governmental agencies.	<p style="text-align: center;"><b>Percentage of Alaris' total revenue</b></p>  <p>A pie chart with a dark blue background and a green slice representing 10% of the total revenue. The label '10%' is placed to the right of the slice.</p>
<b>Industry:</b>	Industrials: <i>Distribution</i>	
<b>Capital Invested:</b>	US\$53.50m (2 tranches)	
<b>Annualized Distribution:</b>	US\$7.96m	
<b>Distribution collar:</b>	+/- 6%	
<b>Year end:</b>	December 31	
<b>Website:</b>	<a href="http://www.federalresources.com">www.federalresources.com</a>	
<b>Partner since:</b>	June 2015	



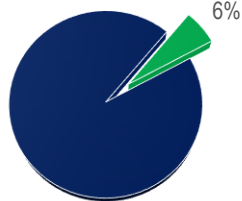
*Kimco*

<b>Business Description:</b>	Kimco and its predecessor companies have been providing route based commercial janitorial services throughout the United States since the 1970's. Kimco is a significant sized service provider in a highly fragmented industry, which is estimated by Kimco management to generate over \$50 billion in annual sales in the United States. Kimco is one of only a small group of businesses in this industry that operates on a national scale. Services are provided in three business segments: commercial/retail, hospitality and malls. The majority of Kimco's revenue is generated under long-term contracts (generally 1 to 3 years). Kimco services more than 375 customers, which range in size from multi-location national customers to regional single site customers.	<p style="text-align: center;"><b>Percentage of Alaris' total revenue</b></p>  <p>A pie chart with a dark blue base and a small green slice representing 6% of the total revenue.</p>
<b>Industry:</b>	Industrials: <i>Commercial Janitorial Services</i>	
<b>Capital Invested:</b>	US\$32.20m (2 tranches)	
<b>Annualized Distribution:</b>	US\$5.09m	
<b>Distribution collar:</b>	+/- 6%	
<b>Year end:</b>	December 31	
<b>Website:</b>	www.kimcoserv.com	
<b>Partner since:</b>	June 2014	

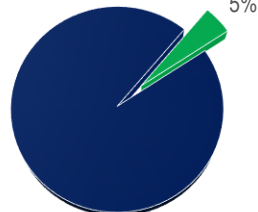
*KMH*

<b>Business Description:</b>	KMH is a Canadian-based privately held healthcare service provider with operations in Canada and the United States. KMH has grown from a single facility in 1988 to become one of the largest provider of Nuclear Cardiology Imaging services in Ontario. KMH has 20 clinics: 12 in Canada and 8 in the United States. KMH's services include Nuclear Medicine, Cardiology, Positron Emission Tomography (PET), and Magnetic Resonance Imaging (MRI) diagnostic services. Physician practice management solutions by KMH further enhance patient care by providing access to specialist consultations and treatment. Patients are referred by physicians, insurance companies, employers and other third party service providers.	<p style="text-align: center;"><b>Percentage of Alaris' total revenue</b></p> <p>Alaris is currently not collecting distributions from KMH as the company works through a strategic process. Therefore, Alaris is not accruing any revenue from KMH at this time.</p>
<b>Industry:</b>	Healthcare: <i>Diagnostic imaging</i>	
<b>Capital Invested:</b>	\$54.80m (5 tranches)	
<b>Annualized Distribution:</b>	\$7.50m	
<b>Distribution collar:</b>	NA	
<b>Year end:</b>	December 31	
<b>Website:</b>	www.kmhlabs.com	
<b>Partner since:</b>	May 2010	

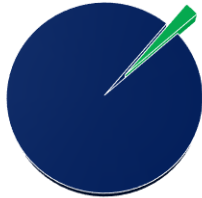
*Labstat*

<b>Business Description:</b>	Located in Kitchener, Ontario, Labstat was established in 1976 and has grown to become one of the largest independent third party tobacco testing companies in the world supporting regulatory testing and research. Labstat tests all forms of tobacco products including cigarettes (mainstream and side stream tobacco smoke), whole tobacco, snus and smokeless tobacco as well as non-tobacco products such as electronic cigarettes. Labstat has carried out hundreds of Health Canada projects and wrote and validated all 45 of the sanctioned tobacco smoke testing methods for Canada; the first country to implement tobacco regulation. These testing methods are now considered to be the worldwide model for tobacco testing regulation. The senior management team of Labstat is comprised of industry recognized scientists and technical staff, who collectively have over 120 years of experience in the industry. Labstat employs between 130 and 160 staff during its peak business. Labstat provides tobacco chemistry and toxicology testing services for tobacco manufacturers, governments, and public and private entities alike. Labstat is a global business with customers in North America, Europe, South America, New Zealand and Asia.	<p style="text-align: center;"><b>Percentage of Alaris' total revenue</b></p> 
<b>Industry:</b>	Industrials: <i>Laboratory testing services</i>	
<b>Capital Invested:</b>	\$47.20m (2 tranches)	
<b>Annualized Distribution:</b>	\$6.00m <sup>(1)</sup>	
<b>Distribution collar:</b>	+/- 6%	
<b>Year end:</b>	December 31	
<b>Website:</b>	www.labstat.com	
<b>Partner since:</b>	June 2012	
<sup>(1)</sup> see MD&A for distribution details. Alaris can receive up to \$7.1 million in 2016.		

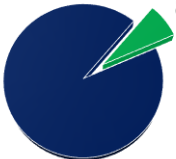
*LMS Reinforcing Steel Group*

<b>Business Description:</b>	LMS is Western Canada's leading concrete reinforcing steel (rebar) fabricator and installer also providing post tensioning, trucking and crane services. As an installer and supplier, LMS has the advantage of having low fixed costs and fixed assets, which allows the company to be profitable during various negative economic scenarios as it can adjust its labour force to match the activity level. LMS fabricates and installs concrete reinforcing rebar and post tensioning services for construction projects primarily in British Columbia, Alberta, Saskatchewan, and Manitoba as well as recent expansion into California. Project types include; (i) Infrastructure Projects - light rail transit, water treatment plants, tunnels, hydro facilities and bridge decks; (ii) Commercial projects - high rise office space, aquatic centers or airport terminals; (iii) Residential - high rise developments; and (iv) Institutional – university residences, hospitals and community centers. LMS has up to 600 employees during peak season. LMS' customers are typically general contractors and or developers.	<p style="text-align: center;"><b>Percentage of Alaris' total revenue</b></p> 
<b>Industry:</b>	Industrials and Materials: <i>Rebar fabrication &amp; installation</i>	
<b>Capital Invested:</b>	\$59.80m (4 tranches)	
<b>Annualized Distribution:</b>	\$4.98m	
<b>Distribution collar:</b>	NA	
<b>Year end:</b>	December 31	
<b>Website:</b>	www.lmsgroup.ca	
<b>Partner since:</b>	April 2007	

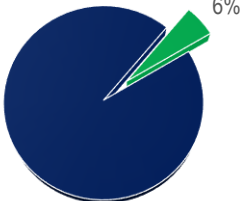
**MAHC**

<b>Business Description:</b>	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 MD and PA, 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. Customers are the patients themselves as well as the managed care (insurance companies) and other payors of medical bills for the patients in which MAHC cares for.	<p style="text-align: center;"><b>Percentage of Alaris' total revenue</b></p>  <p>A pie chart with a dark blue background and a small green slice representing 3% of the total revenue.</p>
<b>Industry:</b>	Healthcare: <i>Skilled Nursing Care Facilities</i>	
<b>Capital Invested:</b>	US\$13.28m	
<b>Annualized Distribution:</b>	US\$1.99m	
<b>Distribution collar:</b>	+/- 5%	
<b>Year end:</b>	December 31	
<b>Website:</b>	www.mahchealth.com	
<b>Partner since:</b>	December 2015	

**Planet Fitness Growth Partners**

<b>Business Description:</b>	PFGP is a franchisee of Planet Fitness® and was founded in 2008 by Victor and Lynne Brick. The Bricks and their management team are well-respected operators in the fitness industry and have over 30 years of experience as owner/operators of fitness clubs on an individual basis. Through its affiliates, PFGP operates over 40 fitness clubs in Maryland, Tennessee, Florida and Washington and has area development agreements ("ADA's") to open over 50 additional Planet Fitness® clubs in those same States. PFGP has grown to become one of the top 3 largest non-corporate affiliated franchisees in the Planet Fitness® system and were awarded (out of over 190 franchisees and over 850 Planet Fitness® clubs) the 2013 Franchisee of the Year, 2014 Developer of the Year for opening the most clubs in a single year and the 2014 Brand Excellence Review winner for having the highest rated clubs in the company according to club inspections conducted by Planet Fitness® Corporate. PFGP has its head office in Timonium, MD, located just outside of Baltimore, MD where it employs over 20 people. PFGP has a very repeatable, predictable and scalable business model and intends to continue to open new clubs in 2016 and beyond and currently employs over 450 individuals company wide. Customers include individuals which want to exercise in the Judgment Free Zone® that Planet Fitness provides.	<p style="text-align: center;"><b>Percentage of Alaris' total revenue</b></p>  <p>A pie chart with a dark blue background and a small green slice representing 8% of the total revenue.</p>
<b>Industry:</b>	Consumer Discretionary: <i>Health &amp; Fitness Clubs</i>	
<b>Capital Invested:</b>	US\$40.00m (2 tranches)	
<b>Annualized Distribution:</b>	US\$6.22m	
<b>Distribution collar:</b>	+/- 5%	
<b>Year end:</b>	December 31	
<b>Website:</b>	NA	
<b>Partner since:</b>	November 2014	

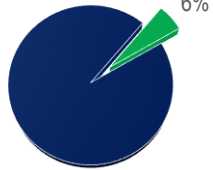
*Providence Industries*

<b>Business Description:</b>	Providence is a leading provider of design, engineering, development, manufacturing and sourcing services for international apparel companies and retailers. The Company utilizes its extensive global network of sourcing and manufacturing partners to provide value-added sourcing excellence to customers, combined with rapid speed to market. In addition, Providence's unique design expertise and focus on innovation enables customers to remain at the forefront of evolving fashion trends. The Company has an experienced management team with significant industry "know-how", which is supported by a talented workforce of over 300 employees. Providence plans to continue to grow with current customers and add new customers that complement its current client and sourcing bases. The Company was founded in 2006 and is headquartered in Long Beach, CA.	<p style="text-align: center;"><b>Percentage of Alaris' total revenue</b></p> 
<b>Industry:</b>	Industrials: <i>Apparel Design, Engineering and Sourcing Services</i>	
<b>Capital Invested:</b>	US\$30.00m	
<b>Annualized Distribution:</b>	US\$4.50m	
<b>Distribution collar:</b>	+/- 5%	
<b>Year end:</b>	December 31	
<b>Website:</b>	www.mydyer.com	
<b>Partner since:</b>	April 2016	


