

NOT FOR DISTRIBUTION IN THE UNITED STATES. FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF UNITED STATES SECURITIES LAW.

[Alaris Royalty Corp.](#) ("Alaris" or the "Corporation") (TSX:AD) is pleased to announce a US\$13,275,000 contribution (approximately CAD\$18.5 million) (the "Initial MAHC Contribution") to MAHC Holdings, LLC ("Mid-Atlantic Health Care", "Mid-Atlantic" or "MAHC") in exchange for an annualized first full year distribution of US\$1,991,250 (approximately CAD\$2.78 million) (the "Initial MAHC Distribution"). The Initial MAHC Contribution closed on December 31, 2015, bringing total capital deployed in 2015 to approximately CAD\$173.5 million, being Alaris' highest annual capital deployment to date. The Corporation is also pleased to announce that it has agreed to contribute up to an additional US\$14.0 million to MAHC (the "Additional MAHC Contribution") in exchange for an additional distribution of up to US\$2.0 million (the "Additional MAHC Distribution"). The Additional MAHC Contribution is expected to close in multiple tranches throughout 2016 and is subject to certain customary closing conditions. The Initial MAHC Distribution adds approximately \$0.04 cents per share to Alaris' net cash from operating activities and reduces its Annualized Payout Ratio by approximately 2%. Alaris funded the Initial MAHC Contribution with funds drawn on its senior credit facility (the "Facility"). Following the funding of the Initial MAHC Contribution Alaris has an undrawn balance of approximately CAD\$122.6 million on its Facility to fund Alaris' active deal pipeline as well as for general working capital purposes.

New Partner - Commitment for up to US\$27 million of Contributions to Mid-Atlantic

Alaris entered into a subscription agreement with MAHC pursuant to which Alaris made the Initial MAHC Contribution of US\$13,275,000 (approximately CAD\$18.5 million) in exchange for preferred units (the "MAHC Units") in Mid-Atlantic. The Initial MAHC Contribution entitles Alaris to receive the Initial MAHC Distribution for the first full year following the transaction, which equates to a 15% yield. The Initial MAHC Distribution will be adjusted for the first time on January 1, 2017 based on the percentage change in net revenue, subject to a 5% collar. MAHC has a limited right to repurchase the MAHC Units at par, plus US\$700,000, on or prior to June 1, 2016 if certain conditions are met. Subsequent to June 1, any repurchase of the MAHC Units is to be completed at an exit multiple in line with Alaris' other Partners (as defined below).

Based on Alaris' review of Mid-Atlantic's unaudited internal proforma results for the most recent trailing twelve month period in 2015, management of Alaris believes that MAHC would have an earnings coverage ratio in the range of approximately 1.0x to 1.5x, after giving effect to the Initial MAHC Contribution, other changes to MAHC's capital structure and the Initial MAHC Distribution payable to Alaris.

Alaris has also committed to fund the Additional MAHC Contribution in exchange for additional MAHC Units entitling Alaris to receive the Additional MAHC Distribution. The Additional MAHC Contribution is expected to close in several tranches over the course of the calendar year 2016. The distribution to be received upon the closing of each tranche will be determined on a pro rata basis, with the proceeds from each such tranche being utilized by MAHC to fund the acquisition of additional interests in skilled nursing facilities that MAHC currently has an interest in. The Additional MAHC Contribution is subject to certain closing conditions, including, without limitation, MAHC obtaining regulatory approvals to acquire the facilities and negotiation of the transaction documents.

"Alaris is proud to be partnering with the leader in skilled nursing care in Maryland. Mid-Atlantic has shown a remarkable ability to provide quality patient care, growth and strong cash flows through changing industry dynamics. We are very pleased to be the capital of choice in a very sought after industry and by such a quality management team", said Steve King, President and Chief Executive Officer, [Alaris Royalty Corp.](#)

"We are not satisfied with anything less than the highest quality healthcare. We expect our facilities to provide a caring environment, the best hands-on clinical and nursing services and the best rehabilitation services in each community we serve. Having Alaris as a partner will allow us to focus on our goals because of the long-term nature of their capital. We are looking forward to this new partnership with Alaris and what we can achieve with them by our side", said Dr. Scott Rifkin, Co-Founder and CEO, MAHC Holdings, LLC.

Founded in 2003 and headquartered in Timonium, MD, Mid-Atlantic Health Care has grown to be an innovator in post-hospital services throughout Maryland and Pennsylvania, operating 21 facilities and over 3,800 beds in those states. Mid-Atlantic Health Care prides itself on providing the highest quality of healthcare by offering a caring environment, quality hands-on clinical and nursing services, and a commitment to outstanding, patient-centered care. Mid-Atlantic is a leader in managing skilled short term stays for rehabilitation as well as long term care. To learn more, visit [www.mahchealth.com](http://www.mahchealth.com).

About the Corporation:

Alaris provides alternative financing to private companies ("Private Company Partners" or "Partners") in exchange for distributions with the principal objective of generating stable and predictable cash flows for dividend payments to its shareholders. Distributions from the Partners are structured as a percentage of a "top line" financial performance measure such as gross margin and same-store sales and rank in priority to the owners' common equity position.

