Alaris Royalty Corp.
Management's Discussion & Analysis
November 3, 2008

Management's Discussion & Analysis as at, and for the three and nine month periods ended September 30, 2008

This management's discussion and analysis (MD&A) should be read in conjunction with the unaudited interim financial statements for Alaris Royalty Corp., formerly 6550568 Canada Inc. ("Alaris" or the "Corporation") for the three and nine-month periods ended September 30, 2008 and the annual financial statements for the Corporation for the year ended December 31, 2007. This MD&A contains forward-looking statements that are not historical in nature and involve risks and uncertainties. Forward-looking statements are not guarantees as to the 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". 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 also refers to certain non-GAAP measures, including EBITDA and normalized EBITDA, to assist in assessing the Corporation's financial performance. The terms EBITDA and normalized EBITDA (collectively the "Non-GAAP Measures") are financial measures used in this MD&A that are not standard measures under Canadian generally accepted accounting principles ("GAAP"). The Corporation's method of calculating Non-GAAP Measures may differ from the methods used by other issuers. Therefore, the Corporations Non-GAAP 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 net income (loss).

EBITDA refers to net earnings (loss) 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.

Normalized EBITDA refers to EBITDA excluding items that are non-recurring in nature. Items include expenses incurred in connection with the Acquisition and include non-cash stock option and other transaction related costs.

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

Overview

On July 31, 2008, Alaris completed the acquisition (the “Acquisition”) of Alaris Income Growth Fund L.P. ("Alaris L.P."), a partnership that was indirectly owned by Alaris Income Growth Fund (the “Fund”) and management. Alaris has continued the business and operations of Alaris L.P. For accounting purposes, the acquisition has been accounted for as a reverse take-over with Alaris L.P. being considered the acquiring entity.

Immediately prior to the closing of the Acquisition, Alaris satisfied the release conditions of its previously completed subscription receipt financing and issued an aggregate of 4,607,213 Common Shares (on a post consolidation basis) to the former holders of subscription receipts in accordance with the terms of the subscription receipts. The subscription receipts had been issued at price of $12 per subscription receipt for aggregate gross proceeds of $55,286,556 before share issue costs of $3,622,225.

The Corporation earns its revenues by investing capital in private businesses (“Portfolio Companies”) under various investment structures. The Corporation’s revenue consists of royalties and preferred distributions received in regular monthly payments that are contractually agreed to between the Corporation and the Portfolio Companies. These payments are adjusted annually based on the performance of each Portfolio Company’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. Interest costs have historically been significant, as the Corporation’s investments were initially funded entirely by debt until the changes to the capital structure on July 31, 2008 resulting from the Acquisition and the subscription receipt financing.

Results of Operations

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

Revenues for the three months ended September 30, 2008 reflect full royalties and distributions from each of the four investments that closed prior to December 31, 2007. In the period, revenues from these investments totaled $4,759,438 and were received from LifeMark Health Limited Partnership ("LifeMark Health") ($1,866,366), Lower Mainland Steel Limited Partnership ("Lower Mainland Steel") ($2,259,740), End of the Roll Carpet & Vinyl ("End of the Roll") ($353,892) and MEDIchair Ltd. ("MEDIchair") ($279,440). MEDIchair is a subsidiary of LifeMark Health but the annual royalty is based solely on MEDIchair results. In the three months ended September 30, 2007, revenues from investments were $2,416,803. Revenue during the period was received from LifeMark Health ($1,809,704), End of the Roll ($343,849) and MEDIchair ($263,250). The increase over the prior year period was because

Alaris L.P. had closed only a portion of the Lower Mainland Steel investment by the end of the third quarter of 2007 and distributions from Lower Mainland Steel commenced after the end of that. Additionally, each of LifeMark Health (3.1%), End of the Roll (7.8%) and MEDIchair (6.1%) recorded same store sales increases in 2008 that increased the annual royalty or distribution.

