MANAGEMENT DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2013 and September 30, 2012, and the audited annual financial statements for the years ended December 31, 2012 and December 31, 2011 for Alaris Royalty Corp., ("Alaris" or the "Corporation"). The Corporation's unaudited condensed consolidated interim financial statements and the notes thereto have been prepared in accordance with IAS 34 and are reported in Canadian dollars. These financial statements do not contain all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements and, accordingly, should also be read in conjunction with the most recently prepared annual consolidated financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS. Certain dollar amounts in the MD&A have been rounded to the nearest thousands of dollars.

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

EBITDA refers to earnings determined in accordance with IFRS, before depreciation and amortization, 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 including the gain on sale of Partner company interests.

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

OVERVIEW

The Corporation earns its revenues by providing capital to private businesses (individually, a "**Private Company Partner**" and collectively the "**Partners**") in exchange for long-term revenue streams. 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 ten employees.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012

Revenues for the three months ended September 30, 2013 reflect distributions from transactions involving each of Alaris' twelve Partners for that period (2012 – eight). In the three months ended September 30, 2013, revenues from the Partners totaled $14.42 million compared to $8.68 million in the three months ended September 30, 2012. The increase of 66.7% compared to the same prior year period is a result of new Partners added in the last thirteen months as well as year over year performance metric adjustments from each of the Partners summarized in the following table. See "Private Company Partner Update" for more information on the individual Partners' performance.

Revenue (000's) Partner	3 months ending Sept 30, 2013	3 months ending Sept 30, 2012	% Change	Comment
Sequel	$2,571	$-	N/A	Contribution closed July 1, 2013
KMH	2,067	1,140	+81.4%	Further contributions into KMH of $27 million in the last half of 2012
SCR	1,600	-	N/A	Contribution closed in May 2013
Labstat	1,545	1,593	-3.0%	No reset until Jan 1, 2014; interest income on prom note included in 2012
Killick	1,486	1,108	+34.1%	+4% based on gross revenue increase July 1/13, further contribution in Dec 2012
Quetico	1,214	1,057	+14.8%	Max +10% increase on gross profit Jan 1/13, currency difference
Solowave	1,166	1,240	-6.0%	-6% Same customer sales decline Jan 1/13 due to softness in US market
LifeMark	989	1,755	-43.6%	+4% fixed increase July 1/12, reduced interest by another $30 million in Q2 2013
LMS	624	508	+22.8%	+22.8% increase in gross profit Jan 1/13 due to increased volumes
Agility Health	519	-	N/A	Contribution closed in Dec 2012
SHS	417	-	N/A	Contribution closed in March 2013
End of the Roll	266	276	-3.4%	-2.6% same store sales decrease May 1/13
Total	$14,465	$8,677	+66.7%	

Finance costs of $296,986 in the period were higher compared to $75,196 in the prior year period because at June 30, 2013 there was $96 million of debt outstanding compared to much lower debt levels in 2012. That debt was repaid in mid-July with no debt outstanding for the remainder of the quarter.

In the three months ending September 30, 2013, non-cash stock based compensation expenses increased 192% to $1,347,606 (2012 - $461,436) that included: $577,317 to amortize the fair value of the RSU Plan (2012 – $168,318); $770,289 to recognize the fair value of outstanding stock options (2012 – $279,318); and $0 to recognize the fair value of shares issued to management in lieu of dividends under the RSU Plan (2012 - $13,800). The amount increased in the period because new management Restricted Share Units ("RSUs") and Options were issued in July 2013 based on an annual review by the compensation committee. Also in the period, the Corporation made cash payments based on current dividend rates of $79,569 to employees and directors in lieu of dividends under the RSU Plan (2012 - $42,658).

Salaries and benefits were $263,034 in the period compared to $73,248 in the prior year period. The 2012 total was lower than normal due to the reversal of the 2012 bonus accrual and the actual bonus paid was less than the accrual by $175,000.

Corporate and office expenses were $282,003 compared to $254,772 in the prior year period and include office rent, travel and corporate administrative expenses. The 10.7% increase was due to increased travel expenses consistent with an increase in deal flow, administrative expenses around the Corporation's increased market capitalization, and additional expenses relating to foreign subsidiaries.