*Sandbox*

<b>Business Description:</b>	Sandbox is a leading advertising and marketing firm with its headquarters' in Chicago, IL and offices in Chicago, Kansas City, Indianapolis, Des Moines, Santa Monica, New York and Toronto. 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. 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 focuses on serving business to business clients primarily in highly specialized industries such as life sciences, agriculture and financial services.	<p style="text-align: center;"><b>Percentage of Alaris' total revenue</b></p> 
<b>Industry:</b>	Business Services: <i>Full Service Marketing and Advertising Agency</i>	
<b>Capital Invested:</b>	US\$22.00m	
<b>Annualized Distribution:</b>	US\$3.30m	
<b>Distribution collar:</b>	+/- 6%	
<b>Year end:</b>	December 31	
<b>Website:</b>	www.sandboxww.com	
<b>Partner since:</b>	March 2016	

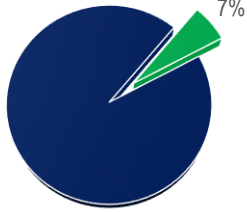
*SCR*

<b>Business Description:</b>	SCR has been providing mining services in the Northern Ontario region since 1994. SCR offers a wide variety of surface and subsurface mining, construction, electrical and mechanical services. SCR is known for their expertise and ability to install, construct, maintain, and recommend the best and most economical solution for a mining project. The company employs over 250 dedicated workers during peak times. The company works with large multi-national mining companies as well as junior producers alike, on a contractual basis.	
<b>Industry:</b>	Industrials: <i>Mining services</i>	<p style="text-align: center;"><b>Percentage of Alaris' total revenue</b></p> 
<b>Capital Invested:</b>	\$40.00m	
<b>Annualized Distribution:</b>	\$6.02m	
<b>Distribution collar:</b>	+/- 6%	
<b>Year end:</b>	December 31	
<b>Website:</b>	www.scrmines.com	
<b>Partner since:</b>	May 2013	

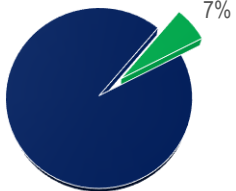
*Sequel Youth and Family Services*

<b>Business Description:</b>	Sequel is a privately owned company founded in 1999 which develops and operates programs for people (mainly youth) with behavioral, emotional, or physical challenges. Sequel offers a broad continuum of treatment options for children, adolescents, and adults. Its treatment options include; long-term residential treatment, short-term impact programs, shelter care, therapeutic group homes, therapeutic foster care, community-based services, in-home services, alternative education programs and psychiatric residential treatment facilities. Sequel's populations include adjudicated youth, children with autism, and children, adolescents and adults with physical disabilities or sexual, substance abuse, emotional, or conduct disorders. Sequel operates in 17 states and serves clients from over 36 states and regions. Sequel has an employee base of over 3,300 full and part time employees. Sequel's customers range from various levels of U.S. Federal and State agencies as well as government sponsored insurance programs and private pay individuals.	
<b>Industry:</b>	Healthcare: <i>Behavioral and mental health services</i>	<p style="text-align: center;"><b>Percentage of Alaris' total revenue</b></p> 
<b>Capital Invested:</b>	US\$73.50m (2 tranches)	
<b>Annualized Distribution:</b>	US\$11.80m	
<b>Distribution collar:</b>	+/- 5%	
<b>Year end:</b>	June 30	
<b>Website:</b>	www.sequelyouthservices.com	
<b>Partner since:</b>	July 2013	

*S.M. Group International*

<b>Business Description:</b>	S.Mi 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. Active in more than 30 countries, S.Mi has over 1,200 professionals and specialists who are dedicated to delivering innovative and fully integrated solutions. S.Mi provides its services to a broad scope of clients including local corporations, multinationals, institutions, as well as government bodies at every level, including state owned enterprises.	<p style="text-align: center;"><b>Percentage of Alaris' total revenue</b></p> 
<b>Industry:</b>	Industrials: <i>Engineering and construction services</i>	
<b>Capital Invested:</b>	\$40.50m (3 tranches)	
<b>Annualized Distribution:</b>	\$6.77m	
<b>Distribution collar:</b>	+/- 6%	
<b>Year end:</b>	December 31	
<b>Website:</b>	www.groupeesm.com	
<b>Partner since:</b>	November 2013	

*Solowave*

<b>Business Description:</b>	Solowave is a manufacturer of residential, ready-to-assemble wooden play centers as well as modular wooden structures for the DIY home owner. Solowave's products are sold under the brand names Big Backyard, Cedar Summit Premium Play Sets and Yardistry. Through new product development, quality and innovation, as well as its decades of experience in the industry, Solowave has established itself as one of the leading manufacturers of wooden play centers worldwide. Solowave has operations in Canada, the United States and Asia, and sells globally in North America, Europe, Australia, the United Kingdom and the United Arab Emirates. Solowave sells its products to major retail dealers such as Toys R Us, Costco, Target, Rona, and Canadian Tire.	<p style="text-align: center;"><b>Percentage of Alaris' total revenue</b></p> 
<b>Industry:</b>	Consumer Discretionary: <i>Outdoor wooden play set manufacturing</i>	
<b>Capital Invested:</b>	\$42.50m (2 tranches)	
<b>Annualized Distribution:</b>	\$6.93m	
<b>Distribution collar:</b>	+/- 6%	
<b>Year end:</b>	October 31	
<b>Website:</b>	www.solowave.com	
<b>Partner since:</b>	December 2010	

**Note:**

Please refer to the Annual Information Form dated March 31, 2016 for more information on Private Company Partners, including, without limitation, how the annualized distribution is calculated.

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## *FINANCIAL HIGHLIGHTS*

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### *Full Year 2015 Highlights (compared to the prior year):*

- ✓ 19.5% increase in revenue from Partners to \$82.8 million
- ✓ 21.5% increase in Normalized EBITDA to \$69.7 million
- ✓ 12.6% increase in net cash from operating activities to \$55.9 million
- ✓ 17.7% increase in dividends paid to \$52.6 million
- ✓ Increased the permanent borrowing capacity on our revolving credit facility to \$200 million from \$90 million to provide more flexibility when funding transactions

### *Per Share Items (compare to prior year)*

- ✓ 7.2% increase in revenue per share from Partner distributions to \$2.44
- ✓ 9.6% increase in Normalized EBITDA to \$2.05
- ✓ 1.2% increase in net cash from operating activities to \$1.65
- ✓ 6.1% increase in dividends paid to \$1.565
- ✓ 8.0% increase in monthly dividend to \$0.135 from \$0.125

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## MANAGEMENT DISCUSSION AND ANALYSIS

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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, and 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](http://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%	2 <sup>nd</sup> 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
<b>Subtotal</b>	<b>\$81,895</b>	<b>\$68,172</b>	<b>+20.1%</b>	
Interest	952	1,135	-16.1%	Interest on promissory notes
<b>Total</b>	<b>\$82,846</b>	<b>\$69,307</b>	<b>+19.5%</b>	

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
<b>EBITDA</b>	<b>\$75,584</b>	<b>\$62,719</b>
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)
<b>Normalized EBITDA</b>	<b>\$69,686</b>	<b>\$57,372</b>

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
<b>Subtotal</b>	<b>\$22,716</b>	<b>\$18,959</b>	<b>+19.8%</b>	
Interest	274	247	+10.9%	Interest on promissory notes
<b>Total</b>	<b>\$22,990</b>	<b>\$19,206</b>	<b>+19.7%</b>	

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
<b>EBITDA</b>	<b>\$25,391</b>	<b>\$17,473</b>
Normalizing Adjustments		
Loss on partner redemption/sale	-	860
Bad debt expense	-	500
Unrealized foreign exchange loss/(gain)	(5,153)	(2,753)
<b>Normalized EBITDA</b>	<b>\$20,238</b>	<b>\$16,080</b>

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 ratio.

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 1<sup>st</sup> 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 1<sup>st</sup> and the remainder on April 1<sup>st</sup> 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
<b>Total Current Assets</b>	<b>\$37,531,647</b>	<b>\$21,102,321</b>
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	-
<b>Total Current Liabilities</b>	<b>\$14,226,123</b>	<b>\$7,004,336</b>
<b>Net Amount at December 31</b>	<b>\$23,305,524</b>	<b>\$14,097,985</b>

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
<b>Total</b>	<b>\$91,673,198</b>	<b>\$12,020,084</b>	<b>\$1,240,243</b>	<b>\$965,796</b>	<b>\$77,447,075</b>

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
	<b>\$3,847,703</b>	<b>\$3,096,932</b>

## 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
<b>Total</b>	<b>\$110,655</b>	<b>\$34,199</b>

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.

## RISKS 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 ratably 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 PRIVATE COMPANY PARTNERS**

*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***

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<i>Referral Loss</i>	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.
<i>Regulatory Environment</i>	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.
<i>Healthcare Reform</i>	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.
<i>Reimbursement Rate Reductions</i>	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***

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<i>Customer Risk</i>	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.
<i>Failure to achieve a positive outcome from the strategic review</i>	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.
<i>Medical Reimbursement Rates</i>	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.

<i>Referral Loss</i>	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.
<i>Supplier Base</i>	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.
<i>Regulation</i>	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.
<i>Foreign Exchange Rate Fluctuations</i>	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**

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<i>Commodity Pricing and Future Exploration and Mine Development</i>	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.
<i>Industrial Accidents</i>	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.
<i>Customer Production Issues</i>	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.
<i>Customer Concentration</i>	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**

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<i>Conducting Business in Countries Prone to Political Instability, Corruption and Civil Unrest</i>	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.
<i>Geographic Revenue Concentration</i>	A significant amount of SMi's revenue is generated in the province of Quebec. SMi's business could be impacted if the Province of Quebec is affected by a prolonged period of stagnant or contracting economic activity; significant or prolonged bad weather or; the implementation of regulations which significantly impacts the industry in which the SMi operates, to name a few.
<i>Quebec's Regulatory Environment</i>	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 (" <b>AMF</b> ") 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.
<i>Balance Sheet</i>	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.
<i>Unethical behavior by Consortium Partners</i>	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.
<i>Failure to replace legacy contracts</i>	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.
<i>Failure to have a positive settlement of outstanding lawsuit</i>	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***

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<i>Exposure to residential development</i>	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 DNT's 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.
<i>Geographic exposure to Austin and San Antonio</i>	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.
<i>Bonding requirements</i>	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.
<i>Seasonality including weather related events</i>	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.
<i>Fixed price contracts</i>	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.
<i>Customer concentration</i>	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, PFGP'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 available on SEDAR at [www.sedar.com](http://www.sedar.com) or under the "Investors" section of the Corporation's website at [www.alarisroyalty.com](http://www.alarisroyalty.com).