Interest expense of $1,552,536 was marginally higher in the third quarter of 2008 compared to the third quarter of 2007 ($1,288,365) because of a change in capital structure. In December 2007, Alaris L.P. refinanced its debt facilities concurrently with investing another $36 million in Lower Mainland Steel. The refinancing reduced senior debt to $25 million and a company owned by Alaris L.P.'s largest unitholder provided a $90 million subordinated debt facility at 13% per annum interest compared to $75 million of senior debt outstanding at an interest rate of the lenders' prime rate plus 0.50% during most of the third quarter in 2007. The $90 million of subordinated debt was reduced to $6.5 million on July 31, 2008 as part of the Acquisition of Alaris L.P and utilizing the equity funds raised in July 2008.

Salaries and benefits were $158,000 higher for the three months ended September 30, 2008 as Alaris L.P. paid management bonuses of $125,000 on July 31, 2008, increased salaries by 5% effective January 1, 2008, and hired an additional employee effective September 1, 2008.

Corporate and office expenses were $57,000 higher compared to the prior year period and include office rent, travel and corporate administrative expenses. Corporate administrative expenses increased in August and September 2008 due to new public company costs that included preparing and mailing an information circular in the quarter. Legal and accounting fees were $143,403 for the period, up from only $12,500 in 2007 and relate to legal and accounting fees associated with the Acquisition, the September information circular and other public company costs.

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

The Corporation recorded a net loss of $7.4 million and normalized EBITDA of $4.2 million for three months ended September 30, 2008 compared to $785,387 of net income and $2.13 million of normalized EBITDA for the three months ended September 30, 2007. The increase in normalized EBITDA can be attributed to the 97% increase in revenues in the third quarter of 2008 as a result of the distributions received from Lower Mainland Steel.

As a result of the Acquisition, there were several significant charges recorded in the financial statements during the period. For the three and nine months ended September 30, 2008, Alaris recorded a non-cash stock option expense of $7.933 million that represents the difference in the exercise price and fair value of management options that were granted and exercised prior to the transaction. As well, in the same period the Corporation incurred $491,000 of tax and financial due diligence costs relating to the transaction that were expensed in the year. The Corporation also recorded a future income tax expense of $1,543,735 for the three months ended September 30, 2008 that represents the timing difference between the book value and the tax value of the two royalty investments (End of the Roll and MEDIchair) and was recorded as a result of the restructuring.

Reconciliation of Net Income to EBITDA (thousands)	3 months ending Sept 30,2008	3 months ending Sept 30,2007
Net Income (Loss)	($7,355)	$785
Adjustments to Net Income:		
Amortization	59	60
Interest	1,552	1,288
Income tax timing difference expense	**1,544**	**-**
EBITDA	**($4,200)**	**$2,133**
Normalizing Adjustments:		
Non-cash stock option expense	7,933	-
Tax and financial diligence costs	491	-
Normalized EBITDA	**$4,224**	**$2,133**

Effective July 31, 2008, Alaris began paying monthly dividends. Dividends were declared for August and September at $0.12 per Common Share (voting and non-voting) totalling $2,195,733 for the quarter. A predecessor entity, Alaris L.P., had historically paid out all of its cash flow to unitholders. For the three months ended September 30, 2008, and immediately prior to the transaction on July 31, 2008, Alaris L.P. paid a monthly distribution of $0.18 per unit and a special distribution of $0.18 per unit to unitholders totalling $546,000.

The Corporation has recorded a $28 million future income tax asset on its balance sheet to reflect the accounting value of unused tax pools based on the Corporations 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 issued to the shareholders of record prior to the July 31 transaction.

The Corporation has a $25 million senior debt facility with a three member Canadian bank syndicate, which was fully drawn at September 30, 2008. Interest is paid monthly at the lenders' prime rate plus two percent per annum (6.75% at September 30, 2008). At September 30, 2008, 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.

Cash held at September 30, 2008 was to satisfy the dividend declared on September 30, 2008 and includes working capital of approximately $900,000.