Legal and accounting expenses were $252,842 for the period compared to $519,446 for the prior year period. The 51.3% decrease was due to significant additional legal costs incurred in the prior year period associated with a transaction that did not move ahead.

Depreciation and amortization include the amortization of the intangible assets and the depreciation of capital assets. The Corporation amortizes its intangible assets over the term of the licensing agreement and depreciates capital assets over 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 amortization and depreciation of $26,558 in the three months ended September 30, 2013 (2012 - $26,908).

The Corporation recorded earnings of $8.39 million and EBITDA of $11.76 million for three months ended September 30, 2013 compared to earnings of $4.87 million and EBITDA of $6.88 million for the three months ended September 30, 2012. The increase in earnings and EBITDA can be attributed to the addition of new Partners in Agility Health (December 2012), SHS (March 2013), SCR (May 2013) and Sequel (July 2013) and additional contributions into KMH and Killick in the second half of 2012 while expenses remained relatively consistent compared to the same prior year period.

Reconciliation of Net Income to EBITDA (thousands)	3 months ending Sept 30, 2013	3 months ending Sept 30, 2012
Earnings	$8,388	$4,868
Adjustments to Net Income:		
Amortization and depreciation	27	27
Finance costs	297	75
Income tax expense	3,043	1,912
EBITDA	$11,755	$6,882

For the three months ended September 30, 2013, dividends were declared for July, August and September at $0.12 per common share totalling $10,324,615 for the period. For the three months ended September 30, 2012, dividends were declared for July, August and September at $0.10 per common share totalling $6,695,930 for the period.

A portion of the cash held at September 30, 2013 of $5.68 million was used to satisfy the dividend declared in September 2013 (payable October 15, 2013).

The Corporation has a $50.1 million interest only senior debt facility with a two-member Canadian bank syndicate that was temporarily extended to $100.1 million to facilitate the Sequel contribution, and was drawn to $96 million at June 30, 2013. The entire balance was repaid with proceeds from an equity offering and the balance at September 30, 2013 was nil.

The Corporation has recorded a $4.8 million deferred income tax asset on its balance sheet to reflect the accounting value of unused tax pools based on the Corporation's internal projections.

Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012

Revenues for the nine months ended September 30, 2013 reflect distributions from transactions involving each of Alaris' twelve Partners for that period (2012 – eight). In the nine months ended September 30, 2013, revenues from the Partners totaled $36.53 million compared to $22.95 million in the nine months ended September 30, 2012. The increase of 59.4% compared to the prior period is a result of new Partners added in the last twelve months as well as year over year performance metric adjustments from each of the Partners summarized in the following table. See "Private Company Partner Update" for more information on the individual Partners' performance.

Partner	9 months ending Sept 30, 2013	9 months ending Sept 30, 2012	Change	Comment
KMH	$6,202	$3,239	+91.5%	Further contributions into KMH of $27 million in the last half of 2012
Labstat	4,635	2,017	+129.8%	Contribution closed in June 2012, no reset until Jan 1/14
Killick	4,371	3,258	+34.1%	+4% based on gross revenue increase July 1/13, further contribution in Dec 2012
LifeMark	3,981	5,130	-22.4%	+4% fixed increase July 1/13, reduced interest by $30 million in Q2 2013
Quetico	3,589	3,194	+12.4%	Max +10% increase on gross profit Jan 1/13, currency difference
Solowave	3,497	3,720	-6.0%	-6% same customer sales decline Jan 1/13 due to softness in US market
Sequel	2,533	-	N/A	Contribution closed in July 2013
SCR	2,274	-	N/A	Contribution closed in May 2013
LMS	1,833	1,495	+22.6%	+22.9% increase in gross profit Jan 1/13 due to increased volumes
Agility Health	1,535	-	N/A	Contribution closed in Dec 2012
SHS	1,243	-	N/A	Contribution closed in March 2013
End of the Roll	878	892	-1.6%	-2.6% same store sales decrease May 1/13
Total	$36,571	$22,946	+59.4%	

Finance costs of $1,243,624 in the period were higher compared to $698,220 in the prior year period because of higher senior debt levels in 2013 that resulted from the contributions to SHS, SCR and Sequel in 2013.

