MANAGEMENT DISCUSSION AND ANALYSIS

This management's discussion and analysis ("**MD&A**") should be read in conjunction with the unaudited financial statements for the three and nine months ended September 30, 2010 and September 30, 2009, and the audited annual financial statements for the years ended December 31, 2009 and December 31, 2008 for Alaris Royalty Corp., ("**Alaris**" or the "**Corporation**"). The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles ("**GAAP**"). Certain dollar amounts in the MD&A have been rounded to the nearest thousands of dollars.

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

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

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

The Corporation has provided a reconciliation of net income to EBITDA and working capital to Available Working Capital in this MD&A. These Non-GAAP measures should only be used in conjunction with the Corporation's annual audited statements, excerpts of which are available below, while complete versions are available on SEDAR at www.sedar.com.

OVERVIEW

The Corporation earns its revenues by providing capital to private businesses (individually, a "**Private Company Partner**" and collectively the "**Partners**"). The Corporation's revenue consists of royalties and preferred distributions ("**Distributions**") received in regular monthly payments that are contractually agreed to between the Corporation and each Private Company Partner. These payments are set for twelve months at a time and adjusted annually based on the audited performance of each Private Company Partner's gross revenue, gross margin, same store sales, or other similar "top-line" performance measure. The Corporation has limited general and administrative expenses with only seven employees.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2010 Compared to Three Months Ended September 30, 2009

Revenues for the three months ended September 30, 2010 reflect Distributions from transactions involving each of Alaris' five Partners for that period. In this period, revenues from the Partners totaled $4.2 million compared to $4.3 million in the three months ended September 30, 2009. The decrease of 3.9% compared to the prior period is a result of year over year performance metric adjustments from each of the Partners. Revenues from LifeMark Health Limited Partnership ("**LifeMark**") were $2,938,142 compared to $2,002,245 in the same prior year period, an increase of 46.7%. 4.5% of that increase can be attributed to the same clinic sales increase that increased distributions from LifeMark effective January 1, 2010 and the remainder of the increase is due to further transactions Alaris completed with LifeMark on July 30, 2009, October 22, 2009 and May 18, 2010. LifeMark's same clinic sales results of 5.6% in 2008 and 4.5% in 2009 would indicate the physiotherapy business is not economy dependent as people will continue to get hurt and require rehabilitative services. Revenues from LMS Reinforcing Steel Group ("**LMS**") were $386,514 in the period compared to $1,733,250 in the prior year period, a decrease of 77.7% due to the year over year performance adjustment based on the change in gross profit for LMS effective Jan 1, 2010. The decline a direct result of the significant economic challenges across North America which resulted in reduced production volumes from cancelled projects and reduced margins. Revenues from End of the Roll Carpet & Vinyl ("**End of the Roll**") were $323,057 in the year compared to $308,364 in the prior year, an increase of 4.8% as a result of the timing of the "catch-up" for the previous year's same store sales adjustment. End of the Roll recently reported a same store sales adjustment to the annual royalty of +0.5% effective May 1, 2010. Revenues from MEDIchair Ltd. ("**MEDIchair**") were $298,610 in the period compared to $290,955 for the prior year, an increase of 2.6%. Strong demographics supported what was otherwise a very challenging year for retailers. MEDIchair sells home mobility products to seniors and disabled individuals and historically doesn't see significant fluctuations in its business. Distributions from KMH Limited Partnership ("**KMH**") commenced in April 2010 and were $218,750 in the period. See "Private Company Partner Update" for more information on the individual Partners' performance.

Interest expense of $307,642 in the period was 42% lower compared to $532,529 in the prior year period because of lower senior debt and subordinated debt levels. Since September 30, 2009, $3,800,000 of senior debt and $5,300,000 of subordinated debt was repaid.

