MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ending March 31, 2015

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, 2015 and March 31, 2014 for Alaris Royalty Corp. ("**Alaris**" or the "**Corporation**"). The Corporation's unaudited condensed consolidated financial statements and the notes thereto have been prepared in accordance International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and are recorded in Canadian dollars. These financial statements do not contain all disclosure required by 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, 2014, 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, Normalized EBITDA, and Earnings Coverage Ratio to assist in assessing the Corporation's financial performance. The terms EBITDA, Normalized EBITDA, and Earnings Coverage Ratio (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, net of gain or loss on disposal of capital assets, interest expense and income tax expense. EBITDA is used by management and many investors to determine the ability of an issuer to generate cash from operations. Management believes EBITDA is a useful supplemental measure from which to determine the Corporation's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and dividends.

Normalized EBITDA refers to EBITDA excluding items that are non-recurring in nature and is calculated by adjusting for non-recurring expenses and gains to EBITDA. Management deems non-recurring charges to be unusual and/or infrequent charges that the Corporation incurs outside of its common day-to-day operations. For the three months ended March 31, 2015, the gain on the redemption of the Killick units and the unrealized foreign exchange gains and losses are considered by management to be non-recurring charges. Adjusting for these non-recurring items allows management to assess EBITDA from ongoing operations.

Earnings Coverage Ratio refers to EBITDA of a Partner (as defined below) divided by such Partner's sum of debt servicing (interest and principal), maintenance capital expenditures and distributions to Alaris.

Per Share values, other than earnings per share, refer to the related financial statement caption as defined under IFRS or related term as defined herein, divided by the weighted average basic shares outstanding for the period.

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

OVERVIEW

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

RESULTS OF OPERATIONS

Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014

	3 months ending March 31		
	2015	**2014**	**% Change**
Revenue per share	$0.59	$0.55	+7.5%
Normalized EBITDA per share	$0.50	$0.49	+3.2%
Net cash from operating activities per share	$0.36	$0.35	+2.8%
Dividends per share	$0.375	$0.36	+4.2%
Weighted average basic shares outstanding (000's)	32,155	28,713	

Revenues from Partners for the three months ended March 31, 2015 totaled $19.0 million compared to $15.8 million in the three months ended March 31, 2014. The increase of 20.4% compared to the prior period is a result of the addition of new Partners and follow on contributions with current Partners in 2014 as well as year over year performance metric adjustments from each of the Partners as described below, with an offset for redemptions by Partners in November 2014 and January 2015. See "Private Company Partner Update" for more information on the individual Partners' performance.

Partner Revenue (000's)	**3 months ending Mar 31, 2015**	**3 months ending Mar 31, 2014**	**% Change**	**Comment**
Sequel	$3,489	$2,731	+27.8%	Same program sales increase July 1/14, further contribution in 2014
KMH	1,890	2,067	-8.6%	Estimated same clinic sales decrease
SMi	1,719	1,200	+43.3%	Revenue reset estimate +6% Jan 1/15, further contributions in 2014
Planet Fitness	1,629	-	+100%	Contribution closed Nov 2014
Solowave	1,623	1,206	+34.5%	+4.9% same customer sales increase Jan 1/15 due to strength in US and Int'l market
SCR	1,600	1,600	-	No reset until Jan 1/16
Labstat	1,500	856	+75.3%	No sweep accrued in Q1 14, sweep accrued in 15 as bank hurdles met
Kimco	1,450	-	+100%	Contribution closed June 2014
LifeMark	1,029	989	+4.0%	+4% fixed increase July 1/14
LMS	999	843	+18.5%	+24% increase in gross profit Jan 1/15 on portion, remainder resets April 1/15
Agility Health	986	895	+10.1%	Same clinic sales flat, currency difference
Killick	538	1,678	-68.0%	Redeemed in Jan 2015
End of the Roll	330	326	+1.1%	+1.1% same store sales increase May 1/14
Quetico	-	1,096	-100%	Redeemed in Nov 2014
Subtotal	**$18,782**	**$15,489**	**+21.3%**	
Interest	237	312	-24.1%	Interest on promissory notes, LMS repaid in 2014
Total	**$19,019**	**$15,801**	**+20.4%**	

Finance costs of $784,379 in the period were 32.7% lower compared to $1,165,137 in the prior year period and includes the annual renewal fee which was $537,500 in 2015 compared to $447,500 in 2014. The renewal rate decreased but the facility increased to $90.1 million resulting in a small increase in the gross renewal fee. In the first quarter of 2015, the Corporation started with $35.5 million of debt and all outstanding debt was repaid in January 2015 using proceeds from the Killick redemption. Interest expense was only $246,879 in the quarter compared to $717,637 in the same period in 2014.

Salaries and benefits were $503,942 in the quarter, up 49.4% compared to the prior year period due to two new positions added in September 2014 and January 2015 along with the adjustment of salaries resulting from changes in the RSU plan.