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# CONSOLIDATED FINANCIAL STATEMENTS

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Calgary, AB T2P 4B9

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## INDEPENDENT AUDITORS' REPORT

### To the Shareholders of Alaris Royalty Corp.

We have audited the accompanying consolidated financial statements of Alaris Royalty Corp., which comprise the consolidated statement of financial position as at December 31, 2015 and December 31, 2014, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Alaris Royalty Corp. as at December 31, 2015 and December 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants

March 8, 2016  
Calgary, Canada

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		December 31 2015	December 31 2014
<b>Assets</b>			
Cash and cash equivalents		\$20,990,702	\$13,483,524
Prepayments		2,434,451	200,495
Income tax receivable	6	3,528,509	1,866,572
Trade and other receivables		10,577,985	5,551,730
Investment tax credit receivable	6	3,796,888	-
Promissory note receivable	5	11,750,000	8,965,000
<b>Current Assets</b>		<b>53,078,535</b>	<b>30,067,321</b>
Promissory note receivable	5	7,234,945	3,500,000
Deposits	12	11,981,345	1,267,377
Equipment	7	791,942	109,565
Intangible assets	5	6,297,392	6,388,328
Investments at fair value	5	704,109,367	527,641,735
Investment tax credit receivable	6	4,716,919	10,922,393
<b>Non-current assets</b>		<b>735,131,910</b>	<b>549,829,398</b>
<b>Total Assets</b>		<b>\$788,210,445</b>	<b>\$579,896,719</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities		\$2,138,132	\$1,453,661
Dividends payable	8	4,900,869	4,009,045
Foreign exchange contracts	4	5,345,488	1,541,630
Income tax payable	6	1,841,634	-
<b>Current Liabilities</b>		<b>14,226,123</b>	<b>7,004,336</b>
Deferred income taxes	6	19,490,794	7,712,668
Loans and borrowings	9	77,447,075	35,500,000
<b>Non-current liabilities</b>		<b>96,937,869</b>	<b>43,212,668</b>
<b>Total Liabilities</b>		<b>\$111,163,992</b>	<b>\$50,217,004</b>
<b>Equity</b>			
Share capital	8	\$617,626,773	\$498,363,066
Equity reserve		7,525,767	8,858,711
Fair value reserve		1,874,903	(2,637,352)
Translation reserve		27,651,191	7,071,417
Retained earnings		22,367,819	18,023,873
<b>Total Equity</b>		<b>\$677,046,453</b>	<b>\$529,679,715</b>
<b>Total Liabilities and Equity</b>		<b>\$788,210,445</b>	<b>\$579,896,719</b>
Commitments & contingencies	12		
Subsequent events	13		

On behalf of the Board:

Director (signed) "Jack C. Lee"Director (signed) "Mary Ritchie"

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the years ended December 31

	Note	2015	2014
<b>Revenues</b>			
Royalties and distributions	5	\$81,894,788	\$68,170,968
Interest and other	5	951,683	1,134,918
Gain on reduction of partnership interest	5	2,792,457	-
Loss on disposal of partnerships		-	(860,337)
Realized loss on foreign exchange contracts	4	(4,155,100)	(927,614)
Unrealized loss on foreign exchange contracts	4	(3,803,858)	(842,772)
<b>Total Revenue</b>		<b>77,679,970</b>	<b>66,675,163</b>
Salaries and benefits	11	2,822,459	3,621,464
Corporate and office		2,849,447	1,947,484
Legal and accounting fees		2,262,792	2,219,063
Non-cash stock-based compensation	10,11	3,535,268	4,143,549
Bad debts	5	3,570,277	500,000
Permanent impairment of units	5c	20,460,000	-
Depreciation and amortization	7	203,170	110,536
<b>Subtotal</b>		<b>35,703,413</b>	<b>12,542,096</b>
<b>Earnings from operations</b>		<b>41,976,557</b>	<b>54,133,067</b>
Finance costs		3,205,244	2,759,380
Unrealized foreign exchange loss/(gain)		(33,405,320)	(8,476,913)
<b>Earnings before taxes</b>		<b>72,176,633</b>	<b>59,850,600</b>
Deferred income tax expense	6	12,052,333	11,901,005
Current income tax expense	6	2,262,824	(1,099,516)
Total income tax expense	6	14,315,157	10,801,489
<b>Earnings</b>		<b>57,861,476</b>	<b>49,049,111</b>
<b>Other comprehensive income</b>			
Net change in fair value of Preferred Units	5	3,972,055	2,853,470
Net change in fair value of Preferred Units reclassified to earnings	5	2,667,543	-
Tax impact of change in fair value		(2,127,342)	(606,871)
Foreign currency translation differences		20,579,774	5,869,534
<b>Other comprehensive income for the year, net of income tax</b>		<b>25,092,030</b>	<b>8,116,133</b>
<b>Total comprehensive income for the year</b>		<b>\$82,953,506</b>	<b>\$ 57,165,244</b>
<b>Earnings per share</b>			
Basic earnings per share		\$1.70	\$1.61
Fully diluted earnings per share		\$1.68	\$1.58
<b>Weighted average shares outstanding</b>			
Basic		33,960,479	30,446,449
Fully Diluted		34,390,355	31,095,740

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2014

	Notes	Share Capital	Equity Reserve	Fair Value Reserve	Translation Reserve	Retained Earnings	Total Equity
Balance at January 1, 2014		\$413,237,576	\$5,688,079	\$(4,883,951)	\$1,201,883	\$14,515,589	\$429,759,176
<b>Total comprehensive income for the year</b>							
<b>Earnings for the year</b>		-	-	-	-	49,049,111	49,049,111
<b>Other comprehensive income</b>							
Net change in fair value of available-for-sale financial assets	5	-	-	2,853,470	-	-	2,853,470
Tax impact of change in fair value		-	-	(606,871)	-	-	(606,871)
Realized gain on LifeMark redemption		-	-	-	-	-	-
Tax impact on realized gain		-	-	-	-	-	-
Tax impact of change in fair value		-	-	-	-	-	-
Foreign currency translation differences		-	-	-	5,869,534	-	5,869,534
<b>Total other comprehensive income</b>		-	-	2,246,599	5,869,534	-	8,116,133
<b>Total comprehensive income for the year</b>		\$-	\$-	\$2,246,599	\$5,869,534	\$49,049,111	\$57,165,244
<b>Transactions with shareholders of the Company, recognized directly in equity</b>							
<b>Contributions by and distributions to shareholders of the Company</b>							
Non-cash stock based compensation	10	\$-	\$4,143,549	\$-	\$-	\$-	\$4,143,549
Dividends to shareholders	8	-	-	-	-	(45,279,198)	(45,279,198)
Options exercised in the period	8	397,879	(274,142)	-	-	-	123,737
Shares issued after Director RSU vesting	8	698,775	(698,775)	-	-	-	-
Payments in lieu of dividends on RSUs	10	-	-	-	-	(261,629)	(261,629)
Shares issued in the period	8	87,417,135	-	-	-	-	87,417,135
Share issue costs, net of tax	8	(3,388,299)	-	-	-	-	(3,388,299)
<b>Total transactions with Shareholders of the Company</b>		85,125,490	3,170,632	-	-	(45,540,827)	42,755,295
Balance at December 31, 2014		\$498,363,066	\$8,858,711	\$(2,637,352)	\$7,071,417	\$18,023,873	\$529,679,715

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2015

	Notes	Share Capital	Equity Reserve	Fair Value Reserve	Translation Reserve	Retained Earnings	Total Equity
Balance at January 1, 2015		\$498,363,066	\$8,858,711	\$(2,637,352)	\$7,071,417	\$18,023,873	\$529,679,715
<b>Total comprehensive income for the year</b>							
<b>Earnings for the year</b>		-	-	-	-	57,861,476	57,861,476
<b>Other comprehensive income</b>							
Net change in fair value of Preferred Units	5	-	-	3,972,055	-	-	3,972,055
Net change in fair value of Preferred Units reclassified to earnings		-	-	2,667,543	-	-	2,667,543
Tax impact of change in fair value		-	-	(2,127,342)	-	-	(2,127,342)
Foreign currency translation differences		-	-	-	20,579,774	-	20,579,774
<b>Total other comprehensive income</b>		-	-	4,512,256	20,579,774	-	25,092,029
<b>Total comprehensive income for the year</b>		\$-	\$-	\$4,512,256	\$20,579,774	\$57,861,476	\$82,953,505
<b>Transactions with shareholders of the Company, recognized directly in equity</b>							
<b>Contributions by and distributions to shareholders of the Company</b>							
Non-cash stock based compensation	10	-	3,535,268	-	-	-	3,535,268
Dividends to shareholders	8	-	-	-	-	(53,517,530)	(53,517,530)
Options exercised in the period	8	4,443,580	(1,072,605)	-	-	-	3,370,975
Shares issued after RSU vesting	8	3,795,607	(3,795,607)	-	-	-	-
Shares issued in the period	8	115,035,478	-	-	-	-	115,035,478
Share issue costs, net of tax	8	(4,010,958)	-	-	-	-	(4,010,958)
<b>Total transactions with Shareholders of the Company</b>		119,263,707	(1,332,944)	-	-	(53,517,530)	64,413,233
Balance at December 31, 2015		\$617,626,773	\$7,525,767	\$1,874,904	\$27,651,191	\$22,367,819	\$676,046,453