In the three months ending September 30, 2010, the Corporation recorded non-cash stock based compensation expenses totaling $444,500 (2009 – ($103,551)) that included: $384,400 to amortize the fair value of the Corporation's restricted share unit plan (the "RSU Plan") (2009 – ($150,000)); $25,000 to recognize the fair value of outstanding stock options (2009 – $16,929); and $35,100 to recognize the fair value of shares issued to management in lieu of dividends under the RSU Plan (2009 - $29,520). Also in the quarter, the Corporation made cash payments based on current dividend rates of $57,378 to employees and directors in lieu of dividends under the RSU Plan (2009 - $49,163). Salaries and benefits were $204,787 in the quarter, down 1.1% compared to the prior year period due to lower benefit claims in the period. There were no bonuses or salary adjustments in this period.

Corporate and office expenses were $131,271 compared to $88,402 in the prior year and include office rent, travel and corporate administrative expenses. The 48% ($42,869) increase was due mostly to the new office lease which is at higher rates than the previous five year lease that expired June 30, 2009. Travel and associated costs increased in the quarter due to increased deal flow. Additionally, TSX fees and other regulatory administrative expenses increased along with the market capitalization of the Corporation compared to the prior year period.

Legal and accounting expenses were $118,446 for the three months ended September 30, 2010 compared to $111,315 for the prior year period. The 6.0% increase is due to consulting fees paid in the quarter relating to a one-time project.

Amortization and depreciation include the amortization of the intangible assets and the depreciation of capital assets. The Corporation amortizes its intangible assets over the term of the licensing agreement and depreciates capital assets over the estimated useful lives. The Corporation does not amortize preferred interests in limited partnerships. Since these transactions are treated as financial instruments, they are assessed for objective evidence of impairment at each balance sheet date. The Corporation recorded depreciation of $4,303 and amortization of $43,308 in the three months ended September 30, 2010. Depreciation was lower than in the prior year quarter as the Corporation's office lease for its former space expired June 30, 2009 and there were some leasehold improvements being depreciated up until that date. Amortization was identical to amounts recorded in the third quarter of 2009.

The Corporation recorded net income of $2.8 million and EBITDA of $3.2 million for the three months ended September 30, 2010 compared to net income of $3.3 million and $4.0 million of EBITDA for the three months ended September 30, 2009. The decrease in net income and EBITDA can be attributed to the decline in the LMS distributions partially offset by an increase in the LifeMark distributions and new distributions from KMH. Additionally, there was a recovery of previously expensed non-cash stock based compensation expenses in the third quarter of 2009 that resulted in a $548,051 decrease in that line item in the quarter. The expenses of the Corporation did not change materially from the prior year period.

Reconciliation of Net Income to EBITDA (thousands)	**3 months ending September 30, 2010**	**3 months ending September 30, 2009**
Net Income	$2,808	$3,349
Adjustments to Net Income:		
Amortization	48	48
Interest	308	533
Income tax expense	45	53
EBITDA	**$3,209**	**$3,983**

For the three months ending September 30, 2010, dividends were declared in each month at $0.08 per common share (voting and non-voting) totalling $3,312,575 for the quarter. In the prior year, dividends were declared for each month at $0.07 per common share, and there were fewer shares outstanding, totalling $1,917,362 for the prior year quarter.

Cash held at September 30, 2010 of $1.5 million was used to satisfy the dividend declared in September 2010 (payable October 15, 2010).

The Corporation has a $25 million senior debt facility with a two-member Canadian bank syndicate, which was drawn to $19.7 million at September 30, 2010. Interest is paid monthly at the lenders' prime rate plus three percent per annum (6.0% at September 30, 2010). The Company repaid $950,000 in the quarter. No further principal repayments are contemplated at this time. At September 30, 2010, the Corporation also had a $1.2 million demand subordinated debt facility owing to a company controlled by the Corporation's largest shareholder. Interest is paid monthly at 13% per annum.

The Corporation has recorded a $21.8 million net future income tax asset on its balance sheet to reflect the accounting value of unused tax pools based on the Corporation's internal projections. An offsetting liability has been recorded as a deferred credit for the amount of the tax asset less the fair value of the shares held by the shareholders of the Corporation prior to July 31, 2008.