Shareholders' capital includes the net proceeds from the $55 million raised in the private placement that closed July 31, 2008, $8 million of shares owned by management as a result of options exercised on July 31, and $32 million of subordinated debt that was purchased for shares at the private placement issue price of $12.00 per share also on July 31.

Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007

The results for the nine months ended September 30, 2008 reflect full royalties and distributions from each of the four investments that closed prior to December 31, 2007. In the period, revenues from these investments totaled $14,177,670 and were received from LifeMark Health ($5,599,098), Lower Mainland Steel ($6,644,469), End of the Roll ($1,087,499) and MEDIchair ($848,616). In the nine months ended September 30, 2007, revenues from investments were $8,481,774. Revenue during the period was received from LifeMark Health ($5,429,111), Lower Mainland Steel ($813,930), End of the Roll ($1,023,556), MEDIchair ($790,999) and Palliser Lumber ($424,178). The increase over the prior year period was because the Corporation had closed only a portion of the Lower Mainland Steel investment by the end of the third quarter of 2007. Additionally, each of LifeMark Health (3.1%), End of the Roll (7.8%) and MEDIchair (6.1%) recorded same store sales increases in 2008 that increased the annual royalty or distribution and the investment in Palliser Lumber was sold at its original cost early in the second quarter of 2007.

Interest expense of $8,278,244 was significantly higher in the first three quarters of 2008 compared to 2007 ($3,867,601) because of a change in capital structure. In December 2007, Alaris L.P. refinanced its debt facilities concurrently with investing another $36 million in Lower Mainland Steel. The refinancing reduced senior debt to $25 million and a company owned by Alaris L.P.'s largest unitholder provided a $90 million subordinated debt facility at 13% per annum interest compared to $75 million of senior debt outstanding at an interest rate of the lenders' prime rate plus 0.50% during most of the first six months of 2007. The subordinated debt was reduced to $6.5 million on July 31, 2008.

Salaries and benefits were 39% ($216,000) higher for the nine months ended September 30, 2008 as the Corporation increased salaries by 5% effective January 1, 2008, paid a one-month bonus to staff in March 2008 ($60,000), paid a management bonus of $125,000 on July 31, 2008, and hired an additional employee effective September 1, 2008.

Corporate and office expenses were $63,000 higher in 2008 and include office rent, travel and corporate administrative expenses. Corporate administrative expenses increased in August and September due to new public company costs that included preparing and mailing an information circular in the third quarter. Legal and accounting fees were $311,280 for the period, up from $138,789 in 2007 and relate to general legal and accounting fees. The increase is due to a significant increase in costs related to regulatory requirements leading up to and after the July 31st transaction that include preparing quarterly financial statements and legal fees related to the information circular.

The Corporation recorded a net loss of $5.5 million and normalized EBITDA of $12.88 million for the nine months ended September 30, 2008 compared to $3.39 million of net income and $7.43 million of normalized EBITDA for the nine months ended September 30, 2007. The increase in normalized EBITDA is almost entirely attributable to the significant increase in distributions from Lower Mainland Steel in the first nine months of 2008.

Reconciliation of Net Income to EBITDA (thousands)	**Nine months ending Sept 30,2008**	**Nine months ending Sept 30,2007**
Net Income (Loss)	($5,543)	$3,387
Adjustments to Net Income:		
Amortization	176	$179
Interest	8,278	$3,868
Income tax timing difference expense	1,544	-
EBITDA	**$4,455**	**$7,434**
Normalizing Adjustments:		
Non-cash option expensed	7,933	-
Tax and financial diligence costs	491	-
Normalized EBITDA	**$12,879**	**$7,434**

Effective July 31, 2008, Alaris was a public corporation and began paying monthly dividends. Dividends were declared for August and September at $0.12 per common share (voting and non-voting) totalling $2,195,733 for the quarter.

For the nine months ended September 30, 2007, there were no dividends paid and Alaris L.P. paid a one-time special distribution of $1.04 per unit ($1,560,000).

