

THIS AGREEMENT MAY NOT BE ASSIGNED.

ROYALTY AGREEMENT

BETWEEN:

BMG MANAGEMENT SERVICES INC., a corporation incorporated under the laws of the Province of Ontario (the “**Manager**”)

- and -

BMG GROUP INC., a corporation incorporated under the laws of the Province of Ontario (the “**Parent**”)

- and -

_____, (“**Holder**”).

RECITALS:

- A. The Manager is the manager of BMG Diversified Hedge Fund, a private open-end unit trust formed under the laws of the Province of Ontario (the “**Hedge Fund**”).
- B. The Hedge Fund is the issuer of redeemable Class E15 units (the “**Hedge Fund Units**”).
- C. The Manager is a wholly-owned subsidiary of BMG Group Inc., a corporation formed under the laws of the Province of Ontario and operating in the financial services industry in Canada (“**Parent**”).
- D. The Manager is the issuer of the non-transferable, convertible royalty units entitling the holder to a share of certain fee revenue earned by the Manager in respect of the Hedge Fund Units issued by the Hedge Fund (the “**Royalty Units**”).
- E. The Holder’s Royalty Units are convertible into common shares of Parent in accordance with the terms herein.
- F. The offering of Hedge Fund Units and Royalty Units is described in the Term Sheet (the “**Offering**”).
- G. Holder has entered into a subscription agreement with the Hedge Fund and the Manager (the “**Subscription Agreement**”), pursuant to which –
1. the Manager issued, and the Holder acquired _____ Royalty Unit(s); (the “**Holder’s Royalty Unit(s)**”), and
 2. the Hedge Fund issued, and the Holder acquired _____ Hedge Fund Units (the “**Holder’s Associated Hedge Fund Units**”).
- H. The Holder’s Royalty Units are issued pursuant to, and governed by, this Agreement.
- I. This Agreement is signed by the Manager on behalf of Holder pursuant to the power of attorney in the Subscription Agreement.

J. All Royalty Units issued by the Manager pursuant to the Offering are governed by agreements on terms and conditions identical to this Agreement, *mutatis mutandis*.

NOW THEREFORE, in consideration of the premises and covenants contained in this Agreement and for other good and valuable consideration (the receipt and sufficiency of which are acknowledged), the Parties agree as follows:

ARTICLE 1 DEFINITIONS

1.1 Definitions

Wherever used in this Agreement, the following capitalized terms shall have the following meanings respectively:

- (a) “**Agreement**” means this Royalty Agreement, as the same may be amended or replaced from time to time;
- (b) “**Business Day**” means any day other than a day which is a Saturday, Sunday or a statutory holiday observed in the Province of Ontario;
- (c) “**Conversion Date**” means the date on which the documentation set out in Section 6.2(a) is received by the Parent and Manager;
- (d) “**Hedge Fund Unit**” has the meaning given to that term in the Recitals to this Agreement;
- (e) “**Fair Market Value**” means the fair market value per share of the Parent Shares as of the relevant date as determined by an independent valuator engaged by Parent for such purpose.
- (f) “**Issuance Date**” has the meaning given to that term in Section 2.4 of this Agreement;
- (g) “**Holder**” has the meaning given to that term in the Recitals to this Agreement;
- (h) “**Holder’s Associated Hedge Fund Units**” means the number of Hedge Fund Units held by the Holder, commencing with that specific number of Hedge Fund Units set out in the Recitals to this Agreement, less the number of Hedge Fund Units redeemed by the Holder;
- (i) “**Holder’s Royalty Unit(s)**” means that specific number of Royalty Units set out in the Recitals to this Agreement, less the number of Royalty Units forfeited by the Holder pursuant to Article 4 of this Agreement;
- (j) “**Manager**” has the meaning given to that term in the Recitals to this Agreement;
- (k) “**Notice**” has the meaning given to that term in Section 8.1 of this Agreement;
- (l) “**Offering**” has the meaning given to that term in the Recitals to this Agreement;
- (m) “**Parent**” has the meaning given to that term in the Recitals to this Agreement;
- (n) “**Parties**” means, collectively, the Manager, Holder and the Parent and “**Party**” means either of them, as applicable;