Nine Months Ended September 30, 2010 Compared to Nine Months Ended September 30, 2009

Revenues for the nine months ended September 30, 2010 reflect distributions from transactions involving each of Alaris' five Partners for that period. In this period, revenues from the Partners totaled $12.3 million compared to $13.3 million in the nine months ended September 30, 2010. The decrease of 7.7% compared to the prior period is a result of year over year performance metric adjustments from each of the Partners. Revenues from LifeMark were $8,375,449 compared to $5,945,128 in the same prior year period, an increase of 40.9%. 4.5% of that increase can be attributed to the same clinic sales increase and the remainder is due to further transactions Alaris completed with LifeMark in the second half of 2009 and in May 2010. Revenues from LMS were $1,612,328 in the period compared to $5,376,757 in the prior year period, a decrease of 70% due to the year over year performance adjustment based on the change in gross profit for LMS effective Jan 1, 2010. Revenues from End of the Roll were $1,032,528 in the year compared to $1,074,617 in the prior year, a decrease of 3.9%, the net result of a same store sales decrease to the annual royalty of -7.4% effective May 1, 2009 and a same store sales increase of 0.5% effective May 1, 2010. Revenues from MEDIchair were $888,116 in the period compared to $879,312 for the prior year period. Revenues from KMH started in April 2010 and were $345,139 in the period. See "Private Company Partner Update" for more information on the individual Partners' performance.

Interest expense of $1,176,634 in the period was lower compared to $1,641,490 in the prior year period because of lower senior debt and subordinated debt levels. During the nine months ended September 30, 2010, $2,850,000 of senior debt and $5,300,000 of subordinated debt was repaid.

In the nine months ending September 30, 2010, the Corporation recorded non-cash stock based compensation expenses totaling $1,330,500 (2009 - $764,269) that included: $1,153,200 to amortize the fair value of the RSU Plan (2009 – $608,800); $75,000 to recognize the fair value of outstanding stock options (2009 – $51,561); and $102,300 to recognize the fair value of shares issued to management in lieu of dividends under the RSU Plan (2009 - $103,908). Also in the period, the Corporation made cash payments based on current dividend rates of $164,969 to employees and directors in lieu of dividends under the RSU Plan (2009 - $172,191). Salaries and benefits were down 4.4% compared to the prior year period due to a reduced role taken by one of the Corporation's employees and were $628,612 in the period. There were no bonuses or salary adjustments in the period.

Corporate and office expenses were $467,226 compared to $353,354 in the prior year and include office rent, travel and corporate administrative expenses. The 32.2% ($113,872) increase was due mostly to the new office lease which is at higher rates than the previous five year lease that expired June 30, 2009. Travel and associated costs increased in 2010 with increased deal flow. Additionally, TSX fees and other regulatory administrative expenses increased along with the market capitalization of the Corporation compared to the prior year period.

Legal and accounting expenses were $321,217 for the nine months ended September 30, 2010 compared to $359,573 for the prior year period. The 10.7% decline is due to higher than normal professional fees in the prior year period as a result of the first audit as a public entity and other special accounting engagements in 2009.

The Corporation recorded depreciation of $12,072 (2009 - $31,444) and amortization of $129,925 (2009 - $129,925) in the nine months ended September 30, 2010. Depreciation was higher in 2009 due to depreciation of leasehold improvements under the office lease that expired in June 2009.

The Corporation recorded net income of $7.9 million and EBITDA of $9.3 million for the nine months ended September 30, 2010 compared to net income of $8.9 million and $11.0 million of EBITDA for the nine months ended September 30, 2009. The decrease in net income and EBITDA can be attributed to the decline in the LMS distributions partially offset by an increase in the LifeMark distributions and new contributions from KMH. Additionally, there was a recovery of previously expensed non-cash stock based compensation expenses in the third quarter of 2009 that resulted in a $566,231 decrease in that line item in the quarter. The expenses of the Corporation did not change materially from the prior year period.

