ALARIS ROYALTY CORP.
MANAGEMENT'S DISCUSSION & ANALYSIS
MAY 4, 2010

This management's discussion and analysis ("**MD&A**") should be read in conjunction with the unaudited financial statements for the three months ended March 31, 2010 and March 31, 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 investing capital in 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 March 31, 2010 Compared to Three Months Ended March 31, 2009

Revenues for the three months ended March 31, 2010 reflect Distributions from transactions involving each Alaris' four Partners for that period. In the period, revenues from the Partners totaled $4.2 million compared to $4.6 million in the three months ended March 31, 2009. The decrease of 8.7% 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 $2,661,876 compared to $1,971,441 in the same prior year period, an increase of 35%. 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 and October 22, 2009. Revenues from LMS Reinforcing Group ("**LMS**") were $840,000 in the period compared to $1,910,265 in the prior year period, a decrease of 56% 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 Carpet & Vinyl ("**End of the Roll**") were $388,520 in the year compared to $419,615 in the prior year, a decrease of 7.4% equal to the same store sales adjustment to the annual royalty of -7.4% effective May 1, 2009. Revenues from MEDIchair Ltd. ("**MEDIchair**") were $302,466 in the year compared to $297,294 for the prior year, an increase of 1.7% based on an estimate of same store sales performance. See "Private Company Partner Update" for more information on the individual Partners' performance.

Interest expense of $483,651 in the period was lower compared to $575,479 in the prior year period because of slightly lower interest rates and a lower senior debt level of $21.6 million compared to $24.7 million at March 31, 2009. In the three months ended March 31, 2010, $950,000 of senior debt was repaid.

In the three months ending March 31, 2010, the Corporation recorded non-cash stock based compensation expenses totaling $441,500 (2009 - $441,044) that included: $384,400 to amortize the fair value of the RSU Plan (2009 – $379,400); $25,000 to recognize the fair value of outstanding stock options (2009 – $17,316); and $32,100 to recognize the fair value of shares issued to management in lieu of dividends under the RSU Plan (2009 - $44,328). Also in the quarter, the Corporation made cash payments based on current dividend rates of $50,213 to employees and directors in lieu of dividends under the RSU Plan (2009 - $73,341). Salaries and benefits were consistent period over period and were $218,212 in the quarter.

Legal and accounting expenses were $103,739 for the three months ended March 31, 2010 compared to $137,272 for the prior year period. The 24% decline is due to the fact that professional fees in the prior year period were higher as a result of special accounting engagements regarding IFRS and a review of internal controls in that period.

Corporate and office expenses were $211,069 compared to $151,465 in the prior year and include office rent, travel and corporate administrative expenses. The 39% ($59,604) 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. Additionally, TSX fees and other regulatory administrative expenses increased along with the market capitalization of the Corporation compared to the prior year period.

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 $3,821 and amortization of $43,307 in the three months ended March 31, 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 first quarter of 2009.

The Corporation recorded net income of $2.5 million and EBITDA of $3.2 million for the three months ended March 31, 2010 compared to net income of $3.0 million and $3.6 million of EBITDA for the three months ended March 31, 2009. The decrease in net income and EBITDA can be attributed to the decline in the LMS Distribution partially offset by an increase in the LifeMark Distribution.

Reconciliation of Net Income to EBITDA (thousands)	**3 months ending March 31, 2010**	**3 months ending March 31, 2009**
Net Income	$2,599	$2,951
Adjustments to Net Income:		
Amortization	47	58
Interest	484	575
Income tax expense	39	54
EBITDA	**$3,169**	**$3,638**

For the three months ending March 31, 2010, dividends were declared for January and February at $0.07 per common share and for March it was increased to $0.08 per common share (voting and non-voting) totalling $2,559,618 for the quarter. 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 2009 totalling $2,828,584 for the prior year quarter.

Cash held at March 31, 2010 of $4.97 million was to satisfy the dividend declared in March 2010 (payable April 15, 2010), trade payables, future required repayments on senior debt on June 30, 2010 and September 30, 2010 of $950,000 and the purchase of preferred units in the KMH Limited Partnership (“**KMH**”).

The Corporation has a $25 million senior debt facility with a two-member Canadian bank syndicate, which was drawn to $21.6 million at March 31, 2010. Interest is paid monthly at the lenders' prime rate plus three percent per annum (5.25% at March 31, 2010). The Corporation repaid $950,000 at March 31, 2010 and is required to repay another $950,000 on June 30 and September 30, 2010. At March 31, 2010, the Corporation also had a $6.5 million demand subordinated debt facility from a company owned by the Corporation's largest shareholder. Interest is paid monthly at 13% per annum.

The Corporation has recorded a $24.2 million 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 charge 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.

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 increased in 2009 over 2008 by 4.5% 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 three months ended March 31, 2010 (LifeMark's year end is December 31), total revenues have increased over 15% and EBITDA has increased over 8% compared to the prior year period.