- (o) “**Person**” means a natural person, a corporation, a company, a partnership, a trust, a syndicate, an association, a government (or any agency thereof) or any other legal or business entity whatsoever;
- (p) “**Royalty**” has the meaning given to that term in Section 2.1 of this Agreement;
- (q) “**Royalty Unit**” has the meaning given to that term in the Recitals to this Agreement;
- (r) “**Subscription Agreement**” has the meaning given to that term in the recitals hereto;
- (s) “**Term Sheet**” means the term sheet dated July 3, 2019 in respect of the Offering;
- (t) “**Valuator**” means a certified business valuator selected by Parent, in its sole discretion.

ARTICLE 2 ROYALTY RIGHTS

2.1 Grant of Royalty

Each Royalty Unit will entitle the holder thereof to receive an annual royalty payment (the “**Royalty**”) in an amount equal to 10% per annum of the aggregate management fee and performance bonus (if any) paid to the Manager in a calendar year in respect of the Holder’s Associated Hedge Fund Units.

2.2 Royalty Unit Certificates

The Holder’s Royalty Units shall be represented by certificates substantially in the form set out in Schedule “A”.

2.3 Additional Royalty Units

The Manager may at any time and from time to time issue Royalty Units or similar rights to purchase a royalty right or securities.

2.4 Payment of Royalty

- (a) Accrual of Royalty payment entitlement will commence on the first day following the date on which such Holder’s Royalty Units were issued to Holder (the “**Issuance Date**”) and will be paid annually on January 31 of the year following the calendar year in respect of which the Royalty entitlement is calculated.
- (b) In the event of conversion of the Holder’s Royalty Units into common shares of Parent in accordance with Article 5 and Article 6 herein, the accrued and unpaid royalty entitlement in respect of the converted Holder’s Royalty Units for the calendar year up to the effective time of such conversion will be paid to the holder on January 31 of the year following the calendar year in respect of which the Royalty entitlement is calculated.

2.5 Overpayments

If the payment made by the Manager on account of the Royalty for any period is greater than the actual amount of the Royalty payment for such period, Holder will refund the amount of such overpayment to the Manager, failing which the Manager upon written demand will be entitled to recover the overpayment by set-off against future Royalty payments for any subsequent period.

2.6 Holder not a Shareholder

The holding of the Holder's Royalty Unit does not constitute the Holder a shareholder of the Manager or Parent, nor entitle the Holder to any right or interest in respect thereof, except that Holder shall be entitled to receive to receive notice of and to attend any meeting of the shareholders of Parent, but shall not be entitled to vote at any such meeting.

ARTICLE 3 BOOKS AND RECORDS

3.1 Books and Records

The Manager shall keep full and accurate books and records relating to the calculation of the Royalty during the period the Royalty Units are outstanding so that the Royalty can be calculated and verified.

ARTICLE 4 FORFEITURE OF ROYALTY UNITS

4.1 Forfeiture

- (a) Except as provided below, the Holder's Royalty Units will be forfeited by Holder if Holder ceases to hold the Holder's Associated Hedge Fund Units. Forfeiture will be in proportion to the number of the Holder's Associated Hedge Fund Units redeemed by Holder and will be effected at the time of such redemption.
- (b) Notwithstanding the foregoing, the Holder's Royalty Units cease to be subject to forfeiture on the following schedule:
 - (i) 20% of the Holder's Royalty Units on the first anniversary of the Issuance Date;
 - (ii) a further 20% of the Holder's Royalty Units on the second anniversary of the Issuance Date;
 - (iii) a further 20% of the Holder's Royalty Units on the third anniversary of the Issuance Date;
 - (iv) a further 20% of the Holder's Royalty Units on the fourth anniversary of the Issuance Date; and
 - (v) the final 20% of the Holder's Royalty Units on the fifth anniversary of the Issuance Date.

