



Diversified Royalty Corp. Announces Royalty Acquisition and Dividend Increase

Vancouver, B.C., June 9, 2015, For Immediate Release – Diversified Royalty Corp. (TSX: DIV) (the “Corporation” or “DIV”) is pleased to announce its royalty acquisition. DIV has entered into an agreement with Sutton Group Realty Services Ltd. (“Sutton”) to acquire the Canadian and U.S. trademarks and certain other intellectual property rights utilized by Sutton in its business (the “Sutton Marks”) for \$30.6 million (the “Acquisition”). Immediately following the closing of the Acquisition, DIV will license the Sutton Marks back to Sutton for 99 years, in exchange for an initial royalty payment of \$3.5 million per annum (the “Royalty” and together with the Acquisition, the “Transaction”). The Transaction is subject to Toronto Stock Exchange (“TSX”) approval and customary closing conditions for transactions of this kind and is expected to close before the end of June 2015.

Subject to completion of the Transaction, DIV’s board of directors has approved an increase in DIV’s annual dividend from \$0.1884 per share to \$0.20 per share (a 6% increase) effective August 31, 2015 (assuming the Transaction completes in June 2015).

Founded in 1983, Sutton is among the leading residential real estate firms in Canada, with over 8,200 agents and 200 offices across the country. Sutton is a franchise business with a history of innovation and a tradition of leadership in the residential real estate industry. Sutton began with a revolutionary business idea (charging REALTORS®, or “agents”, a low fixed monthly fee) that remains current and relevant after over 30 years. Sutton has a very strong presence in BC and Quebec (together representing 45% of their total agents). Ontario currently represents approximately 40% of Sutton’s agents while Alberta represents fewer than 5% of Sutton’s agents.

Sean Morrison, President and Chief Executive Officer of DIV, stated, “The royalty acquisition from Sutton is DIV’s second royalty purchase and another step in our strategy of purchasing royalties from a diverse group of high quality multi-location businesses and franchisors. Sutton’s proven business model, stable EBITDA and strong brand are a perfect fit for DIV’s royalty model. The \$3.5 million of annual royalty represents less than 70% of Sutton’s trailing 12 months March 31, 2015 EBITDA and increases at a fixed rate of 2% per year, providing stable and predictable royalty growth. The high level of royalty coverage (>40%) and the fixed royalty growth rate are excellent royalty features. Sutton is a market leader with a strong national brand, an attractive business model and experienced leadership – all of which are key success factors for a royalty acquisition. Following the successful completion of the Sutton royalty purchase, DIV will continue to focus its efforts, in a patient and disciplined manner, on acquiring additional royalties from a diverse group of multi-location businesses and franchisors.”

Scott Shaw, President and Co-Founder of Sutton, stated, “The transaction with DIV provides Sutton with the ability to realize some of the value of the Sutton brand today and an even more exciting opportunity to invest in and grow Sutton.”

The Acquisition will be completed by DIV through a newly formed limited partnership called SGRS Royalties Limited Partnership (the "Partnership").

The Royalty is calculated by multiplying a determined number of agents (the "Royalty Pool", initially set at 5,185 agents) by an agreed royalty fee (the "Royalty Rate"). Under the terms of the licence and royalty agreement governing the Royalty, Sutton will have the ability to increase the amount of the annual royalty payable to DIV by electing to increase the number of agents in the Royalty Pool in return for common shares of DIV, subject to meeting certain performance criteria and based on a formula which is accretive to DIV shareholders. The number of agents in the Royalty Pool may be increased annually, and will never be decreased. The Royalty Rate will automatically increase by 2% each July 1st beginning in 2016, and Sutton will also be provided opportunities to increase the Royalty Rate in 10% increments, subject to meeting certain performance criteria, in return for common shares of DIV based on a formula which is accretive to DIV shareholders.