## Non-IFRS Measures

The terms Annualized Payout Ratio and Earnings Coverage Ratio are financial measures used in this news release that is not a standard measure under International Financial Reporting Standards ("IFRS"). The Corporation's method of calculating its Annualized Payout Ratio and Earnings Coverage Ratio may differ from the methods used by other issuers. Therefore, the Corporation's Annualized Payout Ratio and Earnings Coverage Ratio may not be comparable to similar measures presented by other issuers.

**Annualized Payout Ratio:** The term "annualized payout ratio" is a financial measure used in this press release that is not a standard measure under International Financial Reporting Standards. Annualized Payout Ratio means Alaris' total annualized dividend per share expected to be paid over the next twelve months divided by the net cash from operating activities per share Alaris expects to generate over the same twelve month period (after giving effect to the impact of all information disclosed to date).

**Earnings coverage ratio** refers to EBITDA divided by the sum of debt servicing (interest and principal), maintenance capital expenditures and distributions to Alaris. Alaris uses this ratio to evaluate a Private Company Partner's ability to pay the distributions payable to Alaris. This ratio is intended to measure the number of times a Private Company Partner's fixed commitments can be covered by its earnings, and in Alaris' view it is indicative of a Private Company Partner's available margin of safety with respect to its ability to pay its commitments, including the distributions payable to Alaris. Alaris generally considers a ratio of 1.0 or higher to be sufficient to demonstrate a Private Company Partner's ability to pay the distributions payable to Alaris.

## Forward-Looking Statements

This news release contains forward-looking statements as defined under applicable securities laws. Statements other than statements of historical fact contained in this news release may be forward-looking statements under applicable securities legislation, including, without limitation, management's expectations, intentions and beliefs concerning: the return to Alaris on the Initial MAHC Contribution and Additional MAHC Contribution; the impact of the Initial MAHC on Alaris' Annualized Payout Ratio and net cash from operating activities; the timing, amount and completion of the Additional MAHC Contribution; and indebtedness under the Facility. 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 any forward-looking statements herein constitute a financial outlook, including, without limitation, estimates regarding, cash flow from operating activities and Annualized Payout Ratio, they were approved by management as of the date hereof and have been included to provide an understanding with respect to 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.

By their nature, forward-looking statements require Alaris to make assumptions and are subject to inherent risks and uncertainties. Assumptions about the performance of the Canadian and U.S. economies over the next 24 months and how that will affect Alaris' business and that of its Partners are material factors considered by Alaris management when setting the outlook for Alaris. Key assumptions include, but are not limited to, assumptions that the Canadian and U.S. economies will grow moderately over the next 12 months, that interest rates will not rise in a material way over the next 12 to 24 months, that the Partners will continue to make distributions to Alaris as and when required, that the businesses of the Partners will continue to grow, what the Corporation expects to experience regarding resets to its annual royalties and distributions from its Partners upon the reset dates for each Partner, and that Alaris will have the ability to raise required equity and/or debt financing on acceptable terms. Management of Alaris has also assumed that capital markets will remain stable and that the Canadian dollar will remain in a range of approximately plus or minus 10% relative to the U.S. dollar over a 12 month period. In determining expectations for economic growth, management of Alaris primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies.

There can be no assurance that the assumptions, 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. The actual results of the Corporation and the Private Company Partners could materially differ from those anticipated in the forward looking statements contained herein as a result of certain risk factors, including, but not limited to, the following: the dependence of Alaris on the Private Company Partners; reliance on key personnel; general economic conditions; failure to complete or realize the anticipated benefit of Alaris' financing arrangements with the Private Company Partners; a failure to realize the anticipated benefits of the Initial MAHC Contribution and/or the Additional MAHC Contribution; a failure, by Alaris or a Partner, to obtain required regulatory approvals on a timely basis or at all; changes in legislation and regulations and the interpretations thereof; a material adjustment to the unaudited financial information of a Private Company Partner provided to Alaris; and risks relating to the Private Company Partners and their businesses, including, without limitation, a material change in the operations of a Private Company Partner or the industries they operate in and a change in the ability of the Private Company Partners to continue to pay Alaris' preferred distributions. Additional risks that may cause actual results to vary from those indicated are discussed under the heading "Risk Factors" in the Corporation's Annual Information Form for the year ended December 31, 2014, which is filed under the Corporation's profile at [www.sedar.com](http://www.sedar.com).

Accordingly, readers are cautioned not to place undue reliance on any forward-looking information contained in this news

release as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. Statements containing forward-looking information reflect management's current beliefs and assumptions based on information in its possession on the date of this news release. Although management believes that the assumptions reflected in the forward-looking statements contained herein are reasonable, there can be no assurance that such expectations will prove to be correct.

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

Neither the TSX nor its Regulation Services Provider (as that term is defined in the policies of the TSX) accepts responsibility for the adequacy or accuracy of this release.

## Contact

[Alaris Royalty Corp.](#)

Curtis Krawetz

Vice President, Investments and Investor Relations

(403) 221-7305

[www.alarisroyalty.com](http://www.alarisroyalty.com)