LMS – LMS' gross profit declined 77.7% for its year ended September 30, 2009 compared to 2008 which impacted the distributions received from LMS starting in January 2010. The decline was triggered by the first material bad debts in the operating history of the company that were the direct result of the economic decline beginning in the summer of 2008. A secondary impact was a number of canceled projects, combined with rapidly falling steel prices, which left the company with high price steel inventory it has had to work through in a depressed selling market for most of the company's fiscal year ending September 30, 2009. LMS has used up such high priced inventory and has made recent steel purchases at less than half of the cost of the inventory purchased in the summer of 2010. As a result, in its last few months of unaudited internally prepared financial statements, the company has shown a return to more normal gross margins but not as high as typically experienced by LMS in prior fiscal periods. Volumes are well below peak levels experienced in mid-2008 but bidding activity for new projects has increased significantly of late. LMS expects things to improve as volumes continue to recover and margins continue to improve as a result of the inventory issue being resolved. LMS has come through these difficult economic times with a strong balance sheet and expects to benefit from the economic recovery. Based on unaudited internal financial statements provided by LMS' management for the six months ended March 31, 2010 (LMS' year end is September 30), sales volumes are down 40% (due in large part to significant road restrictions leading up to, during and shortly after the Vancouver Olympics), but total gross profit dollars are only approximately 7% less than the prior year period as gross margin percentages have increased significantly compared to the prior year period. EBITDA is marginally higher in 2010 compared to the first six months of 2009. Alaris management expects continued improvement from LMS' results through the remainder of the current fiscal year compared to a very difficult final six months of the previous fiscal year.

End of the Roll – For the first time in the 18 year history of its business, End of the Roll experienced a same store sales decrease. The decrease was 7.4% for the year ended April 30, 2009 and contributed to a $100,000 decline in the annual royalty paid to Alaris for the following twelve month period. The decline was most notably due to a handful of stores in more resource industry focused areas experiencing more significant declines than other stores. The decrease experienced by End of the Roll was not significant due to the niche market that End of the Roll operates in. End of the Roll does not sell to homebuilders, but instead it specializes in the discount home renovation market. The home renovation tax credit announced in early 2009 by the Canadian Federal government has boosted End of the Roll's business in its year ending April 30, 2010 but is not material enough to cause a significant spike in the current year. Based on unaudited internal financial statements provided by End of the Roll's management for the eleven months ended March 31, 2010 (End of the Roll's year end is April 30), total revenues have increased approximately 3% and EBITDA has increased approximately 5% compared to the prior year period.

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. 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, a private healthcare company operating eight diagnostic clinics (nuclear medicine, cardiology and MRI) in Ontario, for an aggregate acquisition cost of $5 million. Distributions on those preferred units will be $875,000 in the first twelve months. $3 million of the total $5 million acquisition was closed on April 27, 2010 with the remainder to close in conjunction with a bought deal financing announced on the same day.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation has a $25 million senior credit facility ($21.6 million drawn at March 31, 2010) provided by two Canadian chartered banks and a $6.5 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 20, 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 19, 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). Therefore at March 31, 2010, the required remaining principal repayments on June 30 and September 30, 2010 and three months of potential principal repayments should the facility not be renewed are shown as a current liability. At March 31, 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 (1.30:1 at March 31, 2010); minimum tangible net worth of $104.9 million ($117.8 million at March 31, 2010); and a minimum fixed charge coverage ratio of 1:1 (1.40:1 at March 31, 2010).

The Corporation has a $6.5 million subordinated demand loan with the Corporation's largest shareholder. Interest is paid at 13% per annum. The shareholder has informed the Corporation in writing that he does not intend to demand payment during 2010.
The Corporation had 11.765 million voting and non-voting common shares and 854,450 warrants outstanding at March 31, 2010. The Corporation had negative working capital of approximately $3.0 million at March 31, 2010, but based on circumstances explained under "Working Capital", the Corporation has $2.2 million of Available Working Capital. In the three months ended March 31, 2010, 2009, warrantholders exercised 295,550 warrants at $7.50 generating over $2.2 million in cash proceeds that was used for the KMH acquisition subsequent to March 31, 2010. Under the current terms of the various commitments, the Corporation has the ability to meet all current obligations as they become due. See "Outstanding Shares" for information on an equity offering announced subsequent to March 31, 2010.

WORKING CAPITAL

The Company's working capital (defined as current assets less current liabilities) at March 31, 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.

March 31, 2010	Working Capital	Available Working Capital
Cash	4,966,797	4,966,797
Accounts receivable	158,184	158,184
Prepaid expenses	138,012	138,012
Future income taxes	3,075,125	Excluded
Total Current Assets	**$8,338,118**	**$5,262,993**
Accounts payable & accrued liabilities	347,412	347,412
Dividends payable	941,187	941,187
Future income taxes	47,808	Excluded
Bank indebtedness	3,541,667	1,800,000
Subordinated debt	6,500,000	Excluded
Total Current Liabilities	**$11,378,074**	**$3,088,599**
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 $1.2 million compared to December 31, 2009 due to the net effect of $2.2 million received in proceeds from the exercise of warrants and a $950,000 repayment of senior debt. Available Working Capital increased by $2.8 million for the same reason plus another $950,000 in required principal that was paid in the quarter reducing the amount of payments outstanding.