Liquidity and Capital Resources

The Corporation has a fully-drawn $25 million senior credit facility provided by a syndicate of Canadian chartered banks and a $6.5 million subordinated debt demand facility provided by a company owned by the Corporation’s largest shareholder. The senior credit facility is a 364-day revolving loan that is due December 20, 2008. The Corporation is currently in the process of negotiating that renewal on similar terms. The facility carries a three-year term out option in the event the loan is not renewed. Therefore at September 30, 2008, ten months of the term out is shown as a current liability in the financial statements.

The Corporation has 9.148 million shares outstanding and a private placement that closed on July 31, 2008 raised $55 million in equity priced at $12 per share. The net proceeds of the private placement ($51.5 million), as well as a purchase of outstanding subordinated debt for shares of the Corporation ($32 million) were used to pay down the subordinated debt facility to $6.5 million leaving working capital of approximately $1 million at September 30, 2008.

Income taxes

The Corporation has estimated the future benefits and liabilities related to the non-capital losses, scientific research and development expenses and investment tax credits in the financial statements using what management believes to be a conservative estimate of future income. Note 9 contains a comprehensive summary of the financial statement impact of these amounts.

Summary of Contractual Obligations

Other than the credit facilities described under “Liquidity and Capital Resources”, the only material contractual obligation of the Corporation is its lease for office space through July 2009. Annual lease payments are approximately $90,000 and the Corporation has an option to renew the lease for another five-year term at market rates.

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

Transactions with Related Parties

In December 2007, Alaris L.P. borrowed $90 million from a company owned by Mr. Riddell, its largest unitholder. The loan included a fee of $1.5 million (1.67%) and the annual interest rate is fixed at 13%. On July 31, 2008, the Corporation used proceeds from the transaction described in the “Overview” section of the MD&A to reduce the outstanding debt to this company to $6.5 million. For the three and nine months ended September 30, 2008, the Corporation paid interest of $1,131,817 and $6,949,850 respectively to this company (Year ended December 31, 2007 - $352,603).

Pursuant to the transaction described in the “Overview” section of this MD&A, the Corporation acquired (i) the 750,000 issued and outstanding units (the “Alaris L.P. Units”) of the Partnership owned by an entity owned by Mr. Riddell, by the issuance of 666,667 voting common shares in the Corporation; and (ii) all of the outstanding shares of Alaris IGF Corp. (“Alaris GP”), the general partner of the Partnership, from the holders thereof, which included Messrs King, Driscoll and Reid, who were approved as officers, and in the case of Mr. King, as a director of the Corporation, by issuance of 666,668 non-voting common shares in the Corporation. Alaris GP owns 750,010 Partnership Units, being the remaining issued and outstanding Partnership Units, and therefore, upon the completion of the Acquisition the Corporation acquired directly and indirectly 100% of the issued and outstanding Alaris L.P. Units.

Critical Accounting Estimates and Policies

Management is required to make estimates when preparing the financial statements. Significant estimates include the amount of liabilities for services provided but not yet invoiced.

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

Financial Instruments and Off Balance Sheet Arrangements

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

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 impact on the Corporation is currently being reviewed.

Summary of Quarterly Results

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

	Q3-08	Q2-08	Q1-08	Q4-07	Q3-07	Q2-07	Q1-07	Q4-06
Revenue	4,825	4,744	4,682	2,901	2,418	2,832	3,235	2,742
Income (loss) from operations	(7,355)	896	915	(1,722)	785	1,099	1,475	339
Basic and Diluted Income (loss) per Share/Unit	($1.12)	$0.60	$0.61	($1.15)	$0.52	$0.73	$0.98	$0.23

The loss for the three months ended September 30, 2008 was due to $10 million in accounting entries booked as a result of the transaction described in the "Overview" section. Net income per share was $0.29 before those accounting adjustments.