Reconciliation of Net Income to EBITDA (thousands)	9 months ending September 30, 2010	9 months ending September 30, 2009
Net Income	$7,886	$8,887
Adjustments to Net Income:		
Amortization	142	161
Interest	1,177	1,641
Income tax expense	139	283
EBITDA	**$9,344**	**$10,972**

For the nine months ending September 30, 2010, dividends were declared for January and February at $0.07 per common share and for March through September it was increased to $0.08 per common share (voting and non-voting) totalling $9,007,666 for the period. In the prior year, dividends were declared for January and February at $0.12 per common share and reduced to $0.07 per common share in March through September 2009 totalling $6,662,782 for the prior year period.

PRIVATE COMPANY PARTNER UPDATE

The Corporation's interest in each of the Partners consist of a preferred partnership interest or ownership of intellectual property with a return based on a formula linked to a top-line metric (sales or gross profit) rather than a residual equity interest in the net earnings of such entities. The Corporation's role with each of the Partners is passive in all cases. The Corporation has no involvement in the day to day business of each Private Company Partner and has no rights to participate in management decisions. The Corporation does not have any significant influence over any of the Partners nor does it have the ability to exercise control over such Partners. Instead, the Corporation has certain restrictive covenants in place designed to protect the ongoing payment of the annual royalties and distributions payable to Alaris. In addition, the Partners are required to obtain the consent of Alaris in certain circumstances prior to entering into a material transaction. Such transactions generally include acquisitions & divestitures, major capital expenditures and incurring additional indebtedness.

LifeMark – Same clinic sales is the top-line performance metric on which the annual distributions to the Corporation are reset. Same clinic sales for LifeMark increased by 4.5% and 5.6% in the previous two fiscal years as the services provided by LifeMark were not negatively impacted by the economy. Physiotherapy and rehabilitation services have not historically seen any significant year over year swings as people will continue to get injured and require the services that LifeMark provides. Additionally, LifeMark continues to add new services to clinics it has recently acquired. LifeMark has over 100 clinics across Canada, a strong balance sheet and is well positioned to continue consolidating a fragmented industry. Based on unaudited internal financial statements provided by LifeMark's management for the eight months ended August 31, 2010, total revenues have increased over 19% and EBITDA has increased over 21% compared to the prior year period. The revenue growth includes acquisition growth. Same clinic sales results year to date are modestly positive.

LMS – LMS continues to recover from a challenging 2009 fiscal year. Volumes have increased by an average of 17% per month in the past six months and will continue to improve based on work on hand and recent project bidding activity. Based on unaudited internal financial statements provided by LMS' management for the eleven months ended August 31, 2010 (LMS' year end is September 30), sales volumes are down 45% (due in large part to significant road restrictions leading up to, during and shortly after the Vancouver Olympics), but total gross profit dollars are 7% ahead of the prior year period as gross margin percentages have increased significantly compared to the prior year. Total gross profit is the top-line performance metric on which the annual distributions to the Corporation are reset. A portion of the annual distributions from LMS are reset on January 1, 2011 and the remainder on April 1, 2011 based on the September 2010 results. EBITDA is also higher in 2010 compared to the first eleven months of 2009. LMS management expects continued improvement for the remainder of 2010 and into 2011.

End of the Roll – End of the Roll recently finished its fifth fiscal year as an Alaris partner on April 30, 2010. Based on unaudited internal financial statements provided by End of the Roll's management for the year ended April 30, 2010, total revenues have increased over 7% and EBITDA has increased over 10% compared to the prior year period. Same store sales results are the top-line performance metric on which the annual payments to the Corporation are reset. Same store sales for End of the Roll increased 0.5% for the year ended April 30, 2010.