In the three months ending March 31, 2015 the Corporation recorded non-cash stock based compensation expenses totaling $1,329,335 (2014 – $723,062) which included: $797,882 to amortize the fair value of the Corporation's restricted share unit plan (the "RSU Plan") (2014 –$423,026) and $531,453 to recognize the fair value of outstanding stock options (2013 – $287,036). Also in the quarter, the Corporation made no cash payments based on current dividend rates to employees and directors in lieu of dividends under the RSU Plan (2014 - $85,162). The increase in non-cash stock based compensation expenses compared to the prior year period was due to new options and RSUs issued in the past nine months in accordance with the Corporation's compensation plan.

Corporate and office expenses were $778,110 compared to $497,104 in the prior year and include office rent, travel and corporate administrative expenses. The 56.5% increase was due to an increase in TSX fees, overall increase in office expenses with staffing increases and the addition of a new research platform for deal sourcing.

Legal and accounting expenses were $304,536 for the three months ended March 31, 2015, consistent with $309,474 in the prior year period, a decline of 1.6%.

The Corporation recorded earnings of $21.8 million, EBITDA of $27.6 million and Normalized EBITDA of $16.1 million for the three months ended March 31, 2015 compared to earnings of $11.9 million, EBITDA of $16.5 million and Normalized EBITDA of $13.9 million for the three months ended March 31, 2014. The increase in earnings and EBITDA can be attributed to the addition of two new Partners in 2014: Kimco (June 2014) and Planet Fitness (November 2014), as well as follow on contributions to Labstat, Solowave, SMi and Sequel partiallly offset by the redemptions for Quetico (November 2014) and Killick (January 2015).

Reconciliation of Net Income to EBITDA (thousands)	**3 months ending March 31, 2015**	**3 months ending March 31,2014**
Earnings	$21,802	$11,947
Adjustments to Net Income:		
Amortization and depreciation	29	27
Finance costs	784	1,165
Income tax expense	4,997	3,333
EBITDA	**$27,613**	**$16,472**
Normalizing Adjustments		
Gain on disposal of investment	(2,792)	-
Unrealized foreign exchange loss/(gain)	(8,718)	(2,538)
Normalized EBITDA	**$16,103**	**$13,934**

The Corporation recorded a loss on foreign exchange contracts of $2,048,247 in the three months ended March 31, 2015 compared to a loss of $359,629 in the prior year period as the price of the USD forward contracts is lower than the spot USD exchange rate. The Corporation also recorded an unrealized foreign exchange gain of $10,766,315 in the three months ended March 31, 2015 compared to a gain of $2,897,622 in the prior year period. The significant increase is due to the impact of the change in the US exchange rate from December 31, 2014 to March 31, 2015 on the USD loan to the Corporation's wholly-owned subsidiary.

For the three months ending March 31, 2015, dividends were declared of $0.125 per month for a total of $0.375 per share and $12,065,971 in aggregate. In the prior year period, dividends were declared totalling $0.36 per share and $10,339,982 in aggregate.

A portion of the $23.7 million of cash held at March 31, 2015 was used to satisfy the dividend declared in March 2015 (payable April 15, 2015).

The Corporation has a $90.1 million, interest-only senior debt facility with a two-member Canadian bank syndicate, which was undrawn at March 31, 2015. Interest is paid monthly at the lenders' prime rate plus three percent per annum (5.75% at March 31, 2015). During the current quarter, the Corporation repaid the entire $35.5 million balance that was outstanding at December 31, 2014 with proceeds from the Killick redemption.

The Corporation has recorded a $9.3 million deferred tax asset and a $9.4 million deferred tax liability on its balance sheet to reflect the accounting value of unused tax pools based on the Corporation's internal projections.

PRIVATE COMPANY PARTNER UPDATE

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

The following is a summary of each of the Partners recent financial results. Included in this summary will be a comment on the Partners' Earnings Coverage Ratio. This Earnings Coverage Ratio is defined as EBITDA divided by debt servicing (interest and principal), maintenance capital expenditures and distributions to Alaris. Because this information from time to time is based on unaudited information provided by management of each Private Company Partner, each Earnings Coverage Ratio, based on the most current information for the trailing twelve months, will be identified as part of a range. The ranges are: less than 1.0x, 1.0x to 1.5x, 1.5x to 2.0x and greater than 2.0x. A result greater than 1 is considered appropriate and the higher the number, the better the rating.

LifeMark

The Corporation's original contribution into LifeMark Health Limited Partnership ("LifeMark") was in 2004. When LifeMark was sold to Centric Health Corporation ("Centric""), a Canadian public company, in 2011, the Corporation reduced its financial interest by approximately 50% in return for a cash payment of $65 million. In 2013, Centric repaid $30 million of the remaining $65.5 million repurchase right that was negotiated as part of the sale. Based on the terms of the amended partnership agreement dated June 9, 2011, the LifeMark distribution will not be subject to potential decreases and instead is fixed at a 4% increase at the end of each twelve month period ending June 30 and the distributions are now supported by Centric, who reports to Alaris quarterly.