For greater certainty, if all the Holder's Associated Hedge Fund Units are redeemed by Holder in the first year since the Issuance Date, all such Holder's Royalty Units will be forfeited, whereas if all the Holder's Associated Hedge Units are redeemed in the third year, the Holder will retain 40% of the Royalty Units. After the five anniversary of the Issuance Date, Holder's Royalty Units are not subject to forfeiture regardless of the redemption of the Holder's Associated Hedge Fund Units.

4.2 Effect of Forfeiture

Upon a forfeiture of the Holder's Royalty Units, the rights of Holder with respect to such forfeited Royalty Units shall cease immediately.

4.3 New Certificate upon Forfeiture

In the event of a forfeiture of the Holder's Royalty Units, the Manager may issue a replacement certificate pursuant to Section 2.4 hereof. Failure to issue any such certificate shall not alter the adjustment of Holder's entitlement pursuant to this Article 4.

ARTICLE 5 CONVERSION

5.1 Mandatory Conversion Trigger

Royalty Units will convert automatically into common shares of Parent ("**Parent Shares**") in the following circumstances (each a "**Mandatory Conversion Trigger**"):

- (a) upon an initial public offering of Parent, or
- (b) a sale of all of all of the shares of, or all or substantially all of the assets of, Parent or the Manager (a "**Sale Transaction**").

5.2 Mandatory Conversion Rate

In the event of a Mandatory Conversion Trigger, the number of Parent Shares into which each Royalty Unit is convertible will be determined as follows:

- (a) The value of each Royalty Unit will be a multiple of the aggregate annual Royalty payments determined by the Valuator, divided by the number of Royalty Units then outstanding (the "**Royalty Unit Value**").
- (b) In the case of an initial public offering of Parent, Holder will acquire the number of Parent Shares equal to the aggregate Royalty Unit Value of the Holder's Royalty Units divided by the price per Parent Share offered on the initial public offering.
- (c) In the case of a Sale Transaction of Parent, Holder will acquire the number of Parent Shares equal to the aggregate Royalty Unit Value of the Holder's Royalty Units divided by the quotient obtained by dividing Y by Z, where

Y is the total consideration paid by the purchaser for all the Parent Shares, or all or substantially all of Parent's assets, as the case may be, and

Z is the total number of Parent Shares outstanding (on a fully-diluted basis, including full conversion of the outstanding Royalty Units).

- (d) In the case of a Sale Transaction of the Manager, Holder will acquire the number of Parent Shares equal to the aggregate Royalty Unit Value of the Holder's Royalty Units divided by the quotient obtained by dividing Y by Z, where

Y is the product obtained by multiplying A and B, where

A is the total consideration paid by the purchaser for all the shares of the Manager, or all or substantially all of Manager's assets, as the case may be (the "**Value of the Manager**"), and

B is the proportion of the value of Parent determined by the Valuator to be represented by the Value of the Manager, and

Z is the total number of Parent Shares outstanding (on a fully-diluted basis, including full conversion of the outstanding Royalty Units).

5.3 Mandatory Conversion Mechanics

- (a) Upon the automatic conversion of any Royalty Units into Parent Shares, each Holder must surrender the certificate or certificates formerly representing the Holder's Royalty Units at the principal office of the Parent and Manager.
- (b) Upon receipt by the Parent and Manager of the certificate or certificates, the Parent and Manager will issue and deliver to such Holder, promptly at the office and in the name shown on the surrendered certificate or certificates, a certificate representing the number of Parent Shares into which such Holder's Royalty Units are converted, together with cash in respect of any fractional Parent Share issuable upon such conversion;
- (c) Neither the Parent nor Manager are required to issue certificates evidencing the Parent Shares issuable upon conversion until certificates formerly evidencing the converted Royalty Units are either delivered to the Parent and Manager, or the Holder notifies the Parent and Manager that such certificates have been lost, stolen or destroyed, and executes and delivers an agreement to indemnify the Parent and Manager from any loss incurred by the Parent and/or Manager in connection with the loss, theft or destruction.
- (d) Notwithstanding the foregoing, in the event of a mandatory conversion as a result of a sale of Manager or Parent, Holder shall be entitled to receive upon such conversion, and shall accept in lieu of the number of Parent Shares to which it was otherwise entitled upon such conversion, the kind and amount of shares and other securities or property which the Holder would have been entitled to receive as a result of such sale of Manager or Parent if, on the effective date thereof, it has been the registered holder of the number of Parent Shares to which it was otherwise entitled upon conversion.