MEDIchair – MEDIchair experienced a same store sales decrease of 1.9%, the first decline in its operating history, effective October 1, 2009. Retail sales numbers were generally down significantly across North America but MEDIchair's business was and continues to be buoyed by strong demographics and operating in a "need" business - providing home mobility products for the elderly and disabled - the main driver for the same store sales performance, which is the top-line performance metric that the annual payments to the Corporation are reset. MEDIchair is wholly owned by LifeMark and reports to Alaris on a consolidated basis.

KMH - On April 27, 2010, the Corporation announced the purchase of preferred partnership units in KMH Limited Partnership for an aggregate acquisition cost of $5 million. KMH is a private healthcare company operating eight diagnostic clinics (nuclear medicine, cardiology and MRI) in Ontario. Distributions on the KMH preferred units will be $875,000 in the first twelve months. Based on unaudited internal financial statements provided by KMH's management for the nine months ended August 31, 2010, total revenues have increased approximately 2% and EBITDA is slightly below last year's figures. Same clinic sales is the top-line performance metric on which the annual distributions to the Corporation are reset. Same clinic sales for KMH averaged over 6% in the past two fiscal years.

Liquidity and Capital Resources

The Corporation has a $25 million senior credit facility ($19.7 million drawn at September 30, 2010) provided by two Canadian chartered banks and a $1.2 million subordinated debt demand facility provided by a company owned by the Corporation's largest shareholder (see "Transactions with Related Parties"). The senior facility was renewed on December 18, 2009 at the same interest rate of Canadian prime interest rate plus 3%. The senior credit facility is a 364-day revolving loan that is due December 17, 2010. The facility carries a three-year term out option in the event the loan is not renewed. As well, as part of an amendment to the original facility, the banks required quarterly principal repayments of $950,000 starting on December 31, 2009 (total of $3.8 million). The Company has made all of those payments and no further repayments are scheduled. Therefore at September 30, 2010, only nine months of potential principal repayments, should the facility not be renewed, are shown as a current liability. At September 30, 2010, the Corporation comfortably met all of its covenants as required by the senior credit facility. Those covenants include a maximum debt to EBITDA of 1.5:1 (1.24:1 at September 30, 2010); minimum tangible net worth of $124 million ($129.4 million at September 30, 2010); and a minimum fixed charge coverage ratio of 1:1 (1.17:1 at September 30, 2010).

The Corporation has a $1.2 million subordinated demand loan with the Corporation's largest shareholder. Interest is paid at 13% per annum. The Corporation voluntarily repaid $5.3 million in May 2010. The shareholder has informed the Corporation in writing that he does not intend to demand payment in the next twelve (12) months.

The Corporation had 13.826 million voting and non-voting common shares and 640,600 warrants outstanding at September 30, 2010. The Corporation had negative working capital of approximately $2.6 million at September 30, 2010, but based on circumstances explained under "Working Capital", the Corporation has $0.4 million of Available Working Capital. In the three and nine months ended September 30, 2010, warrantholders exercised 71,750 and 509,400 warrants, respectively, at $7.50, generating over $3.8 million in cash proceeds that was used for the KMH acquisition in April 2010. Under the current terms of the various commitments, the Corporation has the ability to meet all current obligations as they become due.

WORKING CAPITAL

The Company's working capital (defined as current assets less current liabilities) at September 30, 2010 is set forth in the tables below. The Company defines "Available Working Capital" as current assets less current liabilities, with an exclusion of certain current liabilities and certain current assets (the "**Excluded Items**") from such calculation. The Excluded Items include: (i) a subordinated debt facility held by the Corporation's largest shareholder, which has been excluded from current liabilities on the basis of a letter provided by the Corporation's largest Shareholder indicating that there is no intention to demand payment of such debt within twelve (12) months; (ii) the Company's senior credit facility, which was excluded from current liabilities on the basis that such facility only becomes current if the lending syndicate elects not to renew the facility (with the exception of any scheduled repayments in the year); and (iii) significant non-cash estimated future income tax asset and liability accounts. The tables below reconcile the differences in the calculation of working capital to Available Working Capital.