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

Outstanding Shares

At September 30, 2008, the Corporation had 8,482,214 voting and 666,667 non-voting shares issued and outstanding (9,148,881 in aggregate). On October 10, 2008, the Corporation held a shareholders meeting whereby a consolidation and subsequent split of the voting and non-voting common shares resulted in the repurchase of 29,911 voting shares at $12 per share ($359,935). These 29,911 shares were held by over 5,000 shareholders, all with less than 50 common shares each that reduced the number of outstanding voting shares to 8,452,303 (9,118,971 in aggregate) as at October 29, 2008. At October 29, 2008, 379,400 Restricted Shares and 224,150 stock options were outstanding under the Corporation's incentive compensation plans.

Outlook

With the closing of the Acquisition of Alaris L.P., the agreements with the Portfolio Companies provide for payments estimated to provide the Corporation approximately $19.1 million of revenues on an annual basis. General and administrative expenses will increase as a result of additional public company costs and are estimated at $2 million annually. The senior debt facility is fully drawn to $25 million and the interest rate on that debt is 6.75% at September 30, 2008. $6.5 million of demand subordinated debt is outstanding with an interest rate of 13%. Cash requirements after net income are expected to be minimal, as current capital expenditures will consist of office furniture and computer equipment. In August and September, the Corporation declared its first two monthly dividends of $0.12 per voting and non-voting Common Share that were paid on September 15, 2008 and October 15, 2008 respectively.

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

Risks and Uncertainty

In the normal course of business, the Corporation is exposed to a variety of financial, operational and other risks including, but not limited to, the following: the dependence of the Corporation on the Portfolio Companies; risks relating to the Portfolio Companies and their respective businesses; general economic conditions; limited diversification of Alaris' investments; failure to complete or realize the anticipated benefits of investments; availability of future financing; restrictions on the potential growth of Alaris as a consequence of the payment by Alaris of substantially all of its operating cash flow; competition; leverage and restrictive covenants under credit facilities; management of future growth; reliance on key personnel; the ability of the Portfolio Companies to terminate the Investment Agreements; ability to recover from the Portfolio Companies for defaults under the Investment Agreements; income tax related risks; and government regulation.

The risks and uncertainties faced by the Corporation are substantially the same as those disclosed in the "Risk Factors" section of the Management's Discussion and Analysis dated August 28, 2008 for the for the three and six-month periods ended June 30, 2008 and Note 8 to the consolidated financial statements of the Corporation for the three and nine-month periods ended September 30, 2008. The risks described therein are not exhaustive. The Corporation operates in a competitive and changing environment. New risk factors may emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Corporation’s business.

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 Portfolio Companies, 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 Portfolio Companies. Many of these statements can be identified by looking for words such as "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. There can be no assurance that the plans, intentions or expectations upon which these forward looking statements are based will occur. Forward looking statements are subject to risks, uncertainties and assumptions and should not be read as guarantees or assurances of future performance. Accordingly, readers are cautioned not to place undue reliance on any forward looking information contained in this MD&A. Statements containing forward looking information reflect management’s current beliefs and assumptions based on information in its possession on the date of this MD&A. Although management believes that the expectations represented in such forward looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

Statements containing forward-looking information by their nature involve numerous assumptions and significant known and unknown facts and uncertainties of both a general and a specific nature. Some of the factors that could affect future results and could cause results to differ materially from those expressed in the forward looking statements contained herein include risks relating to: the dependence of the Corporation and the Portfolio Companies; risks relating to the Portfolio Companies and their businesses; reliance on key personnel; general economic conditions; failure to complete or realize the anticipated benefits of investments; limited diversification of Alaris’ investments; management of future growth; availability of future financing; competition; government regulation; leverage and restrictive covenants under credit facilities; the ability of the Portfolio Companies to terminate the Investment Agreements; 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 L.P. of substantially all of its operating cash flow; income tax related risks; future sales of Common Shares by significant shareholders; ability to recover from the Portfolio Companies for defaults under the Investment Agreements; 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.

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.