5.4 Time of Mandatory Conversion

In the case of a Mandatory Conversion, the conversion shall be effected immediately prior to the closing of the Mandatory Conversion Trigger.

5.5 Effect of Mandatory Conversion

Upon the completion of a mandatory conversion of the Holder's Royalty Units:

- (a) the rights of Holder with respect to such converted Holder's Royalty Units cease; and
- (b) the Holder shall become a holder of such applicable number of Parent Shares or such other applicable consideration.

5.6 No Fractional Shares

No fractional Parent Shares will be issued upon automatic conversion of Holder's Royalty Units. Instead of any fractional Parent Shares that would otherwise be issuable upon conversion of Holder's Royalty Units, the **[Manager]** will pay to the Holder a cash adjustment in respect of such fraction in an amount equal to the same fraction of the price per Parent Share (as determined in accordance with Section 5.2(b), 5.2(c) or 5.2(d), as applicable), but no such payment is required if the Board of Directors determines that the value of one Parent Share is less than \$10.

ARTICLE 6 ASSIGNMENT AND TRANSFERS

6.1 No Assignment or Transfer of Royalty Units

This Agreement may not be assigned by the Holder. The Holder's Royalty Units may not be assigned, transferred, pledged or alienated by the Holder, in whole or in part.

ARTICLE 7 NOTICES

7.1 Notices

Any notice, direction or other communication required or contemplated by any provision of this Agreement, including any Exchange Notice or Notice of Exercise, (each, a "**Notice**") will be in writing and given by personal delivery, by registered mail, by electronic mail transmission or by facsimile and addressed:

(a) in the case of Holder, at the address set out in the Subscription Agreement;

(b) in the case of a Notice to the Manager, at:

60 Renfrew Drive
Suite 280
Markham, Ontario
L3R 0E1
Attention: Nick Barisheff
Email: N.Barisheff@bmg-group.com

(c) in the case of a Notice to the Parent, at:

60 Renfrew Drive
Suite 280
Markham, Ontario
L3R 0E1
Attention: Nick Barisheff
Email: N.Barisheff@bmg-group.com

7.2 Delivery of Notices

Any Notice:

- (a) personally delivered before 4:30 p.m. local time on a Business Day will be deemed to have been received on the date of delivery and any Notice delivered after 4:30 p.m. local time on a Business Day or delivered on a day other than a Business Day, will be deemed to have been received on the next Business Day;
- (b) mailed will be deemed to have been received 72 hours after the date it is postmarked, provided that if the day on which the Notice is deemed to have been received is not a Business Day, then the Notice will be deemed to have been received on the next Business Day;
- (c) sent by facsimile before 4:30 p.m. local time on a Business Day will be deemed to have been received on the day on which the sender's facsimile machine produces a written report confirming successful transmission of the Notice and any Notice sent by facsimile after 4:30 p.m. local time on a Business Day or sent on a day other than a Business Day will be deemed to have been received on the next Business Day following the day on which the sender's facsimile machine produces a written report confirming successful transmission of the Notice;
- (d) transmitted by electronic mail will be deemed to have been received upon the sender's receipt of acknowledgement from the intended recipient.

7.3 Interruption of Mail Service

If the Party sending the Notice knows or might reasonably be expected to know that, at the time of sending or within 72 hours thereafter, normal mail service has been disrupted, then the Notice may only be sent (or re-sent) by personal delivery, electronic mail transmission or facsimile.

7.4 Change of Address

A Party may change its address for service, its facsimile number, its electronic mail address, the name of the individual to the attention of whom a Notice is to be sent or the person to whom a copy of the Notice is to be sent, by written notice given to the other Parties in accordance with this Article 8.