**CONSOLIDATED STATEMENT OF CASH FLOWS****For the year ended December 31**

<b>Cash flows from operating activities</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
Earnings from the year		\$57,861,476	\$49,049,111
Adjustments for:			
Finance costs		3,205,244	2,759,380
Deferred income tax expense	6	12,052,333	11,901,005
Depreciation and amortization	7	203,170	110,536
Bad debts expense	5	3,570,277	500,000
Permanent impairment of units		20,460,000	-
Loss on Quetico redemption		-	860,337
Gain on reduction of partnership interest		(2,792,457)	-
Unrealized loss on foreign exchange contracts		3,803,858	842,772
Unrealized foreign exchange gain		(33,405,320)	(8,476,913)
Non-cash stock-based compensation	10	3,535,268	4,143,549
		<u>68,493,849</u>	<u>61,689,777</u>
Change in:			
-trade and other receivables		(9,758,469)	(6,962,471)
-prepayments		(2,233,956)	(1,342,329)
-trade and other payables		2,526,105	(977,977)
		<u>59,027,529</u>	<u>52,407,000</u>
<b>Cash generated from operating activities</b>		<b>59,027,529</b>	<b>52,407,000</b>
Finance costs		(3,205,244)	(2,759,380)
<b>Net cash from operating activities</b>		<b>\$55,822,285</b>	<b>\$49,647,620</b>
<b>Cash flows from investing activities</b>			
Acquisition of equipment	7	(794,611)	(69,340)
Acquisition of Preferred LP Units	5	(178,150,381)	(107,763,746)
Proceeds from Partner redemptions, reduction of interest		44,300,000	30,386,240
		<u>\$(134,644,992)</u>	<u>\$(77,446,846)</u>
<b>Cash flows from financing activities</b>			
New share capital, net of share issue costs	8	109,580,622	82,795,636
Proceeds from exercise of options	8	3,370,975	123,739
Repayment of debt	9	(150,800,000)	(84,200,000)
Proceeds from debt	9	192,747,075	75,200,000
Promissory notes issued	5	(12,214,850)	(50,000)
Promissory notes repaid	5	5,821,505	3,000,000
Dividends paid	8	(52,625,706)	(44,713,396)
Deposits with CRA		(10,713,968)	-
Payments in lieu of dividends on RSUs		-	(261,630)
		<u>\$85,165,653</u>	<u>\$31,894,349</u>
<b>Net cash used in financing activities</b>		<b>\$85,165,653</b>	<b>\$31,894,349</b>
<b>Net increase in cash and cash equivalents</b>		<b>6,342,946</b>	<b>4,095,123</b>
Impact of foreign exchange on cash balances		1,164,232	390,059
Cash and cash equivalents, Beginning of year		13,483,524	8,998,342
<b>Cash and cash equivalents, End of year</b>		<b>\$20,990,702</b>	<b>\$13,483,524</b>

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# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 1. REPORTING ENTITY:

Alaris Royalty Corporation (the "Company") is a company domiciled in Calgary, Alberta, Canada. The consolidated financial statements of the Company as at and for the year ended December 31, 2015 comprise the Company and its subsidiaries (together referred to as the "Corporation"). The Corporation's Canadian operations are conducted through a partnership. The Corporation's United States operations are conducted through a Delaware Corporation formed on October 21, 2011. The Corporation's operations consist primarily of investments in private operating entities, typically in the form of preferred limited partnership interests, preferred interest in limited liability corporations in the United States, or long-term license and royalty arrangements. The Corporation also has a wholly-owned subsidiary in the Netherlands.

## 2. STATEMENT OF COMPLIANCE:

### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

These consolidated financial statements were approved by the Board of Directors on March 8, 2016.

### (b) Basis of measurement

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

- Investments at Fair Value (Preferred LP units, Preferred LLC units and loan receivable) are measured at fair value with changes in fair value recorded in other comprehensive income
- Derivative financial instruments are measured at fair value

### (c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars which is the Corporation's functional currency. Alaris USA has the United States dollar, while Alaris Cooperatief has the Canadian dollar as the functional currencies.

### (d) Use of estimates and judgments

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

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

#### **Key judgments**

A key judgment relates to the consideration of control, joint control and significant influence. The Corporation has agreements with various partners and these agreements include not only clauses as to distributions but also various protective rights. The Corporation has assessed these rights under IFRS 10 and 11 and determined that consolidation is not required.

#### **Key assumptions used in discounted cash flow projections**

Key assumptions used in the calculation of the fair value of available for sale financial assets are discount rates, terminal value growth rates and annual performance metric growth rates. See note 5 for details in respect of the calculation.

*(2. Statement of Compliance Continued)***Utilization of tax losses**

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

**Income taxes**

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

**3. SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

**(a) Basis of consolidation****(i) Subsidiaries**

Subsidiaries are entities controlled by the Corporation. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

**(ii) Transactions eliminated on consolidation**

Intra-Corporation balances and transactions, and any unrealized income and expenses arising from intra-Corporation transactions, are eliminated in preparing the consolidated financial statements.

**(b) Revenue recognition**

The Corporation recognizes revenue from the distributions and royalties it receives from the private company partners as they become due under the partnership agreement, limited liability corporation agreement, or royalty agreement with each specific partner.

**(c) Financial instruments****(i) Non-derivative financial assets**

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

**Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables are comprised of cash and cash equivalents, and trade and other receivables.

**Cash and cash equivalents**

Cash and cash equivalents are comprised of cash balances and banker's acceptances with original maturities of three months or less.



*(3. Significant Account Policies Continued)***Available-for-sale financial assets**

Investments at Fair Value are non-derivative financial assets that are designated as available for sale or are not classified in any of the previous categories. The Corporation's investments in preferred partnership units, limited liability corporations and the loan receivable from Federal Resources are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income and presented in fair value reserve. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

The Corporation's interest in the partner companies is through ownership of preferred units. The units do not constitute control or significant influence over the businesses as the units are predominantly non-voting (in some cases there are minority voting shares for structuring purposes only). The units do not include any residual benefits and the Corporation has no right to participate in management decisions except in certain instances outside the normal course of business (adding new debt, change of control, extraordinary capital expenses and material acquisitions and divestitures) and the Corporation is not involved in the financial or operating policies of the partner company.

After an exclusive letter of intent has been signed, 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.

**(ii) Derivative financial instruments**

The Corporation holds derivative financial instruments to hedge its foreign currency exposure. The Corporation has entered into forward contracts equal to the monthly and quarterly flow of funds from its investments in the United States. The Corporation matched approximately 100% of the 2016 scheduled distributions to the Canadian parent and between 50% and 75% of the expected 2017 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.

**(d) Share capital****Common shares**

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

**(e) Equipment****(i) Recognition and measurement**

Equipment is measured at cost less accumulated depreciation.

**(ii) Depreciation**

Depreciation is based on the cost of an asset less its residual value. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of the asset. Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

**(f) Intangible assets****(i) Intangible assets**

Other intangible assets that are acquired by the Corporation have finite useful lives and are measured at cost less accumulated amortization and accumulated impairment losses.

*(3. Significant Account Policies Continued)***(ii) Amortization**

Amortization is based on the cost of an asset less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets from the date that they are available for use. Intangible assets held by the Corporation include intellectual property and are amortized over the 80 year life of the license and royalty agreement. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**(g) Impairment****(i) Non-derivative financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

**(ii) Available-for-sale financial assets**

Impairment losses on available-for-sale financial assets are recognized by reclassifying losses accumulated in fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

**(h) Share based payment transactions**

The grant-date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

**(i) Finance costs**

Finance costs comprise interest expense on borrowings and credit facility renewal fees. Borrowing costs that are not directly attributable to the acquisition of a qualifying asset are recognized in profit or loss using the effective interest method.

**(j) Income tax**

Income tax expense comprises current and deferred tax. Current and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

*(3. Significant Account Policies Continued)*

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they related to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**(k) Earnings per Share**

The Corporation presents basic and diluted earnings per share data for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise restricted share units and share options granted to employees.

**(l) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of the Corporation's entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for available for sale equity investments (except on impairment in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to profit or loss) which are recognized in other comprehensive income.

*(3. Significant Account Policies Continued)***(m) Foreign operations**

The assets and liabilities of foreign operations are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as a part of the gain or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

**(n) New standards and interpretations not adopted**

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 consolidated financial statements of the Corporation, except for IFRS 9, Financial Instruments, effective for fiscal years beginning on or after January 1, 2018, which 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 yet been determined.

**4. FINANCIAL RISK MANAGEMENT****Overview**

The Corporation has exposure to the following risks from its use of financial instruments:

- credit risk and other price risk
- liquidity risk
- market risk
- foreign exchange risk

This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

**Risk Management Framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Corporation's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Corporation's risk management policies are established to identify and analyse the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities. The Corporation aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Corporation's Audit Committee oversees how management monitors compliance with the Corporation's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Corporation. The Audit Committee undertakes both regular and *ad hoc* reviews of risk management controls and procedures.

*(4. Financial Risk Management Continued)***Credit Risk and Other Price Risk**

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's investments. Concentrations of credit risk exist when a significant proportion of the Corporation's assets are invested in a small number of individually significant investments, and investments with similar characteristics and/or subject to similar economic, political and other conditions that may prevail. The Corporation's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Corporation's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. No single partner accounted for more than 20% of the Corporation's revenue in the year ended December 31, 2015. Trade receivables are due mostly from three partner companies with approximately half of the outstanding balance over 90 days. SMi is approximately 36% (\$3.6 million) and includes unpaid distributions from July through December 2015 plus accrued interest on short term loans the full amount of which is expected to be paid in 2016. Kimco is approximately 32% (\$3.2 million) and includes unpaid distributions from July through December 2015 which amounts are expected to be paid in 2016. Labstat is approximately 23% (\$2.3 million) and includes the cash flow sweep for 2015 distributions that are expected to be paid prior to April 30, 2016. No allowance for doubtful accounts has been recorded at December 31, 2015 as the Corporation believes that all amounts recorded at December 31, 2015 will be realized.

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

The Corporation is exposed to credit related losses on current and future amounts receivable pursuant to investment agreements. In the event of non-performance by Partners, future royalty and distribution revenue from the investments could be reduced, resulting in impairment of investment values. The investment agreements typically provide that payments are receivable monthly no later than the last day of the month.

Cash and cash equivalents consist of cash bank balances and short-term deposits maturing in less than 90 days. The Corporation manages the credit exposure related to short-term investments by selecting counter parties based on credit ratings and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk such as asset backed commercial paper. The Corporation held cash and cash equivalents of \$20,990,702 at December 31, 2015 (December 31, 2014 - \$13,483,524 which represents its maximum credit exposure on these assets).