September 30, 2010	Working Capital	Available Working Capital
Cash	1,466,858	1,466,858
Accounts receivable	177,166	177,166
Prepaid expenses	324,847	324,847
Future income taxes	3,201,429	Excluded
Total Current Assets	**$5,170,300**	**1,968,871**
Accounts payable & accrued liabilities	543,090	543,090
Dividends payable	1,106,085	1,106,085
Future income taxes	47,808	Excluded
Bank indebtedness	4,925,000	Excluded
Subordinated debt	1,200,000	Excluded
Total Current Liabilities	**$7,821,983**	**$1,649,175**
Net Amount at September 30, 2010	**($2,651,683)**	**$319,696**
Net Amount at June 30, 2010	**($1,545,187)**	**($155,475)**
Net Amount at March 31, 2010	**($3,039,956)**	**$2,174,394**
Net Amount at December 31, 2009	**($4,211,555)**	**($659,747)**

Working capital increased by $1.6 million compared to December 31, 2009 due to the net effect of proceeds from the exercise of warrants and net proceeds of the May offering less senior debt and subordinated debt repayments, and an increase in the amount of the senior debt shown as current given the proximity to the December 2010 renewal. Available Working Capital increased by $1.0 million compared to December 31, 2009 for the same reason.

Though the table above shows a significant working capital deficiency at September 30, 2010, management of the Corporation believes that the Corporation's Available Working Capital amount is more representative of the Corporation's ability to meet obligations as they become due, due to the nature of the items excluded in calculating such amount. Additionally, over 640,000 warrants remain outstanding that will provide over $4.8 million in proceeds once exercised.

FINANCIAL INSTRUMENTS

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

Financial Instrument	Category	Measurement Method
Cash and cash equivalents	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Preferred LP units	Available for sale	Cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Bank indebtedness	Other liabilities	Amortized cost
Subordinated debt	Other liabilities	Amortized cost

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

The Corporation has no embedded derivatives. The Corporation records all transaction costs incurred, in relation to the acquisition of investments classified as "available for sale", as an additional cost of the investment. The Corporation applies trade-date accounting for the recognition of a purchase or sale of cash equivalents and derivative contracts.

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

	Total	0-6 Months	6 mo – 1 yr	1 – 2 years	3 – 4 years
Accounts payable and accrued liabilities	543,090	543,090	0	0	0
Dividends payable	1,106,085	1,106,085	0	0	0
Bank indebtedness	19,700,000	1,641,667	3,283,333	13,133,333	1,641,667
Subordinated debt	1,200,000	1,200,000	0	0	0
Total	**22,549,175**	**4,490,842**	**3,283,333**	**13,133,333**	**1,641,667**

The Corporation has sufficient cash on hand to settle all current accounts payable, accrued liabilities, dividends payable and all scheduled repayments on the senior debt. In the event the senior debt is not renewed and principal payments become due, the debt would be refinanced, or alternatively, management expects that there would be sufficient cash flow from operations to meet all required repayments. In the event payment of the subordinated debt is demanded, the Corporation would look to refinance the loan or raise equity to replace it.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

There are no changes in internal controls over financial reporting. A complete discussion of the internal controls over financial reporting can be found under the MD&A that accompany the audited financial statements for the years ended December 31, 2009 and December 31, 2008.

SUMMARY OF CONTRACTUAL OBLIGATIONS

Other than the senior and subordinated credit facilities described under "Liquidity and Capital Resources" (combined below under Long term debt), the only material contractual obligation of the Corporation is its lease for office space. The Corporation agreed to a new seven-year lease at a new location that commenced in the fourth quarter of 2009. Annual leasing costs will be approximately $160,000.

Contractual Obligations	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long term debt	20,900,000	6,125,000	14,775,000	0	0
Office lease	1,010,481	39,817	485,465	332,708	152,491
Other long-term obligations	0	0	0	0	0
Total Contractual Obligations	21,910,481	6,164,817	15,260,465	332,708	152,491

TRANSACTIONS WITH RELATED PARTIES

The Corporation owes $1.2 million to a company controlled by Mr. Clay Riddell, its largest current shareholder. The annual interest rate is fixed at 13%. For the three and nine months ended September 30, 2010, the Corporation paid interest of $39,321 and $377,178 respectively to this company (three and nine months ended September 30, 2009 - $212,986 and $632,014 respectively). All transactions with related parties are recorded at exchange amount. In May 2010, the Corporation voluntarily repaid $5.3 million of the amount outstanding.

Related party transactions are measured at fair value.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

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

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

RECENT ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

The CICA's Accounting Standards Board confirmed the changeover from Canadian GAAP to IFRS (International Financial Reporting Standards) will be required for publicly accountable enterprises beginning on January 1, 2011. The Corporation has developed an implementation plan that includes a preliminary GAAP

assessment, detailed quantification of the differences between Canadian GAAP and IFRS, the preparation of an opening balance sheet under IFRS for January 1, 2010 and a transition plan for elections under IFRS 1. The Corporation has begun to evaluate the impact of adoption and while the process is not complete, we have identified the following differences: the Preferred LP units will be required to be re-valued to fair value at each balance sheet date with changes going through other comprehensive income (unless there is a permanent loss in value) with no earnings impact; there will be changes to the fair value calculations for non-cash stock-based compensation expenses including expanded disclosure; and the deferred credit will be transferred to retained earnings as a transitional adjustment. As our process continues we may identify items which may be material to the financial statements.
The new standards for business combinations, consolidated financial statements and non-controlling interests are not expected to have a material impact on the Corporation's financial statements.

SUMMARY OF QUARTERLY RESULTS

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

	Q3-10	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08
Revenue	4,165	3,897	4,194	4,792	4,335	4,344	4,600	4,779
Income from operations	2,808	2,478	2,526	8,629	3,349	2,630	2,897	2,491
Basic and	$0.20	$0.20	$0.22	$0.79	$0.37	$0.29	$0.32	$0.27
Diluted Income (loss) per Share/Unit	$0.20	$0.19	$0.21	$0.69	$0.34	$0.27	$0.30	$0.26

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

OUTSTANDING SHARES

At September 30, 2010, the Corporation had 13,159,398 voting and 666,665 non-voting common shares issued and outstanding (13,826,063 common shares, collectively the "**Common Shares**" in aggregate).

To satisfy the dividend requirement under the RSU Plan, in the three and nine months ended September 30, 2010, the Corporation issued 3,578 and 10,900 voting common shares respectively from treasury. At December 31, 2009, the Corporation had 1,150,000 warrants outstanding with an exercise price of $7.50. These warrants are exercisable at any time up to twenty-four (24) months from the date of their issue, subject to a mandatory exercise if, any time after twelve (12) months from their issue, if the volume weighted average price of the voting common shares on the Toronto Stock Exchange is above $9.00 per common share for twenty (20) consecutive trading days. During the three and nine months ended September 30, 2010, 71,750 and 509,400 of the warrants respectively were exercised for proceeds of over $3.8 million, leaving 640,600 warrants outstanding at September 30, 2010.

At September 30, 2010, 384,400 restricted share units and 319,150 stock options were outstanding under the Corporation's long-term incentive compensation plans.

Subsequent to September 30, 2010, the Corporation issued 1,126 shares to satisfy the dividend requirement under the RSU Plan, issued 31,250 shares that vested under the Director's RSU Plan, and 2,500 of the outstanding warrants were exercised at $7.50 generating $18,750 in proceeds. At October 31, 2010, the Corporation had 13,863,439 Common Shares outstanding.

OUTLOOK

Alaris' agreements with the Partners provide for payments estimated to provide the Corporation approximately $16.4 million of revenues for 2010. General and administrative expenses are currently estimated at $2.4 million annually and include all public company costs. The senior debt facility is drawn to $19.7 million and the annual interest rate on that debt was approximately 6.0% at September 30, 2010. $1.2 million of demand, subordinated debt is outstanding with an annual interest rate of 13%. Cash requirements after net income are expected to be minimal, as current capital expenditures consist of office furniture and computer equipment.

The Corporation plans to continue to seek out and enter into transactions accretive to the Corporation's earnings per share in the current Private Company Partners and other private businesses.

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

RISKS AND UNCERTAINTY

A complete discussion of the risks faced by the Corporation can be found under the MD&A that accompany the audited financial statements for the years ended December 31, 2009 and December 31, 2008.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward looking statements. Statements other than statements of historical fact contained in this MD&A may be forward looking statements, including, without limitation, management's expectations, intentions and beliefs concerning the growth, results of operations, performance and business prospects and opportunities of the Corporation and the Partners, the general economy, the amount and timing of the declaration and payment of dividends by the Corporation, the future financial position or results of the Corporation, business strategy, proposed acquisitions, growth opportunities, budgets, litigation, projected costs and plans and objectives of or involving the Corporation or the Partners. In particular, this MD&A contains forward looking statements regarding the revenues anticipated to be received from the Partners and the Corporation's general and administrative expenses as well as the expected future performance of the Partners. Many of these statements can be identified by looking for words such as "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. There can be no assurance that the plans, intentions or expectations upon which these forward looking statements are based will occur. Forward looking statements are subject to risks, uncertainties and assumptions and should not be read as guarantees or assurances of future performance. Accordingly, readers are cautioned not to place undue reliance on any forward looking information contained in this MD&A. Statements containing forward looking information reflect management's current beliefs and assumptions based on information in its possession on the date of this MD&A. Although management believes that the expectations represented in such forward looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

Statements containing forward-looking information by their nature involve numerous assumptions and significant known and unknown facts and uncertainties of both a general and a specific nature. The forward looking information contained herein are based on certain assumptions, including assumptions regarding the performance of the Canadian and U.S. economies in 2010 and how that will affect our business and our ability to identify and close new opportunities with new Private Company Partners; the continuing ability of the Private Company Partners to pay the distributions; and the performance of the Private Company Partners. Some of the factors that could affect future results and could cause results to differ materially from those expressed in the forward looking statements contained herein include risks relating to: the dependence of the Corporation on the Partners; risks relating to the Partners and their businesses; reliance on key personnel; general economic conditions; failure to complete or realize the anticipated benefits of transactions; limited diversification of Alaris' transactions; management of future growth; availability of future financing; competition; government regulation; leverage and restrictive covenants under credit facilities; the ability of the Partners to terminate the various agreements with Alaris unpredictability and potential volatility of the trading price of the common shares; fluctuations in the amount of cash dividends; restrictions on the potential growth of the Corporation as a consequence of the payment by Alaris of substantially all of its operating cash flow; income tax related risks; future sales of common shares by significant shareholders; ability to recover from the Partners for defaults under the various agreements with Alaris; potential conflicts of interest; dilution; and liquidity of Common Shares. The information contained in this MD&A, including the information set forth under "Risk Factors", identifies additional factors that could affect the operating results and performance of the Corporation. Without limitation of the foregoing assumptions and risk factors, the forward looking statements in this MD&A regarding the revenues anticipated to be received from the Partners and the Corporation's general and administrative expenses are based on a number of assumptions including no adverse developments in the business and affairs of the Partners that would impair their ability to fulfill their payment obligations to the Corporation and no material changes to the business of the Corporation or current economic conditions that would result in an increase in general and administrative expenses.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward looking statements included in this MD&A are made as of the date of this MD&A and

Alaris does not undertake or assume any obligation to update or revise such statements to reflect new events or circumstances except as expressly required by applicable securities legislation.

ADDITIONAL INFORMATION

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