LifeMark provides integrated health, medical and rehabilitation services through over 120 facilities across Canada. While physiotherapy and rehabilitation services have historically seen few significant year over year swings, changes in reimbursement rates from government agencies can produce some volatility. As the distribution reset is fixed at an increase of 4%, scheduled distributions to Alaris will not be affected by annual changes in LifeMark's revenue.

LifeMark reports to Alaris quarterly and first quarter financial information was not available as of the date of this MD&A. Based on audited financial statements for the year ended December 31, 2014, Centric's revenues were 9.6% ahead and EBITDA was 13.2% behind prior year results. Centric currently has the option to repurchase the remaining partnership units owned by the Corporation at a fixed price of $36.92 million. If the units are not repurchased by June 13, 2015, the $36.92 million will increase by 4% and every year thereafter on the amount outstanding. Annual distributions for Lifemark increased by 4% on July 1, 2014 and are scheduled at $4.12 million for the twelve months ending June 30, 2015.

The fair value of the LifeMark units remains at $36.92 million at March 31, 2015 as that is the current repurchase amount and Centric has expressed its intention to do so over the next couple of years. The Earnings Coverage Ratio for LifeMark is in the 1.0x – 1.5x range.

LMS

The Corporation's original contribution into LMS Limited Partnership ("LMS") was in 2007. On December 31, 2013, the Corporation converted, at its option, $3 million in promissory notes outstanding into additional preferred partnership units. The yield on those units is 16% plus the percentage change in gross profit for the year ended December 31, 2013 (first year yield of 18.1%). Total gross profit is the top-line performance metric on which the annual distributions to the Corporation are reset. A portion of the annual distributions from LMS reset on January 1, 2015 and the remainder on April 1, 2015 based on the December 2014 results.

LMS is a western Canadian based concrete reinforcing steel fabricator and installer. LMS has experienced strong volumes and work on hand across each of its residential, commercial and infrastructure business segments. Margins remain under pressure from a competitive landscape but have continuously improved over the last several years. The Company benefited from increased volume and consistent margins over the past few years, and based on work on hand, LMS management expects continued success throughout the 2015 fiscal year.

Based on audited financial statements prepared by LMS management for the year ended December 31, 2014, gross profit was 24.1% ahead of the prior year period. Based on unaudited financial statements prepared by management for the three months ended March 31, 2015, revenue is modestly behind the prior year while gross profit and EBITDA are more than 10% ahead of the prior year.

The fair value of the LMS units remains at $33.0 million at March 31, 2015. The Earnings Coverage Ratio for LMS remains in the 1.5x – 2.0x and has improved slightly from the last quarter.

End of the Roll

The Corporation's original contribution in End of the Roll was in 2005. Same store sales is the top-line performance metric on which the annual payments to the Corporation are reset.

End of the Roll is a Canada-wide retail flooring franchise system and completed its ninth fiscal year as an Alaris partner on April 30, 2014. The renovation industry has been relatively stable year over year and End of the Roll's results reflect that.

Based on unaudited financial statements for the ten months ended February 28, 2014, revenues and EBITDA were both approximately 5% ahead of prior year results. Annualized distributions are currently scheduled at $1.15 million for the twelve months ending April 30, 2015 after a 1.0% increase in same store sales effective May 1, 2014.

The End of the Roll transaction is recorded as an intangible asset and is reviewed regularly for impairment. No impairment exists at this time. The Earnings Coverage Ratio for End of the Roll continues to be greater than 2.0x, and has improved over the prior period.

KMH

Since 2010, the Corporation has acquired $54.8 million of preferred partnership units in KMH Limited Partnership ("KMH") in five separate contributions. Same clinic sales is the top-line performance metric on which the annual distributions to the Corporation are reset and tracks the organic growth of clinics open for at least two years.

KMH is a private healthcare company operating twelve diagnostic imaging clinics (nuclear medicine, cardiology and MRI) in Ontario and nine clinics in the United States.

Based on unaudited internal financial statements provided by KMH's management for the two months ended February 28, 2014, revenues are up modestly and EBITDA is approximately 20% behind the prior year. The Earnings Coverage Ratio for KMH has decreased from the prior quarter and remains in the 1.0x – 1.5x range but in the lower end of the range.

The Corporation continues to work with KMH on a long term solution to improve cash flow. The timing of collections from KMH's US business and decreased performance from and closures of some of KMH's US clinics has resulted in a continuing cash flow constraint that has prevented KMH from paying any material distributions in 2015.