In the nine months ending September 30, 2013, non-cash stock based compensation expenses increased to $2,825,366 (2012 - $1,160,413) that included: $1,275,395 to amortize the fair value of the RSU Plan (2012 – $364,267); $1,549,971 to recognize the fair value of outstanding stock options (2012 – $699,546); and nil to recognize the fair value of shares issued to management in lieu of dividends under the RSU Plan (2012 - $96,600). The amount increased in the period because new RSUs and Options were issued in July 2013 based on an annual review by the compensation committee. Also in the period, the Corporation made cash payments based on current dividend rates of $208,832 to employees and directors in lieu of dividends under the RSU Plan (2012 - $178,953).

Salaries and benefits were $2,329,222 in the period compared to $1,524,798 in the prior year period. The increase of 52.8% was due to an increase in the annual bonus (based on a percentage of the increase in distributable cash per share) to $1.49 million from $0.82 million in 2012. Additionally, salary increases effective September 2012 and a new administrative hire in September 2012 contributed to the increase.

Corporate and office expenses were $1,068,945 compared to $768,566 in the prior year period and include office rent, travel and corporate administrative expenses. The 39.1% increase was due mostly to the increase in travel and administrative expenses consistent with the growth of the business as well as the increase in costs for the Corporation's annual conference. 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 $829,726 for the period compared to $1,048,445 for the prior year period. The 20.8% decrease was due to significant additional legal costs incurred in the prior year period associated with a transaction that did not move ahead.

The Corporation recorded amortization and depreciation of $79,414 in the nine months ended September 30, 2013 (2012 - $80,265).

The Corporation recorded earnings of $32.69 million, EBITDA of $43.23 million and Normalized EBITDA of $30.18 million for the nine months ended September 30, 2013 compared to earnings of $13.10 million, and EBITDA and Normalized EBITDA of $18.0 million for the nine months ended September 30, 2012. The increase in Normalized EBITDA can be attributed to the addition of new Partners in Labstat (June 2012), Agility Health (December 2012), SHS (March 2013), SCR (May 2013) and

Sequel (July 2013) and additional contributions into KMH and Killick in the second half of 2012 while expenses remained relatively consistent compared to the same prior year period. The increase in earnings and EBITDA were also increased by the $13.05 million gain on the partial redemption of LifeMark units in April and June 2013.

Reconciliation of Net Income to EBITDA (thousands)	9 months ending Sept 30, 2013	9 months ending Sept 30, 2012
Earnings	$32,690	$13,104
Adjustments to Net Income:		
Amortization and depreciation	79	80
Finance costs	1,244	698
Income tax expense	9,219	4,117
EBITDA	$43,232	$17,999
Normalizing Adjustments		
Gain on reduction of LifeMark interest	(13,052)	-
Normalized EBITDA	$30,180	$17,999

For the nine months ended September 30, 2013, dividends were declared for January through May at $0.105 per common share, June at $0.115 per common share, and July through September at $0.12 per common share totalling $26,416,483 for the period. In the prior year period, dividends were declared for $0.095 per common share in each of the first five months and $0.10 per common share in the following four months totalling $18,147,204.

PRIVATE COMPANY PARTNER UPDATE

The Corporation's interest in each of the Partners consist of a preferred partnership interest or limited liability company 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 has numerous positive and negative covenants in place with its Partners designed to protect is distributions and typically Alaris' prior consent is required for items outside of the ordinary course of business. Alaris generally does not have significant voting rights in its Partners and accordingly the Corporation's ability to exercise direct control over the operations of its Partners (except with respect to Alaris' consent rights and in circumstances where there has been an uncured event of default and payment to Alaris has not been made) may be limited.

LifeMark – 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. However, based on the terms of the amended Partnership agreement, the LifeMark distribution increases by 4% each period ending June 30. The distributions are supported by LifeMark's parent company, Centric Health Corporation ("Centric""), a Canadian public company. For the six months ended June 30, 2013, Centric's revenues are 8% ahead and EBITDA is 22% behind the prior year period results. During the second quarter of 2013, Centric redeemed $30 million of the remaining partnership units. The annualized distributions from LifeMark for 2013 will be $3.96 million and the remaining redemption value of the units is $35.5 million at September 30, 213. The distribution and the redemption value will increase by 4% on July 1st, 2014.