The payment of the purchase price for the Sutton Marks is expected to be financed by DIV with approximately \$24.3 million from DIV's cash on hand and approximately \$6.3 million of senior debt to be provided to the Partnership by a Canadian chartered bank. Pursuant to a commitment letter signed by DIV and the Partnership, the credit facility will have a term of 36 months, be non-amortizing, and have a floating interest rate equal to the BA Rate plus 2.25% or the prime rate plus 1.0%. The credit facility will be secured by the Sutton Marks and the royalties payable by Sutton and has debt covenants usual for this type of credit facility. Concurrent with the payment of the purchase price for the Sutton Marks, Sutton will lend to the Partnership an amount equal to the GST payable by the Partnership upon completion of the Acquisition, represented by a promissory note bearing interest at a rate of 5% per annum and payable in full on the earlier of (a) the six month anniversary of the closing date and (b) the third business day following receipt by the Partnership of a refund in respect of such GST.

In addition to the Royalty, Sutton will pay DIV a management fee of approximately \$100,000 per year for strategic and other services. The management fee will be increased by 10% every five years.

Investor Conference Call

Management of DIV will host a live conference call at 10:00 am Pacific Time (1:00 pm Eastern Time) on Wednesday, June 10, 2015. To participate by telephone, in Toronto and area, call 416-340-2216, or elsewhere across North America, toll free: 1-866-225-0198. The management presentation for the conference call will be available on DIV's website www.diversifiedroyaltycorp.com at 9 am Pacific Time (12:00 pm Eastern Time) on June 10, 2015. An archived telephone recording of the call will be available until June 24, 2015 by calling 905-694-9451 (Passcode 6135112) or 1-800-408-3053 (Passcode 6135112).

About Diversified Royalty Corp.

DIV is a multi-royalty corporation, engaged in the business of acquiring top-line royalties from well-managed multi-location businesses and franchisors in North America. DIV's objective is to acquire predictable, growing royalty streams from a diverse group of multi-location businesses and franchisors.

DIV expects to increase cash flow per share by making accretive royalty purchases and through the growth of purchased royalties. DIV expects to pay a predictable and stable dividend to shareholders and increase the dividend as cash flow per share increases allow.

Forward Looking Statements

Certain statements contained in this news release may constitute forward-looking statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “intend”, “may”, “will”, “project”, “should”, “believe”, “confident”, “plan” and “intends” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Specifically, forward-looking statements in this news release include, but are not limited to, statements made in relation to: the completion of the Transaction, the terms thereof and the expected timing therefor; the details of the initial royalty pool; the possibility of future increases in the royalty payments made by Sutton to DIV and the issuance of common shares by DIV in connection therewith; the increase in DIV’s annual dividend and the timing therefor; the means by which DIV intends to finance the Transaction; the approval of the Transaction by the TSX; the amount and terms of the debt financing to be used by DIV or the Partnership to partially satisfy the purchase price for the Transaction; the amount and terms of the promissory note to be issued by the Partnership to DIV upon the closing of the Acquisition; DIV’s business plans and strategies following the completion of the Transaction; DIV’s corporate objectives; and DIV’s expectation that it will pay a predictable and stable dividend to shareholders and increase the dividend as cash flow per share increases allow. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events, performance, or achievements of DIV to differ materially from those anticipated or implied in such forward-looking statements. DIV believes that the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct. In particular there can be no assurance that: the Transaction will close on the terms or in accordance with the timing currently expected, or at all; that there will be any future increases in the royalty payments made by Sutton to DIV; DIV or the Partnership will be able to obtain debt financing for the Transaction on the terms currently expected, or at all; the TSX will approve the Transaction; the Transaction, if completed, will be successful; or DIV will be able to achieve any of its corporate objectives or make monthly dividend payments to the holders of its common shares. Given these uncertainties, readers are cautioned that forward-looking statements included in this news release are not guarantees of future performance, and such forward-looking statements should not be unduly relied upon. These statements speak only as of the date of this news release. DIV undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by law.

In formulating the forward-looking statements contained herein, management has assumed that business and economic conditions affecting DIV and Sutton will continue substantially in the ordinary course, including without limitation with respect to general industry conditions, general levels of economic activity and regulations. These assumptions, although considered reasonable by management at the time of preparation, may prove to be incorrect.

All of the forward-looking statements made in this news release are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, DIV.

THE TORONTO STOCK EXCHANGE HAS NOT REVIEWED AND DOES NOT ACCEPT RESPONSIBILITY FOR THE ADEQUACY OR THE ACCURACY OF THIS RELEASE.



Additional Information

Additional information relating to the Corporation and other public filings, is available on SEDAR at www.sedar.com.

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