The fair value of the KMH units remains at $52 million and, in the absence of regular cash distributions to support a discounted cash flow valuation, the Corporation has used a liquidation value to determine the current valuation. More specifically, the Corporation estimated an enterprise value less any senior debt, outstanding promissory notes, unpaid interest and distributions to Alaris to calculate the $52 million value in the Corporation's preferred units. We will continue working with KMH's management to determine what level of cash distributions we can expect to receive for the remainder of 2015 based on KMH's available cash flow.

The Corporation has accrued $1,890,000 in revenue for KMH in the three months ended March 31, 2015 but most of that was not paid in cash and sits as a receivable. While distributions are currently scheduled at $7.5 million for 2015, if KMH does not demonstrate an ability to pay the distributions owing in the second quarter, the Corporation intends to stop accruing revenue on the financial statements.

Solowave

In December 2010, the Corporation purchased preferred partnership units in Solowave Design Limited Partnership ("Solowave") for an aggregate acquisition cost of $32.5 million. In November 2014, the Corporation purchased additional preferred units for another $10 million. Annual distributions on the additional contribution are scheduled to be $1,428,500. The annual distributions increase and decrease based on same customer net sales and both growth and declines are capped at 6% per year.

Solowave is a Canadian-based privately held designer and manufacturer of residential, ready-to-assemble wooden play centers as well as ready to assemble wooden residential structures. Solowave sells its products under the brands "Big Backyard", "Cedar Summit Play Systems" and "Yardistry". The improved results of the business for the period are in part due to a modest recovery in the American housing market as well as modest growth in Canadian and international business.

Based on unaudited information for the three months ended March 31, 2015, revenues and EBITDA are slightly ahead of the prior year. The increase in same customer net sales for 2014 was 4.92% resulting in scheduled Solowave distributions of $6.5 million in 2015.

The fair value of the Solowave units remains at $44.0 million at March 31, 2015. The Earnings Coverage Ratio for Solowave is consistent with the last quarter and remains in the greater than 2.0x range.

Labstat

In June 2012, the Corporation purchased partnership units in Labstat International, ULC ("Labstat") for an aggregate acquisition cost of $41.2 million. Labstat is a global leader in regulation-driven analysis of tobacco smoke and products. Annual growth and decline in Labstat's distributions to Alaris are capped at 6% and is based on the change in gross revenues.

In February 2014, Alaris contributed $6 million in preferred equity alongside $1 million from Labstat to deleverage the business, bringing Alaris' total preferred equity investment to $47.2 million. Alaris also agreed to temporarily restructure the form of its distributions, reducing the fixed portion to 7.25% on all preferred equity contributed with a variable portion in the form of a cash sweep up to the maximum that would have been paid under the original agreement, being $6.67 million in 2014, provided certain financial covenants and performance targets were met. Labstat paid $5.85 million of distributions in 2014 (including the collection of $2.4 million pursuant to the cash flow sweep that was paid as required subsequent to March 31, 2015).

Fixed distributions are scheduled at $3.42 million for 2015. Based on unaudited financial statements prepared by management for the two months ended February 28, 2015, revenue and EBITDA were both slightly ahead of the prior year and ahead of the internally prepared budget. Since the reduced leverage targets required by Labstat's lenders to permit the cash sweep continue to be met, the Corporation has accrued approximately $645,000 for the estimated amount of the cash sweep for the first quarter. The 2015 sweep will be paid within 125 days of the year ending December 31, 2015. The Corporation now expects total distributions from Labstat between $6 million and $7 million for 2015.

Given the changes made to the capital structure and the distribution going forward, the reduced fixed amount and the variable cash sweep, the Earnings Coverage Ratio, on a pro forma basis, continues to be in the 1.0x to 1.5x range consistent with the prior quarter. The fair value of the Labstat units remains at $47 million at March 31, 2015.

Agility

In December 2012, the Corporation purchased preferred LLC units in Agility Health, LLC ("Agility") for an aggregate acquisition cost of $12.5 million USD. The Corporation acquired additional preferred LLC units in the last quarter of 2013 for an aggregate acquisition cost of $7.6 million USD. Annual growth and decline in Agility's distributions to Alaris is capped at 6% and is based on the change in same clinic sales.

Agility Health is a health care company specializing in providing physical and occupational therapy and speech pathology services to health care providers and employers through 27 hospital clinics, 47 long term care facilities and 46 outpatient clinics across the United States.

Based on unaudited statements provided by management for the two months ended February 28, 2015, revenue was flat and EBITDA was over 10% ahead of the prior year due to the implementation of cost cutting measures in recent months. Distributions are currently scheduled at $3.18 million USD for 2015. The Corporation has purchased monthly forward contracts locking in the foreign exchange rate for the next twelve months and approximately 70% the following twelve months, which will result in an increase in distributions in Canadian dollars.