Though the table above shows a significant working capital deficiency at March 31, 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.

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	347,412	347,412	0	0	0
Dividends payable	941,187	941,187	0	0	0
Bank indebtedness	21,600,000	1,900,000	1,641,667	13,133,333	4,925,000
Subordinated debt	6,500,000	6,500,000	0	0	0
Total	**29,388,599**	**9,688,599**	**1,641,667**	**13,133,333**	**4,925,000**

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 $130,000.

Contractual Obligations	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long term debt	28,100,000	10,041,667	18,058,333	0	0
Office lease	881,131	96,240	391,911	269,472	123,508
Other long-term obligations	0	0	0	0	0
Total Contractual Obligations	28,981,131	10,137,907	18,450,244	269,472	123,508

TRANSACTIONS WITH RELATED PARTIES

The Corporation owes $6.5 million to a company owned by Mr. Clay Riddell, its largest current shareholder. The annual interest rate is fixed at 13%. For the three months ended March 31, 2010, the Corporation paid interest of $208,356 to this company (2009 - $208,356). All transactions with related parties are valued at exchange amount. Subsequent to March 31, 2010, the Corporation announced a bought deal financing that will repay between $3.3 million and $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, and there will be changes to the fair value calculations for non-cash stock-based compensation expenses including expanded disclosure. 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:

	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08	Q3-08	Q2-08
Revenue	4,194	4,792	4,335	4,344	4,600	4,779	4,825	4,744
Income (loss) from operations	2,526	8,629	3,349	2,630	2,897	2,491	(7,355)	896
Basic and Diluted Income (loss) per Share/Unit	$0.22 $0.21	$0.79 $0.69	$0.37 $0.34	$0.29 $0.27	$0.32 $0.30	$0.27 $0.26	($1.12) ($1.12)	$0.60 $0.60

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.

The loss for the three months ended September 30, 2008 was due to $10 million in accounting entries booked as a result of significant non-cash stock-based compensation expenses that resulted from a reverse takeover. Net income per share was $0.40 before those accounting adjustments.

OUTSTANDING SHARES

At March 31, 2010, the Corporation had 11,098,171 voting and 666,665 non-voting common shares issued and outstanding (11,764,836 common shares, collectively the "**Common Shares**" in aggregate).

To satisfy the dividend requirement under the RSU Plan, the Corporation issued 3,523 voting common shares from treasury in the three months ending March 31, 2010. 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 months ended March 31, 2010, 295,550 of the warrants were exercised for proceeds of over $2.2 million.

At March 31, 2010, 384,400 restricted share units and 319,150 stock options were outstanding under the Corporation's long-term incentive compensation plans.

Subsequent to March 31, 2010, the Corporation issued 1,267 shares to satisfy the dividend requirement under the RSU Plan and 29,000 of the outstanding warrants were exercised at $7.50 generating $217,500 in proceeds. At May 3, 2010, the Corporation had 11,795,103 Common Shares outstanding.

Additionally, on April 27, 2010, the Corporation announced a bought deal financing for 1,600,000 common shares at $9.00 per share for total proceeds of $14,400,000 with an over-allotment for another 240,000 shares at the same price. The financing is expected to close on or around May 18, 2010. Proceeds will be used to purchase another $2,000,000 of preferred partnership units in KMH Limited Partnership, another $8,000,000 of preferred partnership units in LifeMark, and the repayment of subordinated debt.

OUTLOOK

Alaris' agreements with the Partners provide for payments estimated to provide the Corporation approximately $15.2 million of revenues for 2010. On closing of the bought deal financing in May, 2010, those revenues will increase to $16.5 million due to the KMH and additional LifeMark revenues. 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 $21.6 million and the annual interest rate on that debt is 5.25% at March 31, 2010. $6.5 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.

Alaris' revenue outlook for 2010 includes a drop in revenues from current operations of approximately 16% compared to 2009 due mostly to the decline in 2010 distributions from LMS partially offset by increases in distributions from LifeMark. While results for LMS in 2009 were a challenge, the longer-term outlook for LMS is more positive. The British Columbia real estate market is showing strength and LMS is expected to benefit from the British Columbia provincial government's 2009 budget that included an announcement of $14 billion of new infrastructure projects to be completed over the next three years. With a significant share of the rebar installation market in lower mainland B.C., Lower Mainland Steel is ideally situated to recover in the coming years. As a result, it is the view of the Corporation's management that there has been no objective evidence of impairment on the value of the transaction with Lower Mainland Steel.

The other three Partners continued to perform well, even through a difficult 2009. The Corporation recorded another same store sales increase of 4.5% from LifeMark's 2009 results which will increase the 2010 distributions from LifeMark. End of the Roll's results are showing a steady recovery in the first eleven months of its fiscal year ending April 30, 2010 and MEDIchair's has estimated a small same store sales decrease of 1.9% while the majority of Canadian retailers were down substantially more.

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. Subsequent to March 31, 2010, the Corporation announced KMH, a private health care company out of Ontario, as a new Partner as well as a further contribution into LifeMark Health.

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. Assumptions include 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. 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.