The carrying amount of investments, trade and other receivables, promissory notes, and cash and cash equivalents represents the maximum credit exposure. The Corporation does not have an allowance for doubtful accounts as at December 31, 2015.

**Liquidity Risk**

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

Typically the Corporation ensures that it has sufficient cash on hand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. In addition, the

*(4. Financial Risk Management Continued)*

Corporation maintains a \$200 million, four year revolving credit facility, and has \$77.5 million balance drawn at December 31, 2015 (\$35.5 million at December 31, 2014). The Corporation has the following financial instruments that mature as follows:

	<b>Total</b>	<b>0-6 mo</b>	<b>6 mo-1 yr</b>	<b>1-2 years</b>	<b>3-4 years</b>
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
<b>Total</b>	<b>\$ 91,673,198</b>	<b>\$ 12,020,084</b>	<b>\$ 1,240,243</b>	<b>\$ 965,796</b>	<b>\$ 77,447,075</b>

**Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. All such transactions are carried out within the guidelines set by the Risk Management Committee.

**Foreign currency exchange rate risk and commodity price risk**

As a result of the investments in the United States, the Corporation has exposure to foreign currency exchange rate risk. The Corporation purchased forward exchange rate contracts matching the expected distributions in US dollars throughout 2016 and also for between 50% to 75% of the expected distributions in 2017 (notional value of \$46 million USD). The Corporation intends to purchase additional contracts each quarter so that approximately two years of distributions would be hedged against movement in the US Dollar compared to the Canadian dollar. As at December 31, 2015, if the US foreign exchange rate had been 1% lower with all other variables held constant, net income for the year would have been approximately \$85,000 lower, due to lower net income from US operations. An equal and opposite impact would have occurred to net income had foreign exchange rates been 1% higher. Additionally, the Corporation has loans in US dollars (intercompany and one to Federal Resources) that are translated at each balance sheet date with an unrealized foreign exchange gain or loss recorded on the statement of comprehensive income. As at December 31, 2015, if the US foreign exchange rate had been 1% lower with all other variables held constant, net income for the year would have been approximately \$2.5 million lower, due to a smaller unrealized gain in the period. An equal and opposite impact would have occurred to net income had foreign exchange rates been 1% higher. The Corporation had no commodity price risk for the year ended December 31, 2015.

**Interest Rate Risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate fluctuations on its bank debt that bears a floating rate of interest. As at December 31, 2015, if interest rates had been 1% lower with all other variables held constant, net income for the year would have been approximately \$399,500 higher, due to lower interest expense. An equal and opposite impact would have occurred to net income had interest rates been 1% higher. The Corporation had no interest rate swap or financial contracts in place as at or during the year ended December 31, 2015.

**Capital Management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, a 364 day revolving credit facility and retained earnings. The Board of Directors monitors the return on capital as well as the level of dividends to common shareholders.

*(4. Financial Risk Management Continued)*

The Corporation manages capital by monitoring certain debt covenants set out in its credit facility. The Corporation has a maximum senior debt to contracted EBITDA of 1.5:1 (0.9:1 at December 31, 2015). Contracted EBITDA is defined as net income before interest expense, income taxes, depreciation and amortization and non-cash stock-based compensation expenses but the Corporation can include twelve months of revenue from partners that are less than twelve months from closing and must exclude revenue from partners for the portion that was redeemed or repurchased. The Corporation has a fixed charge coverage ratio covenant of 1:1 (1.27:1 at December 31, 2015). Additionally, a minimum tangible net worth requirement of \$450 million is in place (Actual: \$670.7 million at December 31, 2015). Tangible net worth is defined as subordinated debt plus shareholders equity less intangible assets. The Corporation was in compliance with all debt covenants at December 31, 2015. In order to acquire more distributions and royalties, the Corporation can access its credit facility and above that needs to access public equity markets to fund the acquisitions and manage the business within the bank covenants. There were no changes in the Corporation's approach to capital management during the year ended December 31, 2015.

**Fair Value of Financial Instruments**

The Corporation's financial instruments as at December 31, 2015 and December 31, 2014 include cash and cash equivalents, trade and other receivables, promissory note receivable, investments at fair value, foreign exchange forward contracts, accounts payable and accrued liabilities, and loans and borrowings. The fair value of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their carrying amounts due to their short-terms to maturity. Loans and borrowings bear interest at a floating market rate and accordingly the fair market value approximates the carrying value. The fair values of the investments at fair value are estimated using an approach described in note 5.

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

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

The following items shown on the consolidated statement of financial position as at December 31, 2015 and 2014, are measured at fair value on a recurring basis. Discount rates and estimates used to determine changes in future distributions from each investment are the primary inputs in the fair value models and are generally unobservable. Accordingly, these fair value measures are classified as level 3. While there were no transfers in and out of level 3 during the year, the Corporation previously reported its investments as level 2. As there has been no change in the methodology of determining fair value of the investments, the Corporation has retrospectively adjusted the comparative disclosures to show the amounts as though they were level 3 at December 31, 2014.

<b>December 31, 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Foreign exchange contracts	-	(5,345,488)	-	(5,345,488)
Preferred LP and LLC units	-	-	704,109,367	704,109,367
	\$ -	\$ (5,345,488)	\$ 704,109,367	\$ 698,763,879
<b>December 31, 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Foreign exchange contracts	-	(1,541,630)	-	(1,541,630)
Preferred LP and LLC units	-	-	527,641,735	527,641,735
	\$ -	\$ (1,541,630)	\$ 527,641,735	\$ 526,100,105

## 5. INVESTMENTS

### Investments at fair value:

December 31, 2015	Acquisition Cost	Capitalized Cost	Net Cost	Fair Value
LifeMark Health	\$ 19,502,159	\$ 499,894	\$ 20,002,053	\$ 38,467,202
LMS	54,228,822	333,280	54,562,102	33,028,822
Solowave	42,500,000	511,253	43,011,253	50,474,000
KMH	54,800,000	589,147	55,389,147	35,001,153
Labstat	47,200,000	518,944	47,718,944	46,998,944
Agility Health	27,870,660	863,121	28,733,781	27,724,336
SCR	40,000,000	487,339	40,487,339	32,988,339
Sequel	101,915,100	791,701	102,706,801	108,903,516
SMi	40,500,000	717,310	41,217,310	42,617,310
Kimco	44,648,520	1,341,585	45,990,105	45,352,269
Planet Fitness	55,464,000	869,829	56,333,829	58,275,071
DNT	97,062,000	780,566	97,842,566	97,842,566
Federal Resources	9,706,200	1,567,062	11,273,262	11,273,262
MAHC	18,407,116	1,114,882	19,521,998	19,521,998
Capitalized costs	-	176,579	176,579	176,579
Total LP and LLC Units	653,804,577	11,162,492	664,967,069	648,645,367
FR Loan Receivable	55,464,000	-	55,464,000	55,464,000
Total Investments	\$ 709,268,577	\$ 11,162,492	\$ 720,431,069	\$ 704,109,367
<b>December 31, 2014</b>	<b>Acquisition Cost</b>	<b>Capitalized Cost</b>	<b>Net Cost</b>	<b>Fair Value</b>
LifeMark Health	\$ 19,502,159	\$ 499,894	\$ 20,002,053	\$ 36,920,000
LMS	54,228,822	333,280	54,562,102	33,028,822
Solowave	42,500,000	511,253	43,011,253	44,000,000
KMH	54,800,000	589,147	55,389,147	52,001,153
Killick	41,250,000	257,544	41,507,544	44,300,000
Labstat	47,200,000	518,944	47,718,944	46,998,944
Agility Health	23,358,210	723,376	24,081,586	24,081,586
SCR	40,000,000	487,339	40,487,339	40,487,339
Sequel	85,414,350	663,519	86,077,869	86,888,776
SMi	40,500,000	717,310	41,217,310	42,617,310
Kimco	33,933,320	970,317	34,903,637	34,903,637
Planet Fitness	40,673,500	713,855	41,387,355	41,387,355
Capitalized costs	-	26,813	26,813	26,813
	\$ 523,360,361	\$ 7,012,591	\$ 530,372,952	\$ 527,641,735

The difference in the acquisition cost of Agility and Sequel, at December 31, 2015 and December 31, 2014 is due to foreign currency translation. The difference in the acquisition cost of Kimco and Planet Fitness for the same period is due to foreign currency translation as well as follow on contributions.

Assumptions used in fair value calculations:

The Corporation recognizes that the determination of fair value of its investments becomes more judgmental the longer the investment is held. The price the Corporation pays for its investments is fair value at that time. Typically, the risk profile and future cash flows expected from the individual investments change over time. The Corporation's valuation model incorporates these factors each reporting period.



*(5. Investments Continued)*

The Corporation estimated the fair value of the available for sale financial assets (Investments at fair value) by evaluating a number of different methods:

- (a) A going concern value was calculated by calculating the discounted cash flow of the future expected distributions. Key assumptions used include the discount rate used in the calculation and estimates relating to changes in future distributions. For each individual Partner, the Corporation considered a number of different discount rate factors including what industry they operated in, the size of the company, the health of the balance sheet and the ability of the historical earnings to cover the future distributions. This was supported by the historical yield of the original investment, current investing yields, and the current yield of Alaris' publicly traded shares and of other similar public companies. Future distributions have been discounted at rates ranging from 13.25% - 19.50%. All of the investments except as noted below were valued on this basis at December 31, 2015.
- (b) A redemption or retraction value is used when the partner company has indicated to the Corporation that they intend to repurchase the preferred position and was calculated using the formula specified in each of the Partnership agreements alongside an assessment of the likelihood of a redemption of the Preferred Units. The Corporation's investment in LifeMark was valued on this basis at December 31, 2015.
- (c) A liquidation value is used when there is concern around the collection of future distributions and the partner company is in default with the Corporation. The liquidation value is an estimate of the current value of the private company to determine if there would be sufficient value to cover the liquidation amount. If not, the value is reduced to what the calculation estimates may be recovered (the liquidation value). The Corporation's investment in KMH was valued on this basis at December 31, 2015.

*(5. Investments Continued)*

From this analysis, management of the Corporation determined the fair value of the Preferred Units and Loan Receivable for each individual Partner and below is a summary of the fair value adjustments in 2015 and 2014.