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. The Earnings Coverage Ratio for Agility remains below 1.0x due to non-recurring expenses related to recent acquisitions but has improved each of the past three quarters. Agility was on covenant with senior lenders at December 31, 2014 and has adequate flexibility on its balance sheet to service the monthly distributions as of February 28, 2015.

SCR

In May 2013, the Corporation purchased partnership units in SCR Mining and Tunneling, LP ("SCR") for an aggregate acquisition cost of $40 million. Due to the multiyear business cycles of SCR's operations, the Corporation established that the first reset would not be until January 1, 2016 and will be based on the two year average revenue results for 2014 and 2015 compared to the two year average for 2013 and 2014. Annual growth or decline in SCR's distributions to Alaris is capped at 6% and are based on net revenue.

SCR provides mining, surface and underground construction, electrical and mechanical services to the Canadian mining industry.

Based on unaudited financial statements provided by management for the two months ended February 28, 2015, SCR's revenue is slightly behind the prior year and EBITDA is slightly ahead of the prior year results. 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. Of note, SCR has no debt and annual distributions are currently scheduled at $6.4 million until December 31, 2015.

The fair value of the SCR units remains unchanged at $40.5 million. The Earnings Coverage Ratio for SCR is between 1.5x and 2.0x, consistent with last quarter.

Sequel

In July 2013, the Corporation purchased preferred LLC units in Sequel Youth and Family Services, LLC ("Sequel") for an aggregate acquisition cost of $66 million USD. During the three months ended September 30, 2014, the Corporation purchased additional preferred units in Sequel for $7.5 million USD. Annual growth or decline in Sequel's distributions to Alaris is capped at 5% and is based on same program sales.

Sequel is a privately owned company founded in 1999 which develops and operates programs for youth with behavioral, emotional, or physical challenges.

Annualized distributions are currently scheduled at $11.2 million USD until June 30, 2015. The Corporation has purchased monthly forward contracts locking in the foreign exchange rate for the next twelve months and approximately 70% the following twelve months, which will result in an increase in distributions in Canadian dollars. Based on unaudited financial statements provided by management for the eight months ended February 28, 2015, revenue and EBITDA are both over 10% ahead of the prior fiscal year.

The fair value of the Sequel units remains at USD $74.8 million. The fair value of the Sequel units will also fluctuate each quarter with foreign exchange rates. The Earnings Coverage Ratio for Sequel improved slightly over last quarter and remains between 1.0x and 1.5x.

SMi

In November 2013, the Corporation purchased partnership units in SM Group International, LP ("SMi") for an aggregate acquisition cost of $30 million. During the last six months of 2014, the Corporation purchased additional preferred units in SMi for $10.5 million. Annual growth or decline in SMi's distributions to Alaris is capped at 6% and is based on gross revenue. SMi is a privately owned company founded in 1972 which specializes in the delivery of integrated scientific, engineering and IT solutions dedicated to the areas of buildings, energy, energy efficiency, environment, industry, infrastructure, natural resources, power, security, telecommunications and materials testing.

SMi reports to Alaris quarterly and first quarter financial information was not available as of the date of this MD&A. Based on unaudited financial statements provided by management for the year ended December 31, 2014, SMi's revenue and EBITDA were both over 10% ahead of the prior year. The first reset was effective January 1, 2015 and will be based on 2014 revenue results. Once confirmed by audited results, the Corporation expects the maximum 6% increase to distributions from SMi in 2015. Distributions are currently scheduled at a current annual run rate of $6 million but will increase once audited results are received.

The fair value of the SMi units remains at $42.6 million. The Earnings Coverage Ratio for SMi is between 1.5x and 2.0x, consistent with last quarter.

Kimco

In June 2014, the Corporation announced the purchase of preferred units in Kimco Holdings, LLC ("Kimco") for an aggregate acquisition cost of $29.2 million USD. Annual growth or decline in Kimco`s annualized distributions of $4,672,000 USD to Alaris is capped at 6% and is based on gross revenue. Kimco has been providing commercial janitorial services since the 1970s. The majority of Kimco`s services are generated under long-term contracts (generally 1-3 years) to more than 375 customers, which range in size from multi-location national customers to regional single-site customers. Annual growth or decline in Kimco's distributions to Alaris is capped at 6% and is based on gross revenue. The first reset will occur on January 1, 2016. The Corporation has purchased monthly forward contracts locking in the foreign exchange rate for the next twelve months and approximately 70% the following twelve months, which will result in an increase in distributions in Canadian dollars.

Based on unaudited financial statements provided by management for the trailing nine months ended February 28, 2015, Kimco's revenue is on budget and EBITDA modestly behind budget due to transition costs associated with its separation from its prior parent company.

The Kimco units were purchased in June 2014 so the fair value is what the Corporation paid for the units, $29.2 million USD. The fair value of the Kimco units in Canadian dollars will fluctuate each quarter with foreign exchange rates. The Earnings Coverage Ratio for Kimco, on a pro forma basis, is between 1.5x and 2.0x, consistent with last quarter.