The fair value of the LifeMark units remains unchanged at $35.5 million as Centric has the option to repurchase the remaining units for that amount and has expressed its intention to do so in the next year.

LMS – Volumes continue to increase and are expected to continue to improve based on work on hand and recent project bidding activity. Total gross profit is the top-line performance metric on which the annual distributions to the Corporation are reset. LMS recently changed its year-end to December 31 and based on unaudited financial statements provided by management for the eight months ended August 31, 2013, total gross profit dollars were over 20% ahead of the prior year due to increased volume and consistent margins. A portion of the annual distributions from LMS reset on January 1, 2014 and the remainder on April 1, 2014 based on the December 2013 results. LMS management expects continued improvement into its 2014 fiscal year. Including the interest on two $3 million short-term promissory notes issued in January 2013, revenues from LMS are currently scheduled at $2.92 million for 2013. One of the promissory notes converts to preferred units on December

31, 2013 and the yield on those units will be 16% plus the percentage change in gross profit for the year ending December 31, 2013, while the other $3 million note is expected to be repaid in less than a year.

Because of the continued strong performance of LMS (four straight years of revenue, gross profit and EBITDA growth), as well as the scheduled conversion of a $3 million promissory note into additional preferred units in LMS on December 31, the fair value of the LMS units has been increased from $25.8 million to $29.3 million.

End of the Roll – End of the Roll completed its eighth fiscal year as an Alaris partner on April 30, 2013. Same store sales results are the top-line performance metric on which the annual payments to the Corporation are reset. Based on audited financial statements for the year ended April 30, 2013, same store revenues declined by 2.6%. Based on unaudited financial statements provided by management for the four months ended August 31, 2013, revenues and EBITDA are both over 10% ahead of prior year results as the renovation industry remains reliable year over year. Annual distributions are currently scheduled at $1.14 million.

The End of the Roll transaction is recorded as an intangible asset and is reviewed regularly for impairment. No impairment exists at this time.

KMH – The Corporation has now purchased $54.8 million of preferred partnership units since 2010 in five different transactions. KMH is a private healthcare company operating twelve diagnostic clinics (nuclear medicine, cardiology and MRI) in Ontario and now seven clinics in the United States. Based on unaudited financial statements provided by management for the eight months ended August 31, 2013, total revenues and gross margin were over 30% ahead of prior year results and EBITDA was over 50% ahead of prior year results due to the successful integration of a number of acquisitions in 2012 and 2013. Same clinic sales is the top-line performance metric on which the annual distributions to the Corporation are reset with the next reset on January 1, 2014. Annual distributions on the KMH preferred units are currently scheduled at $8.27 million.

The fair value of the KMH units remains unchanged at $55.4 million.

Solowave – Solowave is a Canadian-based privately held designer and manufacturer of residential, ready-to-assemble wooden play centers. Solowave sells its products under the brands "Big Backyard" and "Cedar Summit Play Systems". Annual growth in Solowave’s distributions to Alaris is capped at 6%. There is also a maximum decline in the annual distributions of 6%. The annual distributions are adjusted based on same customer net sales and Solowave’s same customer net sales declined just over the maximum 6% for the 2012 period as a result of softness in the American market that was partially offset by growth in Canadian and international business. Solowave recently changed its year end to December 31st and based on unaudited financial statements provided by management for the eight months ended August 31, 2013, revenues and EBITDA are consistent with prior year results. Annual distributions on the Solowave preferred units are currently scheduled at $4.66 million for 2013.

The fair value of the Solowave units remains unchanged at $31.5 million.

Killick – In December 2012, the Corporation announced the purchase of $9 million of additional preferred partnership units in Killick Aerospace Partnership in addition to the initial acquisition of units for $27.25 million. Killick is a Canadian-owned, Dallas-based privately held participant in the global aircraft maintenance, repair and overhaul industry. Killick’s year end is December 31st and based on audited financial statements for the year ended December 31, 2012, revenues and EBITDA were both over 10% ahead of the prior year results as Killick has continued to find new opportunities, particularly in the parts sales business. Annual growth in Killick’s distributions to Alaris is capped at 4% and is based on the change in gross revenues. There is also a maximum decline in the annual distributions of 4%. The distributions increased by 4.0% effective July 1, 2013 based on the audited December 2012 results. Based on unaudited financial statements provided by management for the eight months ended August 31, 2013, revenues and EBITDA are both over 50% ahead of prior year results. The annual distributions are currently scheduled at $5.97 million.

Killick's performance has been above expectations and even though the growth of the annual distribution is limited to 4%, the revenue and EBITDA growth has been well above that limit. The fair value of the Killick units has been increased $1 million to $38.6 million.

Quetico – Quetico is a provider of wholesale, inventory management and third party logistic services. Quetico's year end is December 31st and based on audited financial statements for the year ended December 31, 2012, gross profit and EBITDA were over 30% ahead of the prior year results. Annual growth in Quetico's distributions to Alaris is capped at 10% and is based on the change in gross profit. There is also a maximum decline in the annual distributions of 20%. The increase in gross profit was well in excess of the 10% maximum so distributions from Quetico increased 10% effective January 1, 2013 and are scheduled at approximately $4.7 million in Canadian dollars for 2013. Based on unaudited financial statements prepared by management for the eight months ended August 31, 2013, revenues and EBITDA are lagging behind the prior year results but Quetico management expects improved results over the remainder of the 2013 fiscal year and recent results reflect that expectation though we do expect a modest reduction in our distribution upon the January 1, 2014 reset. The Corporation has purchased monthly forward contracts locking in the foreign exchange rate for all of 2013 and 75% of 2014.

The fair value of the Quetico units will fluctuate each quarter with foreign exchange rates but the underlying valuation of the Quetico units remains unchanged.

Labstat – In June 2012, the Corporation announced the purchase of partnership units in Labstat International, Limited Partnership for an aggregate acquisition cost of $41.2 million. Labstat is the global leader in regulatory-driven analysis of tobacco products. Annual growth in Labstat's distributions to Alaris is capped at 6% and is based on the change in gross revenues. There is also a maximum decline in the annual distributions of 6%. The first reset on distributions will not occur until January 1, 2014 based on the audited December 2013 results. Based on unaudited financial statements provided by management for the eight months ended August 31, 2013, revenues and EBITDA are lagging behind the prior year results as their customers have slowed down product testing ahead of the expected 2013 launch of the new tobacco testing regulations in the United States. The implementation of these new regulations has been delayed so the reset will be at the bottom end of the collar at -6%. Additionally, since the US regulations have not been implemented, EBITDA run rates have continued to decline such that the annual earnings coverage ratio as disclosed in the Corporation's Annual Information Form will be below 1.0x for 2013. As a result, the Corporation is looking at various solutions to assist Labstat through this longer than expected transition period. During 2013, the Corporation created a short-term credit facility of $4.6 million (fully drawn at Sept 30, 3013) to ensure Labstat has sufficient working capital throughout the transition period. Subsequent to September 30, 2013, the loan was extended to $5.6 million. Annual distributions from Labstat are currently scheduled at $6.18 million for 2013.

For 2014, the annual distributions are scheduled to be $5.81 million based on a 6% decrease from 2013. However, there is senior debt in Labstat and the lower EBITDA run rates have created covenant issues that Alaris and the senior lender are working together to resolve. Based on a 2014 forecast received from Labstat management on November 12, 2013, it is expected that an additional temporary measure will be required where the Corporation has proposed to voluntarily reduce the fixed portion of the annual distribution (to approximately $3 million) and add a variable portion (where the Corporation would receive as a distribution a set portion of the increase in Labstat's EBITDA). The variable portion would react to the implementation of the new US regulations that are still expected in the coming months. Implementation of this arrangement is dependent on reaching an agreement with the senior lender. At this time, the specifics of that temporary measure are not known but there is sufficient information, including the anticipated voluntary reduction of the fixed distribution, to support a $2 million decrease in the fair value of the Labstat units to $39.7 million.

Agility – In December 2012, the Corporation announced the purchase of partnership units in Agility Health, LLC for an aggregate acquisition cost of $12.5 million USD. Subsequent to September 30, 2013, the Corporation purchased additional partnership units for $7.6 million USD. Agility is a private health care company specializing in rehabilitation services across the United States. Agility's year end is December 31st and the distributions to the Corporation will not change until the completion of Agility's 2013 fiscal year. Annual growth in Agility's distributions to Alaris is capped at 6% and is based on the change in same clinic sales. There is also a maximum decline in the annual distributions of 6%. Based on unaudited financial statements provided by management for the eight months ended August 31, 2013, revenue is marginally ahead of the prior year results while EBITDA is behind prior year results. Current annualized distributions are currently $3.27 million in Canadian dollars for 2013. The Corporation has purchased monthly forward contracts locking in the foreign exchange rate for all of 2013 and 75% of 2014.

The fair value of the Agility units will fluctuate each quarter with foreign exchange rates but the underlying valuation of the Agility units remains unchanged.

SHS – In March 2013, the Corporation announced the purchase of partnership units in SHS Services Management, LP for an aggregate acquisition cost of $15 million. SHS is a private home services company operating in Canada under the Sears Home Services brand. SHS's year end is December 31st and the distributions to the Corporation will not change until the completion of SHS's 2014 fiscal year. Annual growth in SHS's distributions to Alaris is based on the change in same program sales and is no longer capped at 6% as originally agreed. There is a maximum decline in the annual distributions of 6%. Distributions were originally scheduled at $2.5 million in Canadian dollars for the first twelve months. Based on unaudited financial statements provided by management for the five months ended July 31, 2013, SHS' revenue is behind the prior year due to the transition of ownership but the first reset is not until January 1, 2015.

Alaris has been working with SHS and Sears Canada ("Sears") on solutions to deal with operational issues SHS has had over the last several months. The transition of taking over the Sears Home Services business has been more challenging and expensive than management of SHS had originally forecast. As a result, both Sears and Alaris have provided temporary financial solutions to help SHS through this transition period. Part of the temporary financial solution included Alaris foregoing its monthly distribution payment of $208,333 from SHS (the "SHS Distribution") for a period of five months from September 2013 through the January 2014 payment (the "Foregone SHS Distributions") as well as providing a short-term loan of $2,000,000 (the "SHS Loan)(collectively the "Financial Concessions"). In February 2014, assuming SHS has the ability to begin to pay the SHS Distribution, Alaris will start receiving the SHS Distribution again at that time. The SHS Loan was for working capital purposes and is secured against certain assets of SHS. Alaris will collect 7% interest on the SHS Loan while it is outstanding. As a result of the Financial Concessions Alaris is providing to SHS, the ceiling portion of the 6% collar will be removed from the annual SHS Distribution reset to ensure Alaris has the opportunity to earn back the revenue from the Foregone SHS Distributions. By removing the upper limit of the collar, Alaris would get the full benefit from a turnaround in the sales of SHS when it calculates its annual SHS Distribution reset. Furthermore, the Corporation will receive a 10% net profits interest in SHS, effective from the date SHS generates net profits, as another mechanism to make up for the Financial Concessions Alaris has provided SHS.

SCR – In May 2013, the Corporation announced the purchase of partnership units in SCR Mining and Tunneling, LP for an aggregate acquisition cost of $40 million. SCR provides mining, surface and underground construction, electrical and mechanical services to the Canadian mining industry. SCR's year end is December 31st and the distributions to the Corporation will not change until the completion of SCR's 2015 fiscal year. Annual growth in SCR's distributions to Alaris is capped at 6% and is based on net revenue. There is also a maximum decline in the annual distributions of 6%. Distributions are currently scheduled at $6.4 million in Canadian dollars annually until December 31, 2015. Based on unaudited financial statements provided by management for the eight months ended August 31, 2013, SCR's revenue and EBITDA are behind the prior year as was expected and is the reason the first reset is not until January 1, 2016.

The SCR units have only been owned for five months and the business has performed as expected thus the fair value of the SCR units remains unchanged at $40.5 million.

Sequel – On July 1, 2013, the Corporation announced the purchase of preferred units in Sequel Youth and Family Services, LLC for an aggregate acquisition cost of $66 million USD. Sequel is a privately owned company founded in 1999 which develops and operates programs for people with behavioral, emotional, or physical challenges. Annual growth in Sequel's distributions to Alaris is capped at 5% and is based on same program sales. There is also a maximum decline in the annual distributions of 5%. Distributions are currently scheduled at $9.9 million USD dollars for the first twelve months. Based on unaudited financial statements provided by management for the eight months ended August 31, 2013, Sequel's revenue and EBITDA are ahead of the prior year but the first reset is not until July 1, 2014.

The Sequel units have only been owned for three months and the business has performed as expected thus the fair value of the Sequel units is the original cost of $68.6 million. The fair value of the Sequel units will fluctuate each quarter with foreign exchange rates.

Summary of Valuation Changes - During the current quarter, there were increases (LMS and Killick) and decreases (Labstat and SHS) to the fair value of the preferred units held by the Corporation but the net impact was $0.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2013, the Corporation had a $50.1 million senior credit facility that was undrawn at September 30, 2013. The senior facility was renewed on December 31, 2012 at an interest rate of Canadian prime plus 3% (no change). The senior credit facility is an interest-only, 364-day revolving loan that is due December 31, 2013. The facility carries a three-year term out option in the event the loan is not renewed. At September 30, 2013, the Corporation met all of its covenants as required by the senior credit facility. Those covenants include a maximum debt to EBITDA of 1.7:1 (Nil:1 at September 30, 2013); minimum tangible net worth of $401.7 million ($436.6 million at September 30, 2013); and a minimum fixed charge coverage ratio of 1:1 (1.55:1 at September 30, 2013). During the nine months ending September 30, 2013, the Corporation repaid a total of $168 million as follows: $44 million from proceeds from a share offering in January, $96 million from proceeds from a share offering in July, $21 million from proceeds from a partial redemption of LifeMark units, $5 million from proceeds from a private placement relating to the SHS transaction and $2 million out of working capital. During the nine months ending September 30, 2013, the Corporation drew down $118 million as follows: $15 million for the SHS transaction, $31 million for the SCR contribution, $70 million for the Sequel contribution and $2 million for a short-term loan to Labstat and transaction fees. Subsequent to September 30, 2013, the Corporation drew $6 million on the facility to fund a further contribution into Agility Health.

The Corporation had working capital of approximately $14.10 million at September 30, 2013. 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, 2013 and December 31, 2012 is set forth in the tables below.

	September 30, 2013	December 31, 2012
Cash	5,679,027	3,638,255
Trade and other receivables	1,535,625	917,642
Prepayments	120,503	182,811
Promissory notes receivable	11,500,000	2,500,000
Total Current Assets	$18,835,155	$7,238,708
Accounts payable & accrued liabilities	754,677	1,805,561
Dividends payable	3,443,243	2,345,347
Income taxes payable	536,457	40,585
Loans and borrowings	-	-
Total Current Liabilities	$4,734,377	$4,191,493
Net Amount	$14,100,778	$3,047,215

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	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Bank indebtedness	Other liabilities	Amortized cost
Derivative financial instruments	Loans and receivables	Fair value

The Corporation will assess at each reporting period whether there is a financial asset, other than those classified as held for trading, that is impaired. An impairment loss, other than temporary, is included in net earnings.
The Corporation holds derivative financial instruments to hedge its foreign currency exposure. The Corporation has entered into forward contracts equal to the monthly and quarterly flow of funds from its investments in Quetico, Agility and Sequel, the Corporation's three foreign investments. The Corporation matched 100% of the 2013 scheduled distributions to the Canadian parent and approximately 75% of the expected 2014 distributions resulting in an economic hedge of the foreign currency exposure. The fair value of the forward contracts will be estimated at each reporting date and any gain or loss on the contracts will be recognized in profit or loss.

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	$754,677	$754,677	$0	$0	$0
Dividends payable	3,443,243	3,443,243	0	0	0
Income taxes payable	536,457	536,457	0	0	0
Total	$4,734,377	$4,734,377	$0	$0	$0

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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 year ended December 31, 2012.

SUMMARY OF CONTRACTUAL OBLIGATIONS

Other than the senior credit facility described under "Liquidity and Capital Resources", the only material contractual obligation of the Corporation is its lease for office space. The Corporation agreed to a seven-year lease at a new location that commenced in 2009. Annual leasing costs will be approximately $175,000.

Contractual Obligations	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Office lease	557,003	175,896	381,107	0	0
Total	557,003	175,896	381,107	0	0

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, deferred income tax amounts, valuation of intangible assets and preferred limited partnership units.

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 or LLC's 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.

SUMMARY OF QUARTERLY RESULTS

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

	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12	Q2-12	Q1-12	Q4-11
Revenue	15,229	24,351	10,807	9,037	8,792	7,239	7,038	5,815
Earnings	8,388	17,597	6,689	4,931	4,868	4,160	3,957	6,369
Basic and Diluted Income (loss) per Share/Unit	$0.30 $0.29	$0.70 $0.68	$0.27 $0.26	$0.22 $0.22	$0.22 $0.21	$0.21 $0.20	$0.20 $0.20	$0.36 $0.35

All periods reflect the implementation of IFRS. Q4-2011 includes a recovery of deferred income taxes of $2.3 million. Q2-2013 includes the significant gains from the partial redemption of LifeMark units.

OUTSTANDING SHARES

At September 30, 2013, the Corporation had authorized, issued and outstanding, 28,693,694 voting common shares. In the three months ended September 30, 2013, the Corporation issued 3,427,000 shares by short form prospectus for gross proceeds of $105,894,300, 15,000 shares to a retiring director under the RSU Plan, and 42,621 as a result of the exercise of options.

At September 30, 2013, 233,207 restricted share units and 1,748,998 stock options were outstanding under the Corporation's long-term incentive compensation plans. The weighted average exercise price of the outstanding options is $23.67.

SUBSEQUENT EVENTS

Subsequent to September 30, 2013, the Corporation contributed an additional $7.6 million in US dollars to Agility Health to fund two acquisitions. The annual distribution on the additional contributions will be $1,216,000 US for the first twelve months.

Investment in The S.M. Group International LP/Le Groupe S.M. International s.e.c. ("SM Group"):

On November 12, 2013, the Corporation acquired 3,000,000 preferred partnership units in the SM Group for $30 million. Pursuant to the partnership agreement dated November 6, 2013, the SM Group units entitle the Corporation to receive an annual preferred distribution in priority to distributions on the SM Group's common units in an amount equal to the preferred distribution for the prior fiscal year multiplied by the percentage increase or decrease in SM Group's gross revenues for the previous fiscal year. Distributions on the SM Group units are receivable monthly and are scheduled to be $4.8 million for the first twelve months. The SM Group has the option at any time after November 6, 2016 to repurchase the units at a pre-negotiated premium to the original purchase price.

OUTLOOK

Alaris' agreements with the Partners provide for payments estimated to provide the Corporation approximately $51.4 million of revenues for 2013. For the fourth quarter of 2013, those same agreements call for revenues of approximately $14.9 million for the Corporation. Annual general and administrative expenses are currently estimated at $5.0 million annually and include all public company costs. The senior debt facility was undrawn and the annual interest rate on that debt was approximately 6.0% at September 30, 2013. 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 and an understanding of its financial performance and are subject to the risks and assumptions identified under the heading “Forward-Looking Statements” and elsewhere herein, and readers are cautioned that the information may not be appropriate for other purposes. See also “Forward Looking Statements” 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 year ended December 31, 2012.

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 future financial position or results of the Corporation and the Partners, business strategy, growth opportunities, and plans and objectives of or involving the Corporation or the Partners. In particular, this MD&A contains forward looking statements regarding: the distributions anticipated to be received from the Partners; the Corporation's general and administrative expenses; the yield and conversion of the LMS Notes; as well as the expected future performance (financial and operational), business prospects and opportunities of the Partners; the impact and benefits of the financial concessions provided to SHS and Labstat and the expected additional measures to be implemented for Labstat. 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 2013 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, including, without limitation, a material change in the operations of a Partners or the industry they operate and a change in the ability of a Private Company Partner to continue to pay Alaris’ preferred distributions; reliance on key personnel; general economic conditions; failure to complete or realize the anticipated benefits of transactions, including, without limitation, the anticipated benefits of current and future concessions provided to certain Private Company Partners; limited diversification of Alaris’ transactions; management of future growth; availability of future financing; competition; a failure to obtain required regulatory approvals on a timely basis or at all;

changes in legislation and regulations and the interpretations thereof; 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 "Risks and Uncertainty", and the information set forth under the heading "Risk Factors" in the Corporation's annual information form for the year ended December 31, 212 (a copy of which is available on www.sedar.com) 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 distributions 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.