	Opening Fair Value	Additions	Disposals	Foreign Exchange Adjustment	Fair Value Adjustment	Closing Fair Value
<b>2015</b>						
LifeMark Health	\$ 36,920,000	\$ 70,202	\$-	\$-	\$ 1,477,000	\$ 38,467,202
LMS	33,028,822	-	-	-	-	33,028,822
Solowave	44,000,000	-	-	-	6,474,000	50,474,000
KMH	52,001,153	-	-	-	(17,000,000)	35,001,153
Killick	44,300,000	-	(44,300,000)	-	-	-
Labstat	46,998,944	-	-	-	-	46,998,944
Agility Health	24,081,586	-	-	4,652,195	(1,009,445)	27,724,336
SCR	40,487,339	-	-	-	(7,499,000)	32,988,339
Sequel	86,888,776	-	-	16,788,644	5,226,095	108,903,516
SMi	42,617,310	-	-	-	-	42,617,310
Kimco	34,903,637	4,341,738	-	6,744,731	(637,836)	45,352,269
Planet Fitness	41,387,355	6,316,419	-	8,630,056	1,941,240	58,275,071
DNT	-	87,836,804	-	10,005,762	-	97,842,566
Federal Resources <sup>1</sup>	-	59,782,456	-	6,954,806	-	66,737,262
MAHC	-	19,626,183	-	(104,185)	-	19,521,998
Capitalized costs	26,813	176,579	(26,813)	-	-	176,579
	<b>\$527,641,735</b>	<b>\$178,150,381</b>	<b>(\$44,326,813)</b>	<b>\$53,672,009</b>	<b>(\$11,027,946)</b>	<b>\$704,109,367</b>
<b>2014</b>						
LifeMark Health	\$ 35,500,000	\$ -	\$-	\$-	\$ 1,420,000	\$ 36,920,000
LMS	32,528,822	-	-	-	500,000	33,028,822
Solowave	32,600,000	10,000,000	-	-	1,400,000	44,000,000
KMH	55,431,198	29,955	-	-	(3,460,000)	52,001,153
Killick	44,800,000	-	-	-	(500,000)	44,300,000
Quetico	29,436,207	-	(29,436,207)	-	-	-
Labstat	39,718,944	6,000,000	-	-	1,280,000	46,998,944
Agility Health	22,064,514	-	-	2,017,072	-	24,081,586
SCR	40,486,389	950	-	-	-	40,487,339
Sequel	70,704,911	8,198,595	-	7,171,800	813,470	86,888,776
SMi	30,717,310	10,500,000	-	-	1,400,000	42,617,310
Kimco	-	32,880,077	-	2,023,560	-	34,903,637
Planet Fitness	-	40,127,355	-	1,260,000	-	41,387,355
Capitalized costs	-	26,813	-	-	-	26,813
	<b>\$433,988,295</b>	<b>\$107,763,745</b>	<b>(\$29,436,207)</b>	<b>\$12,472,432</b>	<b>\$2,853,470</b>	<b>\$527,641,735</b>

<sup>1</sup>Includes the loan receivable

**Intangible Assets:**

The Corporation holds intangible assets in End of the Roll, net of accumulated amortization of \$977,528 (2014 - \$886,592), of \$6,297,392.

*(5. Investments Continued)*

The Corporation recorded royalty and distribution revenue as follows:

<b>Royalties and distributions:</b>	<b>2015</b>	<b>2014</b>
Sequel	\$ 14,796,018	\$ 11,580,201
DNT	8,016,872	-
Planet Fitness	7,207,379	562,805
SMi	6,703,413	5,306,575
Solowave	6,490,055	5,002,716
SCR	6,400,000	6,400,000
Kimco	6,007,416	2,920,205
Labstat	5,574,704	5,843,000
Federal Resources	4,653,448	-
LifeMark Health	4,197,498	4,049,251
LMS	4,167,532	3,374,729
Agility Health	4,075,610	3,583,752
KMH	1,890,000	7,937,611
End of the Roll	1,177,128	1,142,960
Killick	537,715	6,805,339
Quetico	-	3,661,824
	<b>\$ 81,894,788</b>	<b>\$ 68,170,968</b>

As part of being a long-term partner with the companies the Corporation holds preferred interests in, from time to time the Corporation has offered alternative financing solutions to assist with short-term needs of the individual businesses. The terms of the various notes differ: the KMH note is a demand note and payment has been demanded though timing of collection is uncertain; the Labstat note (interest at 7%) is due July 2017; the SMI note is a demand note (interest at 8%) and is expected to be repaid in the next twelve months (SMI has the ability to borrow an additional \$2.75 million under the loan agreement); and the SHS note is secured against certain assets of the SHS business and the Corporation expects to be repaid as a secured creditor out of the current receivership process. Subsequent to December 31, 2015, the Corporation received partial settlement on the SHS note of \$312,500. The remainder is expected to be collected from proceeds remaining from the receivership. No interest is currently being accrued on the KMH and SHS notes. At December 31, 2015, the following is a summary of the outstanding promissory notes:

<b>Partner</b>	<b>2015</b>	<b>2014</b>
<b>Current</b>		
Labstat	\$ -	6,915,000
SHS	1,500,000	2,050,000
SMi	10,250,000	-
Total Current	\$ 11,750,000	\$ 8,965,000
<b>Non-Current</b>		
Labstat	3,734,945	-
KMH	3,500,000	3,500,000
Total Non-current	7,234,945	3,500,000
Total	18,984,945	12,465,000

*(5. Investments Continued)*

## I. Preferred LP Units

## (a) Investment in LifeMark Health Limited Partnership ("LifeMark Health"):

At December 31, 2015, the Corporation holds 6,750,000 preferred units and will receive an annual preferred distribution, in priority to distributions on LifeMark Health's other partnership units. The annual distribution has a guaranteed increase of 4% per year thereafter and distributions are receivable monthly. LifeMark Health is a subsidiary of Centric Health Corporation ("Centric").

The remainder of the units (\$38.4 million) can be repurchased anytime with 30-days notice. The repurchase price will increase 4% per year on each June 9th.

## (b) Investment in Lower Mainland Steel Limited Partnership ("LMS"):

The Corporation holds 542,288 preferred partnership units ("LMS Units") in Lower Mainland Steel (the "LMS Investment").

The LMS Units entitle the Corporation to receive an annual preferred distribution (the "Preferred Distribution") in priority to distributions on LMS' other partnership units. The distribution is adjusted annually based on the percentage increase or decrease in LMS' gross profit (as defined in the LMS Partnership Agreement) for the most recently completed fiscal year. Distributions on the LMS Units are receivable monthly.

Subsequent to December 31, 2015, the Corporation acquired preferred units in a US subsidiary of LMS for \$4.75 million USD.

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

## (c) Investment in KMH Limited Partnership ("KMH"):

The Corporation holds 548,000 preferred partnership units ("KMH Units") in KMH Limited Partnership (the "KMH Investment").

Pursuant to the KMH partnership agreement (the "KMH Partnership Agreement") dated April 27, 2010, the KMH Units entitle the Corporation to receive an annual preferred distribution (the "Preferred Distribution") in priority to distributions on KMH's other partnership units in an amount equal to the Preferred Distribution for the prior fiscal year multiplied by the percentage increase or decrease in KMH's Same Clinic Sales for the previous fiscal year. Distributions on the KMH Units are receivable monthly.

KMH ceased paying distributions to the Corporation in November 2014. KMH has been notified that it is in default of the partnership agreement and a repurchase of the preferred units has been demanded. KMH has been undergoing a strategic process in order to repurchase the units but the process has not been completed and the Corporation is doing everything possible to bring the process to a conclusion.

At December 31, 2015 there is approximately \$0.8 million (December 31, 2014 - \$2.4 million) in trade and other receivables and \$3.5 million (December 31, 2014 - \$3.5 million) in promissory notes owing from KMH, all of which are over 90 days outstanding. During 2015, the carrying value of the KMH investment was reduced to approximately \$35 million (December 31, 2014 - \$52 million). As the reduction in fair value is believed to be a permanent impairment of this investment, the current year reduction (\$17 million) has been recorded in net income along with the previous period reductions (\$3.46 million, \$20.46 million in aggregate) that had been recognized directly in our fair value reserve. No revenue from KMH has been recognized since March 31, 2015. The on-going delay in paying the Alaris distribution resulted in KMH and Alaris evaluating strategic alternatives, which may result in the repurchase or restructuring of this investment. During 2015, \$3.57 million of other receivables from KMH, representing distributions accrued prior to March 31, 2015, were written off.

*(5. Investments Continued)*

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

The Corporation holds 4,250,000 preferred partnership units (“Solowave Units”) in Solowave Design Limited Partnership (the “Solowave Investment”) for an aggregate acquisition cost of \$42.5 million.

Pursuant to the Solowave partnership agreement (the “Solowave Partnership Agreement”) dated December 16, 2010, the Solowave Units entitle the Corporation to receive an annual preferred distribution (the “Preferred Distribution”) in priority to distributions on Solowave’s other partnership units in an amount equal to the preferred distribution for the prior fiscal year multiplied by the percentage increase or decrease in Solowave’s same customer net sales for the previous fiscal year. Distributions on the Solowave Units are receivable monthly.

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

## (e) Investment in Killick Aerospace, LP (“Killick”):

At December 31, 2014, the Corporation held 4,125,000 preferred partnership units (“Killick Units”) in Killick Aerospace Limited Partnership (“Killick”) acquired for an aggregate acquisition cost of \$41.25 million. On January 29, 2015, Killick repurchased those units for \$44.3 million. At the time of redemption, a previously unrecognized pre-tax gain on the value of these partnership units of \$2.79 million was transferred from the fair value reserve in equity to the statement of comprehensive income.

## (f) Investment in Labstat International, LP (“Labstat”):

The Corporation holds 4,720,000 preferred partnership units (“Labstat Units”) in Labstat International Limited Partnership (the “Labstat Investment”) acquired for an aggregate acquisition cost of \$47.2million.

Pursuant to the Labstat partnership agreement (the “Labstat Partnership Agreement”) dated June 9, 2012, the Labstat Units entitle the Corporation to receive an annual preferred distribution (the “Preferred Distribution”) in priority to distributions on Labstat’s other partnership units in an amount equal to the Preferred Distribution for the prior fiscal year multiplied by the percentage increase or decrease in Labstat’s Gross Revenue for the previous fiscal year, subject to a maximum increase or decrease of 6%. Distributions on the Labstat Units are receivable monthly.

In 2013, the Corporation agreed to restructure the form of its distributions for a two year period. Under the Labstat Partnership Agreement, the Corporation would have been entitled to \$6.77 million in distributions in 2014. The Corporation agreed to a reduced fixed portion of the distribution of \$3.42 million (7.25% of the original acquisition cost) with a variable portion in the form of a sweep of 75% of the excess cash flow of the business as long as certain senior lender covenants are met up to a maximum of \$3.35 million. Due to a successful 2015 fiscal year for Labstat, the cash flow sweep along with the reduced fixed portion produced distributions of \$5.57 million in 2015.

In June 2012, the Corporation provided a \$1.25 million demand note (interest at 15.3% per annum) to temporarily bridge financing of the acquisition of the previous owners interest. During 2013, the Corporation provided \$5.665 million in demand notes (interest at 7.0% per annum) to provide additional working capital. Labstat repaid a portion of the notes in 2015 and at December 31, 2015, \$3.735 million remains outstanding.

Labstat has the option at any time after June 9, 2015 to repurchase all (but not less than all) of the Labstat Units at a pre-negotiated premium to the original purchase price.

## (g) Investment in Agility Health, LLC (“Agility Health”):

The Corporation, through its wholly-owned subsidiary Alaris USA Inc., holds 1,810 Class B units and 200 Class C units (“Agility Units”) in Agility Health, LLC, an American corporation acquired for an aggregate acquisition cost of \$20.4 million (Canadian funds).

*(5. Investments Continued)*

Pursuant to the Agility Health LLC agreement (the "Agility LLC Agreement") dated December 19, 2012, the Agility Units entitle the Corporation to receive an annual preferred distribution (the "Preferred Distribution") in priority to distributions on Agility's other units in an amount equal to the Preferred Distribution for the prior fiscal year multiplied by the percentage increase or decrease in Agility's same clinic sales for the previous fiscal year, subject to a maximum increase or decrease of 6%. Distributions on the Agility Units are receivable monthly and are denominated in US dollars.

Agility has the option at any time after December 19, 2015 to repurchase all (but not less than all) of the Agility Units at a pre-negotiated premium to the original purchase price.

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

The Corporation holds 4,000,001 preferred partnership units ("SCR Units") in SCR acquired in 2013 for \$40 million.

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

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

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

On July 1, 2013, the Corporation, through its wholly-owned subsidiary Alaris USA Inc., acquired 810,000 Class C limited liability company units and 92,045 Class D limited liability company units ("Sequel Units") in Sequel Youth Family Services, LLC, an American corporation, for an aggregate acquisition cost of \$73.5 million USD.

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

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

**(j) Investment in SM Group International, LP ("SMi"):**

The Corporation holds 4,050,001 preferred partnership units ("SMi Units") in SMi acquired for an aggregate acquisition cost of \$40.5 million.

Pursuant to the partnership agreement dated November 8, 2013, the SMi Units entitle the Corporation to receive an annual preferred distribution in priority to distributions on SMi's other partnership units in an amount equal to the preferred distribution for the prior fiscal year multiplied by the percentage increase or decrease in SMi's gross revenues for the previous fiscal year. Distributions on the SMi units are receivable monthly.

SMi has the option at any time after November 8, 2016 to repurchase the units at a pre-negotiated premium to the original purchase price.

**(k) Investment Kimco Holdings, LLC ("Kimco"):**

On June 6, 2014, the Corporation, through its wholly-owned subsidiary Alaris USA Inc., acquired 10,000 Class C limited liability company units ("Kimco Units") in Kimco for \$29.2 million USD. On December 21, 2015, an additional 1,028 Class D limited liability company units in Kimco were acquired for \$3 million USD.

Pursuant to the operating agreement dated June 6, 2014, the Kimco Units entitle the Corporation to receive an annual preferred distribution in priority to distributions on Kimco's other LLC units in an amount equal to the preferred distribution for the prior fiscal year multiplied by the percentage increase or decrease in Kimco's gross revenues for the previous fiscal year. Distributions on the Kimco units are receivable monthly.

*(5. Investments Continued)*

Kimco has the option at any time after June 6, 2017 to repurchase the units at a pre-negotiated premium to the original purchase price.

**(l) Investment PF Growth Partners, LLC (“Planet Fitness”):**

On November 25, 2014, the Corporation, through its wholly-owned subsidiary Alaris USA Inc., acquired 1,500,000 Class B and 1 Class D limited liability company units (“Planet Fitness Units”) in Planet Fitness for \$35 million USD.

Pursuant to the operating agreement dated November 25, 2014, the Planet Fitness Units entitle the Corporation to receive an annual preferred distribution in priority to distributions on Planet Fitness’ other LLC units in an amount equal to the preferred distribution for the prior fiscal year multiplied by the percentage increase or decrease in Planet Fitness’ same club revenues for the previous fiscal year. Distributions on the Planet Fitness units are receivable monthly.

On July 1, 2015, the Corporation made a \$5 million USD contribution to current partner Planet Fitness for 500,000 Class C Preferred LLC units. Distributions on the Class C units for the first twelve months are set at \$700,000 USD.

Planet Fitness has the option at any time after November 25, 2017 to repurchase the units at a pre-negotiated premium to the original purchase price.

**(m) Investment in DNT, LLC (“DNT”):**

On June 1, 2015, the Corporation, through its wholly-owned subsidiary Alaris USA Inc., acquired 2,500,000 Class B preferred LLC units, 30,000,000 Class C preferred LLC units, 37,500,000 Class D preferred units and 1 Class E preferred LLC unit (collectively the “DNT units”) in DNT for \$70.0 million USD.

Pursuant to the LLC agreement dated June 1, 2015, the DNT units entitle the Corporation to receive an annual preferred distribution of \$10,500,000 USD in priority to distributions on DNT’s other LLC units in an amount equal to the preferred distribution for the prior fiscal year multiplied by the percentage increase or decrease in DNT’s gross revenues for the previous fiscal year. Distributions on the DNT units are receivable monthly.

DNT has the option at any time after June 1, 2018 to repurchase \$40.0 million USD of the units at a pre-negotiated premium to the original purchase price while \$30.0 million USD of the units are redeemable at par up until June 1, 2018. Any unredeemed units after June 1, 2018 become subject to the pre-negotiated premium.

**(n) Investment in Federal Resources Supply Company (“FR”):**

On June 26, 2015, the Corporation loaned \$40.0 million USD to FR and acquired 10,000 Class C preferred shares in FR for \$7.0 million USD (“FR Preferred Shares”).

Pursuant to the loan agreement dated June 26, 2015, in each fiscal year of the 15 year loan, the Corporation is entitled to receive interest payments of \$7,050,000 USD in priority to distributions on Federal Resources’ other common units. The Corporation is accounting for this loan as an available for sale financial asset. In addition, commencing in January, 2017, the FR Preferred Shares will entitle Alaris 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. Interest payments and future dividends from FR are receivable monthly.

FR has the option at any time after June 26, 2018 to repurchase the units at a pre-negotiated premium to the original purchase price.

**(o) Investment in Mid-Atlantic Health Care, LLC (“MAHC”):**

On December 31, 2015, the Corporation, through its wholly-owned subsidiary Alaris USA Inc., acquired 88,555 Class B preferred LLC units, 114,458.51 Class C preferred LLC units and 1 Class D preferred LLC unit (collectively the “MAHC units”) in MAHC for \$13.275 million USD.

*(5. Investments Continued)*

Pursuant to the LLC agreement dated December 31, 2015, the MAHC units entitle the Corporation to receive an annual preferred distribution of \$1,987,500 USD in priority to distributions on MAHC's other LLC units in an amount equal to the preferred distribution for the prior fiscal year multiplied by the percentage increase or decrease in MAHC's gross revenues for the previous fiscal year. Distributions on the MAHC units are receivable monthly.

The Corporation has agreed to contribute up to an additional US\$14,000,000 to MAHC in exchange for an additional distribution of up to US\$2,000,000. The additional contribution is at the option of MAHC and is expected to close in multiple tranches throughout 2016 and is subject to certain customary closing conditions.

MAHC has the option at any time after December 31, 2018 to repurchase the units at a pre-negotiated premium to the original purchase price.

## II. Intangible Assets

Investment in End of the Roll Carpet and Vinyl ("End of the Roll"):

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

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

**6. INCOME TAX EXPENSE:**

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Corporation's consolidated effective tax rate for the year ended December 31, 2015 was 26.47% (year ended December 31, 2014 – 26.09%). The change in the Corporation's consolidated effective tax rate from 2014 was caused by income being allocated to different provinces than in the prior year.

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

	<b>2015</b>	<b>2014</b>
Earnings before income taxes	\$ 72,176,633	\$ 59,850,600
Combined federal and provincial statutory income tax rate	26.47%	26.09%
Expected income tax provision	\$ 19,105,155	\$ 15,615,022
Rate differences of foreign jurisdictions	(3,457,367)	(2,564,183)
Non-taxable portion of capital gains	(2,137,688)	(1,105,813)
Non-deductible expense and other	1,453,803	498,726
Prior period adjustment	(648,746)	(1,973,493)
Unrecognized deferred tax asset	-	331,230
	<b>\$ 14,315,157</b>	<b>\$ 10,801,489</b>



*(6. Income Taxes Continued)*

Cash taxes paid during the year were \$12,492,285 (2014 - \$3,077,139).

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

	2015	2014
Deferred income tax assets (liabilities):		
Non-capital losses and unclaimed scientific research and development expenses ("SRED")	\$ 1,330,848	\$ 3,735,552
Equipment	(4,095)	16,519
Share issue costs	3,040,449	2,857,765
Intangible assets	(1,716,357)	(1,702,303)
Investment tax credits	(2,893,398)	(2,849,668)
Preferred partnership units	(16,257,183)	(4,496,644)
Partnership deferral	(1,581,013)	(3,928,534)
Investment in sub or other items	3,584,307	-
Derivatives	(3,468,179)	(816,709)
Foreign exchange on loan receivable	(765,561)	-
Distributions to be taxed in future years	(760,612)	(528,646)
	\$ (19,490,794)	\$ (7,712,668)

As at December 31, 2015, the Corporation has unused federal investment tax credits which expire from time to time as follows:

2020	\$ 1,434,252
2021	1,295,097
2022	3,296,237
2023	1,840,597
2024	647,624
	\$ 8,513,807

<b>Movement in deferred tax balances during the year</b>	<b>Deferred Income Taxes</b>
Balance at January 1, 2014	\$ 3,785,015
Recognized in profit and loss	(11,901,005)
Recognized directly in equity	1,233,239
Recognized in other comprehensive income	(606,871)
Currency translation and other	(223,046)
Balance at December 31, 2014	\$ (7,712,668)
Recognized in profit and loss	(12,052,333)
Reduction to investment tax credit	2,408,586
Recognized directly in equity	1,443,900
Recognized in other comprehensive income	(2,127,342)
Currency translation and other	(1,450,937)
Balance at December 31, 2015	\$ (19,490,794)

*(6. Income Taxes Continued)*

Remaining investment tax credits of \$8.5 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.

Alaris is currently being audited by the Canada Revenue Agency (“CRA”) and anticipates that the legal proceedings through the CRA and tax courts will take considerable time to resolve. Alaris’ aggregate total assessed tax liability (including interest) is estimated to be approximately \$34.2 million (see table below) and the total aggregate deposits Alaris would be required to pay in order to contest such reassessments is estimated to be approximately \$13 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 pay the maximum amount of all tax liabilities it could incur if it was reassessed on all of its tax filings to date and if these reassessments were ultimately upheld through the tax adjudication process.

Tax Year	Losses Applied	Estimated tax and interest
July 2009	\$10,532,000	\$4,108,000
December 2009	1,916,000	719,000
December 2010	14,646,000	5,273,000
December 2011	14,992,000	4,908,000
December 2012	16,774,000	4,947,000
December 2013	22,642,000	6,286,000
December 2014	29,153,000	7,958,000
	<b>\$110,655,000</b>	<b>\$34,199,000</b>

**7. EQUIPMENT:**

Equipment consists of leasehold improvements, furniture and fixtures, and computer equipment. The amounts are net of accumulated depreciation of \$301,111 (December 31, 2014 - \$188,878). During the year ended December 31, 2015, the Corporation acquired assets with a cost of \$794,611 (2014 - \$69,340). The additions in the current year were predominantly leasehold improvements at new office space the Corporation moved into in July 2015.

**8. SHARE CAPITAL:**

<b>Issued Common Shares</b>	<b>Number of Shares</b>	<b>Amount</b>
Balance at January 1, 2014	28,693,694	\$413,237,576
Issued by short form prospectus	3,274,050	87,417,135
Short form prospectus costs, net of tax	-	(3,388,299)
Issued after director RSU vesting	26,250	698,775
Options exercised in the period	78,364	123,737
Fair value of options exercised in the period	-	274,142
Balance at December 31, 2014	32,072,358	\$498,363,066
Issued after RSU vesting	170,585	3,795,607
Issued by short form prospectus	3,771,655	115,035,478
Short form prospectus costs, net of tax	-	(4,010,958)
Options exercised in the period	288,138	3,956,988
Fair value of options exercised in the period	-	486,592
Balance at December 31, 2015	36,302,736	\$617,626,773

The Corporation has authorized, issued and outstanding, 36,302,736 voting common shares as at December 31, 2015.

	<b>2015</b>	<b>2014</b>
Weighted average shares outstanding, basic	33,960,479	30,446,449
Effect of outstanding options	186,024	384,881
Effect of outstanding RSUs	243,852	264,410
Weighted average shares outstanding, fully diluted	34,390,355	31,095,740

760,601 options were excluded from the calculation as they were anti-dilutive at December 31, 2015.

**Dividends**

The following dividends were declared and paid in the month following by the Corporation:

In each of the first five months of 2015, the Corporation declared a dividend of \$0.125 per common share; for June the Corporation declared a dividend of \$0.13 per common share; and for July through December the Corporation declared a dividend of \$0.135 per common share (\$1.565 per common share and \$53,517,530 in aggregate). For the year ended December 31, 2014, dividends of \$1.475 per share and \$45,279,198 in aggregate were declared.

**9. DEBT:**

In November 2015, the Corporation agreed to a new \$200,000,000 secured revolving credit facility with a syndicate of Canadian chartered banks. This expanded facility (previously \$90 million 365 day revolving facility) will allow the Corporation to carry up to 1.5x EBITDA in debt over the four year term while keeping the remainder available for new transactions. The four year revolving facility has no amortization, the annual fees were reduced and the interest rate is 0.50% lower than the current facility.

Interest is payable at the lenders' prime rate plus 2.25% (4.95% at December 31, 2015). There are financial covenants under this facility and at December 31, 2015, the Corporation is in compliance with each of the covenants.

<b>Total Debt Continuity</b>	<b>Amount</b>
Balance at January 1, 2015	\$ 35,500,000
Senior debt repayment, January 2015	(35,500,000)
Senior debt advance, May 2015 (DNT)	85,000,000
Senior debt repayment, June 2015 (FR & follow on)	72,000,000
Senior debt repayment, July 2015	(115,300,000)
Senior debt advance, October 2015 (SM)	5,000,000
Senior debt advance, November 2015 (Kimco, facility fees)	6,247,075
Senior debt advance, December 2015 (MAHC, SM)	24,500,000
Balance at December 31, 2015	\$ 77,447,075

**10. SHARE-BASED PAYMENTS:**

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

The RSU Plan will settle in voting common shares which may be issued from treasury or purchased on the Toronto Stock Exchange. The Corporation has reserved 648,386 and issued 243,852 RSUs to management and Directors as of December 31, 2015. The RSUs issued to directors vest over a three-year period. The RSUs issued to management (186,580) do not vest until the end of the three year period (41,619 in July 2016; 12,681 in August 2017, and 132,280 in July 2018) and are subject to certain performance conditions relating to operating cash flow per share. The stock-based compensation expense relating to the RSU Plan is based on the issue price at the time of grant and management's estimate of the future performance conditions and was amortized over the thirty-six month vesting period.

For the year ended December 31, 2015, the Corporation incurred stock-based compensation expenses of \$3,535,268 (2014 - \$4,143,549) which includes: \$2,340,386 (non-cash expense) for the RSU Plan expense that is to be amortized over the thirty-six month vesting period of the plan (2014 - \$1,974,904); and \$1,194,882 (non-cash expense) for the amortization of the fair value of outstanding stock options (2014 - \$2,168,644). The Corporation has reserved 2,223,305 and issued 1,966,484 options that vest over a four-year period and expire in five years. The options outstanding at December 31, 2015, have an exercise price in the range of \$11.56 to \$33.87 and a weighted average contractual life of 2.87 years (2014 - 2.95 years).

## (10. Share Based Payments Continued)

	Weighted Avg Exercise Price 2015	Number of Options 2015	Weighted Avg Exercise Price 2014	Number of Options 2014
Outstanding at January 1	\$28.58	1,955,357	\$23.67	1,748,998
Exercised during the year	\$15.08	(357,947)	\$10.90	(115,250)
Forfeited during the year	\$29.37	(169,773)	-	-
Granted during the year	\$24.78	538,847	\$31.29	321,609
Outstanding at December 31	\$26.93	1,966,484	\$28.58	1,955,357
Exercisable at December 31	\$25.67	843,657	\$20.62	841,241

The following table summarizes the options outstanding and exercisable as at December 31, 2015:

Exercise price	Number outstanding	Weighted average remaining life (years)	Number exercisable
\$11.56	1,250	0.00	1,250
\$15.48	65,750	0.59	65,750
\$16.87	123,025	0.95	123,025
\$23.53	432,011	1.68	324,008
\$33.87	512,895	2.57	256,448
\$26.79	45,000	3.05	11,250
\$31.15	227,706	3.59	56,927
\$33.06	20,000	3.59	5,000
\$24.78	538,847	4.50	-
	1,966,484	2.87	843,658

The fair value of the options was calculated using a Black-Scholes model with the following assumptions:

	Dividend Yield	Expected Volatility	Risk Free Rate of Return	Expected Life	Weighted Average Value
Dec 2010	8.72%	51.79%	2.23%	4.325	\$2.5887
Aug 2011	6.68%	46.49%	1.61%	4.325	\$3.5070
Dec 2011	6.79%	45.08%	1.16%	4.325	\$3.5666
Sept 2012	5.12%	37.73%	1.27%	4.325	\$4.7096
July 2013	4.25%	31.68%	1.58%	4.325	\$6.1073
Jan 2014	5.56%	26.60%	1.56%	4.325	\$3.3514
Aug 2014	4.82%	25.82%	1.46%	4.325	\$4.1461
Sept 2014	4.54%	25.65%	1.68%	4.325	\$4.6295
July 2015	6.51%	25.01%	0.96%	4.325	\$2.2472

**11. RELATED PARTIES:**

The Corporation has a wholly-owned subsidiary, Alaris Cooperatief, U.A., a cooperative in The Netherlands. The Corporation also has a wholly-owned subsidiary, Alaris USA Inc, a Delaware Corporation. All intercompany loans, interest and dividends have been eliminated upon consolidation.

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
Non cash stock-based compensation	2,611,211	911,245
	<u>\$3,847,703</u>	<u>\$3,096,932</u>

**12. COMMITMENTS & CONTINGENCIES:**

In 2009, the Corporation signed a seven-year lease that commenced December 1, 2009, ending November 30, 2016. In December 2014, the Corporation signed a five-year lease at a new location as the Corporation has outgrown the current space. The Corporation's annual commitments, net of sub lease revenue from the 2009 lease, under both leases are as follows:

2016	\$	484,832
2017		410,494
2018		421,033
2019		431,572
2020		215,786
	<u>\$</u>	<u>1,963,717</u>

**Income taxes**

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.

**13. 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 1<sup>st</sup> 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.

### *Directors*

Jack C. Lee, Chairman of the Board of Directors  
Audit Committee

Steve King, Director  
President and Chief Executive Officer

John P. Budreski, Director  
Corporate Governance & Compensation Committee

Mitch Shier, Director  
Corporate Governance & Compensation Committee

Mary Ritchie, Director  
Chair – Audit Committee

Gary Patterson, Director  
Audit Committee

Bob Bertram, Director  
Corporate Governance & Compensation Committee,  
Audit Committee

### *Officers*

Steve King  
President and Chief Executive Officer

Darren Driscoll  
Chief Financial Officer

Rachel Colabella  
Chief Legal Officer, Corporate Secretary

Gregg Delcourt  
Senior Vice President, Small Cap Investments

Curtis Krawetz  
Vice President Investments and Investor Relations

Mike Ervin  
Vice President Legal

Amanda Frazer  
Vice President Investments

Dan Bertram  
Vice President Business Development

Devin Timberlake  
Vice President Business Development



Additional information relating to the Corporation, including all public filings, is available on SEDAR ([www.sedar.com](http://www.sedar.com))

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