Planet Fitness

In November 2014, the Corporation announced the purchase of preferred units in PF Growth Partners, LLC ("Planet Fitness"), for an aggregate acquisition cost of $35.0 million USD. Annual growth or decline in Planet Fitness' annualized distributions of $5.25 million USD to Alaris is capped at 6% and is based on same club revenues. The Corporation has purchased monthly forward contracts locking in the foreign exchange rate for the next twelve months and approximately 70% the following twelve months, which will result in an increase in distributions in Canadian dollars. Planet Fitness, through its affiliates, operates 30 fitness clubs in Maryland, Tennessee and Florida (as of March 31, 2015) as a franchisee of Planet Fitness® and has area development agreements ("ADA's") to open up to 59 Planet Fitness® clubs in those same States. Planet Fitness has grown to become one of the top 3 largest non-corporate affiliated franchisees in the Planet Fitness® system. Planet Fitness has a very repeatable, predictable and scalable business model and intends to open 10 to 12 additional clubs in 2015 and currently employs over 450 individuals company-wide.

Based on unaudited financial statements provided by management for the year ended December 31, 2014 and the two months ended February 28, 2015, Planet Fitness' revenue and EBITDA are well ahead of the prior year.

The Planet Fitness units were purchased in November 2014 so the fair value is what the Corporation paid for the units, $35 million USD. The fair value of the Planet Fitness units in Canadian dollars will fluctuate each quarter with foreign exchange rates. The Earnings Coverage Ratio for Planet Fitness, on a pro forma basis, is between 1.0x and 1.5x.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation has a $90.1 million senior credit facility provided by two Canadian chartered banks. The senior facility was renewed on December 31, 2014 at an interest rate of Canadian prime interest rate plus 2.75%. The senior credit facility is an interest-only, 364-day revolving loan that is expected to be renewed December 31, 2015. The facility carries a three-year term out option in the event the loan is not renewed. At March 31, 2015, 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 (0.0:1 at March 31, 2015); minimum tangible net worth of $487.3 million ($546.0 million at March 31, 2015); and a minimum fixed charge coverage ratio of 1:1 (1.34:1 at March 31, 2015).

The Corporation had 32,175,921 voting common shares outstanding at March 31, 2015. The Corporation had working capital of approximately $29.5 million at March 31, 2015. Under the current terms of the various commitments, the Corporation has the ability to meet all current obligations as they become due.

WORKING CAPITAL

The Corporation's working capital (defined as current assets excluding promissory notes and investment tax credits receivable less current liabilities excluding foreign exchange contracts) at March 31, 2015 and December 31, 2014 is set forth in the table below.

	March 31, 2015	December 31, 2014
Cash	23,676,816	13,483,524
Trade and other receivables	8,290,206	5,551,730
Income tax receivable	502,797	1,866,572
Prepayments and deposits	1,397,661	1,467,872
Total Current Assets	**$33,867,480**	**$22,369,698**
Accounts payable & accrued liabilities	353,546	1,453,661
Dividends payable	4,021,990	4,009,045
Total Current Liabilities	**$4,375,536**	**$5,462,706**
Net Amount	**$29,491,944**	**$16,906,992**

Management of the Corporation believes that the Corporation is able to meet its obligations as they become due.

FINANCIAL INSTRUMENTS

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

Financial Instrument	Category	Measurement Method
Cash and cash equivalents	Held for trading	Fair value
Trade and other receivables	Loans and receivables	Amortized cost
Promissory note 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 Agility, Sequel, Kimco and Planet Fitness, the Corporation's US investments. The Corporation matches 100% of the next twelve months' scheduled distributions to the Canadian parent and approximately 70% of the following twelve months' distributions resulting in an economic hedge of the foreign currency exposure. The fair value of the forward contracts will be estimated at each reporting date and any gain or loss on the contracts will be recognized in profit or loss.

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:

March 31, 2015	Total	0-6 Months	6 mo – 1 yr	1 – 2 years	3 – 4 years
Accounts payable and accrued liabilities	353,546	353,546	0	0	0
Dividends payable	4,021,990	4,021,990	0	0	0
Foreign exchange contracts	2,865,884	2,865,884	0	0	0
Total	**$7,241,420**	**$7,241,420**	**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

A. Disclosure Controls and Procedures

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, 2014.

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 that commenced in 2009. Annual leasing costs are approximately $175,000. That space is no longer sufficient for the Corporation so in December 2014, the Corporation agreed to a five-year lease commencing July 2015 at a new location. The commitments below do not include any expected recovery from a sub-lease for the final year of the 2009 lease.

Contractual Obligations	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long term debt	0	0	0	0	0
Office lease	2,387,786	337,169	1,403,259	647,358	0
Total Contractual Obligations	2,387,786	337,169	1,403,259	647,358	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, future income tax amounts, and the 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 are not amortized and will be assessed for objective evidence of impairment at each balance sheet date. The Corporation's intangible assets are being amortized over the 80-year term of the agreements on a straight-line basis.

RECENT ACCOUNTING PRONOUNCEMENTS

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the unaudited condensed consolidated financial statements of the Corporation, except for IFRS 9, Financial Instruments, with an effective date yet to be determined and could change the classification and measurement of financial assets. The Corporation does not plan to adopt this standard early and the extent of the impact has not been determined.

SUMMARY OF QUARTERLY RESULTS

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

	Q1-15	Q4-14	Q3-14	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13
Revenue	19,763	17,139	17,545	16,910	15,441	(758)	15,229	24,351
Earnings	21,803	13,593	14,629	8,745	11,947	(2,856)	8,388	17,597
Basic and Diluted	$0.68	$0.42	$0.46	$0.30	$0.42	($0.10)	$0.30	$0.70
Income (loss) per Share/Unit	$0.66	$0.41	$0.45	$0.30	$0.41	($0.09)	$0.29	$0.68

In each quarter in 2014 and 2015, an unrealized foreign exchange gain has increased earnings. In Q1, 2015, the Corporation recorded a $2.8 million gain on the Killick redemption that increased revenue and earnings in that period; in Q4 2014, the Corporation recorded a $0.8 million loss on the Quetico redemption that decreased revenue and earnings in that period; in Q4 2013, the Corporation recorded a $15.5 million loss on SHS that decreased revenue and earnings in that period; and in Q2 2013, the Corporation recorded a $13.1 million gain on the reduction of the financial interest in LifeMark that increased revenue and earnings in that period.

OUTSTANDING SHARES

At March 31, 2015, and at May 5, 2015, the Corporation had authorized, issued and outstanding, 32,175,921 voting common shares. In the three months ended March 31, 2015, the Corporation issued 28,750 shares that vested to Directors under the Restricted Share Unit ("RSU") Plan, and 74,813 shares as a result of the exercise of options. At March 31, 2015, 260,935 RSUs and 1,865,045 stock options were outstanding under the Corporation's long-term incentive compensation plans. The weighted average exercise price of the outstanding options is $25.89.

CRA UPDATE

Subsequent to March 31, 2015, Alaris received notices of re-assessment (the “Reassessment Notices”) from the CRA in respect of its taxation years ended December 30, 2009 through to December 30, 2013. Pursuant to the Reassessment Notices, the CRA has denied the deduction of certain non-capital losses and scientific research and experimental development expenses claimed by Alaris during those taxation years. Alaris’ aggregate total assessed tax liability (including interest and penalties) in respect of the Reassessment Notices is $26.9 million (set out in the table below). Alaris continues to firmly believe its tax filings to date are correct and that it will be successful in defending its position, and as such, Alaris intends to file notices of objection to contest the Reassessment Notices. Alaris intends to immediately pay a deposit of 50% of the assessed tax liability (plus interest), or $12.1 million (in addition to the $1.3 million deposit paid in 2014 relating to the July 2009 tax year), in anticipation of filing of the notices of objection. Alaris has adequate capital available to it to pay both the deposit as well as any further amount of all tax liabilities if the Reassessment Notices are ultimately upheld through the tax adjudication process. Alaris anticipates that legal proceedings through the CRA and the courts will take considerable time to resolve and the payment of the deposits, and any taxes, interest or penalties owing will not materially impact the Corporation’s payout ratio.

Tax Year	Losses Applied	Tax, interest & penalties
July 2009	$10,532	$3,600
December 2009	1,916	702
December 2010	14,646	5,162
December 2011	14,992	5,116
December 2012	16,774	5,440
December 2013	22,642	6,935
Total	**$81,502**	**$26,955**

The Corporation firmly believes it will be successful in defending its position and therefore, any current or future deposit paid to the CRA would be refunded, plus interest. The Corporation will continue to file its tax returns by utilizing the remaining available tax pools.

OUTLOOK

Based on Alaris’ current agreements with its partners, it expects royalties and distributions from partners to the Corporation of approximately $68.3 million for 2015 plus up to another $5.7 million from KMH. For the second quarter of 2015, those same agreements provide for revenues of approximately $16.6 million for the Corporation, plus up to $1.9 million from KMH. Annual general and administrative expenses are currently estimated at $6.5 million annually and include all public company costs. The senior debt facility was undrawn at March 31, 2015, leaving the Corporation with approximately $100 million of net debt available including cash available on the balance sheet. The annual interest rate on that debt was approximately 5.75% at March 31, 2015 and remains at that level today.

Alaris’ unique capital structure continues to fill a niche in the private capital markets. Therefore, Alaris continues to attract interest in its capital from private businesses across North America and is confident it will contribute capital to new, and existing Partners in 2015. As a conservative measure, Alaris does not use any estimates for future revenue earned from the contribution of capital into new or existing Partners in its guidance or budgeting process

Certain information contained herein, including the Corporation’s expected royalties, revenues and distributions set forth above, the Corporation’s anticipated distributions from its Partners is 2015 and other information may be considered to be future oriented financial information or financial outlook under applicable securities laws. The purpose of providing such information in this MD&A is to demonstrate the visibility the Corporation has with respect to its revenue streams and such statements are subject to the risks and assumptions identified for the business in this MD&A. 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 year ended December 31, 2014 and in the Corporation's annual information form for the year ended December 31, 2014.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward looking statements. Statements other than statements of historical fact contained in this MD&A may be forward looking statements, including, without limitation, management's expectations, intentions and beliefs concerning the growth, results of operations, performance and business prospects and opportunities of the Corporation and the Partners, the general economy, the amount and timing of the declaration and payment of dividends by the Corporation, the future financial position or results of the Corporation, business strategy, proposed acquisitions, growth opportunities, budgets, litigation, projected costs and plans and objectives of or involving the Corporation or the Partners. In particular, this MD&A contains forward looking statements regarding the anticipated financial and operating performance of the Partners in 2015, including, without limitation, the earnings coverage ratio for the Partners; the revenues to be received by Alaris in 2015 (on an annual and quarterly basis); the Corporation's general and administrative expenses and cash requirements in 2015; the CRA proceedings (including the expected timing and financial impact thereof); timing, amount and changes in distributions from Partners; the resolution of KMH's cash flow constraints (including the timing and amount of distributions expected to be received from KMH for 2015 and the impact on Alaris; Centric's plan to repurchase our LifeMark units and Alaris' ability to attract new private businesses to invest in. Many of these statements can be identified by looking for words such as "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. To the extent that any forward-looking statements herein constitute a financial outlook, including without limitation, estimated revenues) and expenses, and changes in distributions from Partners, they were approved by management as of the date hereof and have been included to assist readers in understanding management's current expectations regarding Alaris' financial performance and are subject to the same risks and assumptions disclosed herein. There can be no assurance that the plans, intentions or expectations upon which these forward looking statements are based will occur. Forward looking statements are subject to risks, uncertainties and assumptions and should not be read as guarantees or assurances of future performance. Accordingly, readers are cautioned not to place undue reliance on any forward looking information contained in this MD&A. Statements containing forward looking information reflect management's current beliefs and assumptions based on information in its possession on the date of this MD&A. Although management believes that the expectations represented in such forward looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

Statements containing forward-looking information by their nature involve numerous assumptions and significant known and unknown facts and uncertainties of both a general and a specific nature. The forward looking information contained herein are based on certain assumptions, including assumptions regarding the performance of the Canadian and U.S. economies over the next 24 months and how that will affect our business and our ability to identify and close new opportunities with new Private Company Partners; the continuing ability of the business of the Partners to pay the distributions; the performance of the Private Company Partners; that interest rates will not rise in a material way over the next 12 to 24 months; that the businesses of the Partners will not change in a material way; that the Corporation will experience net positive resets to its annual royalties and distributions from its Partners in 2015; more private companies will require access to alternative sources of capital; and that Alaris will have the ability to raise required equity and/or debt financing on acceptable terms.

Some of the factors that could affect future results and could cause results to differ materially from those expressed in the forward looking statements contained herein include risks relating to: the dependence of the Corporation on the Partners; risks relating to the Partners and their businesses; reliance on key personnel; general economic conditions; failure to complete or realize the anticipated benefits of transactions; limited diversification of Alaris' transactions; management of future growth; availability of future financing (equity and debt); competition; government regulation; leverage and restrictive covenants under credit facilities; the ability of the Partners to terminate the various agreements with Alaris; unpredictability and potential volatility of the trading price of the common shares; fluctuations in the amount of cash dividends; restrictions on the potential growth of the Corporation as a consequence of the payment by Alaris of substantially all of its operating cash flow; income tax related risks; ability to recover from the Partners for defaults under the various agreements with Alaris; potential conflicts of interest; dilution; liquidity of Common Shares; changes in the financial markets; risks associated with the Partners and their respective businesses; a change in the ability of the Partners to continue to pay Distributions to Alaris; a failure to reach a favourable resolution with resrect to KMH's cash flow constraints; a material change in the operations of a Partner or the industries in which they operate; a failure to obtain required regulatory approvals on a timely basis or at all; changes in legislation and regulations and the interpretations thereof; litigation risk associated with the CRA's reassessment and the Corporation's challenge thereof; and material adjustments to the unaudited internal financial reports provided to Alaris by the Partners. The information contained in this MD&A, including the information set forth under "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 or under the "Investors" section of the Corporations website at www.alarisroyalty.com.