ARTICLE 8 GENERAL

8.1 Ambiguity

The Parties agree that each of them has participated in the drafting of the provisions of this Agreement and that any rule of construction to the effect that ambiguities are to be resolved against the drafting Party shall not apply to the interpretation or enforcement of this Agreement.

8.2 Entire Agreement

This Agreement contains the full and entire agreement between the Parties relating to the subject matter hereof, and there are no representations, warranties, inducements, promises, undertakings, agreements, arrangements or understandings, oral or written, between the Parties hereto other than those expressly set forth herein and in the Subscription Agreement.

8.3 Successors and Assigns

Subject to the limitations herein expressed, this Agreement shall enure to the benefit of and be binding upon the Parties, and their respective heirs, executors, administrators, successors and permitted assigns.

8.4 Severability

In the event that any article, part, section, clause, paragraph or subparagraph of this Agreement shall be held to be indefinite, invalid, illegal or otherwise voidable or unenforceable, the entire agreement shall not fail on account thereof, and the balance of the Agreement shall continue in full force and effect.

8.5 Governing Law

Forum. It is the intention of the parties that the internal laws, and not the laws of conflicts, of the Province of Ontario shall govern the enforceability and validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the parties pursuant to the relationships among them contemplated herein, along with any claims, controversies or disputes arising hereunder, whether or not such rights and duties arise directly under this Agreement.

8.6 Counterparts

This Agreement may be executed in several counterparts each of which when so executed shall be deemed to be an original, and such counterparts shall constitute one and the same instrument and notwithstanding the date of execution shall be deemed to bear date as of the date of this Agreement. This Agreement shall be considered properly executed by any Party if executed and transmitted by facsimile, TIFF, PDF or comparable electronic means to the other Party.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK. SIGNATURE PAGE FOLLOWS.]

IN WITNESS WHEREOF the Holder has executed this Agreement, to be effective upon the acceptance by the Parent and the Manager.

This Agreement is hereby accepted on the _____ day of _____, _____ by:

BMG MANAGEMENT SERVICES INC., in its capacity as attorney for Holder pursuant to the power of attorney in the Subscription Agreement

Per: _____
Name:
Title:

This Agreement is hereby accepted on the _____ day of _____, _____ by:

BMG MANAGEMENT SERVICES INC.

Per: _____
Name:
Title:

BMG GROUP INC.

Per: _____
Name:
Title:

SCHEDULE "A"
FORM OF ROYALTY UNIT

THIS CERTIFICATE, AND THE ROYALTY UNITS REPRESENTED HEREBY ARE NON-TRANSFERABLE AND MAY NOT BE TRANSFERRED OR ASSIGNED BY THE HOLDER.

ROYALTY UNIT CERTIFICATE

<i>Certificate Number</i>	<i>Class of Series</i>	<i>Number of Royalty Unit</i>
RU-2018-[XX]	ROYALTY UNIT	[XX]

THIS CERTIFICATE IS NON-NEGOTIABLE

THIS CERTIFIES THAT _____ (“HOLDER”) is the registered holder of _____ Royalty Units of BMG MANAGEMENT SERVICES INC. (“Manager”), a corporation incorporated under the *Business Corporations Act* (Ontario).

The rights of the Holder are governed by a Royalty Agreement between by and between the Holder, the Manager and BMG Group Inc., (“Parent”) dated as of the date of this certificate (the “Royalty Agreement”). The number of Royalty Units represented by this certificate is subject to forfeiture in accordance with the Royalty Agreement.

In accordance with the terms of the Royalty Agreement, this certificate and the Royalty Units represented hereby are non-transferable and may not be transferred or assigned by the Holder. This certificate, and the Royalty Units represented hereby, may be converted into common shares of Parent in accordance with the terms of the Royalty Agreement.

In the event of any inconsistency between the terms in this certificate and the terms and conditions in the Royalty Agreement, the Royalty Agreement shall prevail.

IN WITNESS WHEREOF the Manager and the Parent have caused this certificate to be signed by its duly authorized signatory this _____ day of _____, 20____.

BMG MANAGEMENT SERVICES INC.

Per: _____
Name:
Title:

BMG GROUP INC.

Per: _____
Name:
Title: