

**CONFIDENTIAL TERM SHEET**

**PRIVATE PLACEMENT OF UP TO \$500 MILLION OF SUBSCRIPTION UNITS COMPRISING
CLASS E15 HEDGE FUND UNITS OF BMG DIVERSIFIED HEDGE FUND
&
CONVERTIBLE ROYALTY UNITS OF BMG MANAGEMENT SERVICES INC.**

The purchase of a Subscription Unit (as defined below) is denominated in Canadian dollars and is limited to accredited investors in Canada. Subscribers who are not residents of Canada may request a term sheet and a subscription agreement in a form acceptable to the Issuers.

Summary of the Offering

BMG Group Inc. (“**BMG**”), a corporation formed under the laws of Ontario, is the parent company of a group of wholly-owned direct and indirect subsidiaries operating in the financial services industry in Canada (collectively with BMG, the “**BMG Group**”). BMG is a global leader in bullion investing. BMG Management Services Inc. (the “**Manager**”), a direct wholly owned subsidiary of BMG formed under the laws of Ontario and an investment fund manager registered under the securities legislation of Ontario, is the manager of a family of public open-end mutual fund trusts formed under the laws of the Province of Ontario and named, respectively, the BMG BullionFund, the BMG Gold BullionFund and the BMG Silver BullionFund (each an “**Existing Fund**” and, collectively, the “**Existing Funds**”). The BMG Gold BullionFund is referred to herein as the “**Gold Fund**”.

The Manager will also be the manager of the BMG Diversified Hedge Fund, a private open-end unit trust to be formed under the laws of the Province of Ontario (the “**Hedge Fund**”). The Hedge Fund will be formed in conjunction with the Initial Closing (defined below).

This is an offering of units (the “**Subscription Units**”), with each Subscription Unit issued at the Initial Closing comprising 2,495 Class E15 units of the Hedge Fund (each a “**Hedge Fund Unit**” and, collectively, the “**Hedge Fund Units**”) and one convertible royalty unit of the Manager (each a “**Royalty Unit**” and, collectively, the “**Royalty Units**”), to a maximum of up to 20,000 Subscription Units priced at \$25,000 each (the “**Offering**”). At each subsequent Closing (defined below), the number of Hedge Fund Units issued per Subscription Unit may vary (see Note 3 to the table, below), but the number of Royalty Units (one) and the subscription price per Subscription Unit (\$25,000) will not change. The Royalty Units are convertible into common shares of BMG (see “**THE OFFERING – Mandatory Conversion of Royalty Units**”, below). The Manager and the Hedge Fund are each also referred to herein as an “**Issuer**” and, collectively, as the “**Issuers**.” The Manager has authority in respect of both Issuers.

A Subscription Unit is not a security in and of itself. Rather, it is a bundling of two distinct securities issued by two distinct issuers, BMG Management Services Inc. and the Hedge Fund. Accordingly, a Subscription Unit is merely a reference to the fixed allocation of subscription proceeds as between the Hedge Fund Units, on the one hand, and the Royalty Units, on the other hand, such that a subscriber for Subscription Units is really subscribing for Hedge Fund Units and Royalty Units in that ratio.

	Number of Subscription Units	Gross Proceeds	Allocation to Royalty Units ⁽¹⁾⁽²⁾	Allocation to Hedge Fund Units ⁽³⁾⁽⁴⁾
Minimum Subscription ⁽⁵⁾	1	\$25,000	\$50	\$24,950
Maximum Offering ⁽⁶⁾	20,000	\$500,000,000	\$1,000,000	\$499,000,000

⁽¹⁾ Issue price of \$50 per Royalty Unit.

⁽²⁾ Commission of up to 10%, of which up to 8.5% is payable to registered dealers by BMG on that portion of the gross proceeds of the Offering allocated to the Royalty Units, and a maximum of 1.5% is payable to the Principal Distributor. The net amount of the subscription proceeds allocated to the Royalty Units, after deduction of the commission, is paid to the Manager. The Manager may negotiate other arrangements with fee-based advisers.

⁽³⁾ The issue price of the Hedge Fund Units at the Initial Closing will be \$10 per Hedge Fund Unit. Thereafter, the issue price of the Hedge Fund Units will be the net asset value per unit of the Hedge Fund Units on the relevant Closing Date. The value of the Hedge Fund Units will fluctuate with the value of the Hedge Fund’s investment portfolio. The amount allocated to Hedge Fund Units per Subscription Unit will not change, only the number of Hedge Fund Units issued will change.

⁽⁴⁾ Commission of up to 3%, of which up to 2.5% is payable to registered dealers by the Subscriber on that portion of the gross proceeds of the Offering allocated to the Hedge Fund Units. Of the commission paid by the Subscriber, a maximum of 0.5% is payable to the Principal Distributor. The net amount of subscription proceeds allocated to Hedge Fund Units, after deduction of Commission, is paid into the Hedge Fund. The Manager may negotiate other arrangements with fee-based advisers.

⁽⁵⁾ This is the minimum individual subscription amount that will be accepted.

⁽⁶⁾ This is the maximum total gross subscription amount that will be accepted. The Manager has the discretion to increase the Maximum Offering at its discretion.

Each subscription for Subscription Units is subject to acceptance in whole or in part by the Manager and closings of the Offering (each a “**Closing**”) will be monthly or otherwise at the discretion of the Manager.

Two-Stage Investment Strategy

The principal investment strategy for the Offering is to take advantage of a major correction in the global financial markets through a unique two-stage investment strategy. In stage one (defined below as the Interim Bullion Strategy), the Hedge Fund will invest exclusively in Class I Units of the Gold Fund, through which they will gain 100% exposure to the gold bullion market. The Hedge Fund management fee for the Class E15 units will be 0.5% during the first stage. No management fee will be charged by the Gold Fund. The management fee for the retail Class A units of the Gold Fund is 2.25%. Stage two (defined below as the Long-Term Balanced Strategy) commences when the major correction ends (as determined by the Manager, see “THE OPPORTUNITY – Market Correction Process”), whereupon the Hedge Fund will reallocate to a balanced and diversified portfolio consisting of international securities of best-of-the-best funds across four asset classes – equities, fixed income, REITs and precious metals (see “THE OPPORTUNITY – Investment Strategy” and related sections below). **The Gold Fund is a reporting issuer and has a current simplified prospectus and other public documents available for review** (see “THE STRUCTURE – The Existing Funds”, below, for links to review these documents). The fixed management fee for the Class E15 units will increase to 1.5% during the second phase. The bonus fee of 20% of any excess performance over the Balanced Fund Index is payable in both phases.

Convertible Royalty Units

As an added incentive, Subscribers to the Offering will be allocated one Royalty Unit per Subscription Unit purchased. Each Royalty Unit will entitle the holder thereof to receive annual royalty payments equal to 10% per annum of the management fee paid, including Performance Bonus (as applicable), in respect of the Royalty Unit Associated Units (defined below) held by the holder of the Royalty Unit in such calendar year. See “THE OFFERING – Royalty Units” and “THE OFFERING – Fees and Expenses”, both below.

Each Royalty Unit is convertible into common shares of BMG (see “THE OFFERING – Mandatory Conversion of Royalty Units”, below).

Principal Distributor

BMG Marketing Services Inc. (the “**Principal Distributor**”), a direct wholly owned subsidiary of BMG formed under the laws of Ontario and an exempt market dealer registered under the securities legislation of the province of Ontario, is the principal distributor of this Offering. For more information regarding this Offering, call toll free: 1-888-474-1001.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUERS AND THE TERMS OF THIS PRIVATE PLACEMENT, INCLUDING THE MERITS AND RISKS INVOLVED. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN LEGAL, BUSINESS AND TAX ADVISORS TO DETERMINE THE APPROPRIATENESS AND CONSEQUENCES OF AN INVESTMENT IN THE ISSUERS AND TO ARRIVE AT AN INDEPENDENT EVALUATION OF THE MERITS AND RISKS OF SUCH INVESTMENT. THERE IS CURRENTLY NO MARKET FOR THE HEDGE FUND UNITS, THE ROYALTY UNITS OR THE COMMON SHARES OF BMG INTO WHICH THEY ARE CONVERTIBLE, AND THERE CAN BE NO ASSURANCE THAT A MARKET WILL DEVELOP. HOWEVER, THE HEDGE FUND UNITS MAY BE REDEEMED BY THE SUBSCRIBER ON A MONTHLY BASIS IN ACCORDANCE WITH THE HEDGE FUND’S DOCUMENTATION AS LONG AS THE HEDGE FUND UNITS HAVE BEEN HELD FOR AT LEAST 60 DAYS.

THE STRUCTURE	
BMG Group Inc. (BMG)	<p>BMG Group Inc. (also referred to herein as BMG) is a privately held Canadian alternative-asset management company. It was formed under the laws of Ontario in 1998. BMG is a global leader in bullion investing with approximately \$250 million of assets under management. BMG is distinct from traditional investment management companies in that it specializes in a single asset class – precious metals. The benefits of bullion ownership include portfolio diversification and wealth preservation, largely because bullion is generally has a low correlation to the traditional financial markets.</p> <p>BMG was the first precious metals bullion management company in Canada to become an Associate Member of the London Bullion Market Association (LBMA), an honour it shares with the Royal Canadian Mint, the crown corporation that produces Canada’s currency. This validation and endorsement is only bestowed upon firms that meet the LBMA’s rigorous industry standards on refining, reliable trading and Good Delivery practices. In 2016, BMG signed on to the United Nations-endorsed Principles for Responsible Investment (PRI) by becoming a signatory to the Six Principles of Responsible Investments.</p>

<p>BMG Management Services Inc. (the Manager)</p>	<p>BMG Management Services Inc. (also referred to herein as the Manager) is a privately held Canadian investment fund manager and is the manager of each of the Existing Funds. The Manager is registered under applicable Canadian securities legislation as an investment fund manager.</p>
<p>The Existing Funds</p>	<p>The Manager is the manager of the Existing Funds, namely:</p> <ul style="list-style-type: none"> • BMG Gold BullionFund; • BMG Silver BullionFund; and • BMG BullionFund. <p>The Existing Funds, together with BMG’s BullionBars offering, are targeted at investors who want to incorporate the benefits of bullion ownership into their portfolios. The Existing Funds are reporting issuers. To view the public documents of the Existing Funds, go to:</p> <ul style="list-style-type: none"> • https://bmgfunds.com/bmg-funds/financial-reports-filings-forms/ or • https://sedar.com/DisplayProfile.do?lang=EN&issuerType=01&issuerNo=00011312.
<p>BMG Gold BullionFund (the Gold Fund)</p>	<p>BMG Gold BullionFund (also referred to herein as the Gold Fund) is one of the Existing Funds. As described in its public documents, the Gold Fund invests solely in unencumbered physical gold bullion.</p> <p>The Manager receives regular reports detailing the Gold Fund’s specific physical holdings of gold. These reports are prepared by The Bank of Nova Scotia in its capacity as custodian of the Gold Fund. To view these reports, go to:</p> <ul style="list-style-type: none"> • https://bmgfunds.com/bmg-funds/ <p>To view the public documents of the Gold Fund, see the links set out at “The Existing Funds”, above.</p> <p>The Gold Fund will serve as the primary investment of the Hedge Fund for the Interim Bullion Strategy for the Offering (see “THE OPPORTUNITY – Investment Strategy (a) Interim Bullion Strategy” below).</p>
<p>BMG Diversified Hedge Fund (the Hedge Fund)</p>	<p>The Hedge Fund is established as a private open-end unit trust under the laws of Ontario. It will be permitted to issue an unlimited number of classes of redeemable units. Each class of units may consist of an unlimited number of redeemable units. Only the Hedge Fund Units will be issued pursuant to the Offering. The Hedge Fund will execute a fund-of-funds strategy for achieving its investment objectives (see “THE OPPORTUNITY – Investment Objectives of the Hedge Fund”, below).</p> <p>The Manager will be the manager of the Hedge Fund.</p>
<p>BMG Marketing Services Inc. (the Principal Distributor)</p>	<p>BMG Marketing Services Inc. (also referred to herein as the Principal Distributor), a direct wholly owned subsidiary of BMG formed under the laws of Ontario and an exempt market dealer registered under the securities legislation of all provinces of Canada, is the principal distributor of this Offering.</p>
<p>Portfolio Manager</p>	<p>A portfolio manager will be appointed for the Hedge Fund before any reallocation from the Gold Fund units to the diversified underlying funds (the “Portfolio Manager”).</p>

THE OPPORTUNITY	
BMG’s Market View	<p>BMG sees great risk and great opportunity in the current global financial markets for the following reasons:</p> <ol style="list-style-type: none"> 1. BMG’s view of the global financial and real estate markets is that they are overvalued, and that a substantial market correction is inevitable. 2. BMG believes that the best place to be invested while awaiting the market correction is gold bullion, because gold bullion has a low correlation to the traditional financial markets and has historically appreciated during broad market corrections. 3. A properly structured and timed transition out of gold bullion into the best-of-the-best fund names across four asset classes – equities, fixed income, real estate, gold bullion and silver bullion – will significantly improve yields and capital appreciation over a broad and sustained market recovery with low levels of volatility. 4. Investment management advice and analysis will assist in optimizing the calling of the bottom of the market in connection with the global market correction.
Investment Objective of the Hedge Fund	<p>The Hedge Fund will seek to achieve long-term capital growth and current income and will aim to surpass the Canadian Balanced Fund Index. The Hedge Fund will invest only in units of public mutual funds and REITs, including Canadian and international* public mutual funds and REITs, selecting only those that satisfy the Hedge Fund’s investment strategy (see “THE OPPORTUNITY – Investment Strategy” below). The Hedge Fund’s objective is to provide investors with a fully diversified fund that should improve returns while reducing volatility and lowering drawdown during market corrections. (*The Hedge Fund will only invest in international public mutual funds and REITs offered in foreign jurisdictions with recognized public securities exchanges and robust securities regulation.)</p>
Investment Strategy	<p>The Offering is designed to take advantage of a major correction in the global financial markets through a unique two-stage investment strategy.</p> <p>(a) Interim Bullion Strategy</p> <p>STAGE ONE: In stage one (the “Interim Bullion Strategy”), the Hedge Fund will invest solely in Gold Fund Units (Class I units of BMG Gold BullionFund), thereby gaining 100%* exposure to the gold bullion market while global financial markets approach a major correction, whereby Subscribers will be indirect (through the Hedge Fund and, in turn, through the Gold Fund) pro rata beneficial owners of unencumbered, allocated LBMA bullion bars stored at the Bank of Nova Scotia under a custody agreement (*100%, less applicable commissions and the \$50 per Subscription Unit that is allocated to the Royalty Units).</p> <p>(b) Long-Term Balanced Strategy</p> <p>STAGE TWO: Stage two (the “Long-Term Balanced Strategy”) commences when the major correction ends, as determined by the Manager (see “THE OPPORTUNITY – Market Correction Process” below). The Hedge Fund will give investors a unique opportunity to invest, indirectly through the Hedge Fund, at near-bottom market valuation in a balanced portfolio of best-of-the-best fund names across four asset classes – equities fixed income REITs and precious metals bullion gold and silver). (*The Manager, in conjunction with the Portfolio Manager, will set the initial allocation among these assets classes and reserves the right to adjust these allocations from time to time depending on market conditions.)</p> <p>It is difficult to determine when the market correction will occur. See “THE OPPORTUNITY – Market Correction Process”, below.</p> <p>The Manager intends to have the Hedge Fund invest in the Existing Funds to achieve the desired exposure to precious metals bullion (see “THE OFFERING – No Duplication of Management Fee”, below).</p>

	<p>The unique investment strategy offers a one-time opportunity for a double investment advantage:</p> <ul style="list-style-type: none"> • The first advantage arises as the correction of the global financial markets drives bullion prices higher – to the benefit of investors in the Gold Fund (including the Hedge Fund). • The second advantage arises as, at the same time, prices in the global financial markets plunge – to the benefit of the Hedge Fund. <p>The Hedge Fund will have substantial funds to deploy immediately following the correction enabling it to take advantage of near-bottom market valuations and setting the stage for its portfolio to capture short-term gains as the global markets recover from the correction and longer term gains as the global markets perform in the ordinary course. Reducing the gold bullion allocation in the Hedge Fund will crystalize substantial gains, and investing the resulting cash in the depressed best-of-the-best names in the target asset classes sets the stage for long-term appreciation in a top-quality portfolio.</p>
<p>Market Correction Process</p>	<p>Declaring the top or bottom of a market is not an exact science. Notwithstanding the best metrics and the greatest care and expertise, the Hedge Fund may miss the bottom. In order to achieve consensus on the bottom of the market for the purpose of transitioning from the Hedge Fund’s investment in the Gold Fund to a balanced portfolio – shifting from the Interim Bullion Strategy to the Long-Term Balanced Strategy – the Manager and the Portfolio Manager (defined below) will monitor the data and, when satisfied that the bottom of the market has occurred, the Manager will issue a notice to all holders of Hedge Fund Units declaring the end of the Interim Bullion Strategy and the commencement of the Long-Term Balanced Strategy (the “Market Correction Notice”). The Market Correction Notice will be sent within 10 days following the date on which the Manager has determined the bottom of the market to have occurred.</p> <p>There can be no assurance as to when the bottom of the market will occur. Accordingly, the Interim Bullion Strategy might stay in place for some time, perhaps several years.</p> <p>There can be no assurance that the bottom of the market so declared by the Manager and reflected in the Market Correction Notice will be the definitive bottom of the market.</p>
<p>THE OFFERING</p>	
<p>The Offering</p>	<p>This is an offering by private placement to accredited investors in Canada of up to \$500 million of Subscription Units, each Subscription Unit comprising:</p> <p>One Royalty Unit⁽¹⁾: \$50 per Subscription Unit (or 0.2% of the gross subscription amount); and</p> <p>Class E15 Units of the Hedge Fund⁽²⁾: \$24,950⁽³⁾ per Subscription Unit (or 99.8% of the gross subscription amount).</p> <p>⁽¹⁾ BMG will pay the commission in respect of the portion of the gross proceeds of the Offering allocated to the Royalty Units.</p> <p>⁽²⁾ This will be the number of Class E15 Units of the Hedge Fund (including fractional units) that can be purchased with \$24,950 (less commissions, as described below) at either (i) \$10 per Hedge Fund Unit at the Initial Closing, or (ii) the NAV per Hedge Fund Unit at any subsequent Closing Date.</p> <p>⁽³⁾ Commission of up to 3%, of which up to 2.5% is payable to registered dealers by the Subscriber on that portion of the gross proceeds of the Offering allocated to the Hedge Fund Units. Of the commission paid by the Subscriber, a maximum of 0.5% is payable to the Principal Distributor. The net amount of the subscription proceeds allocated to the Hedge Fund Units, after deduction of the Commission, is paid into the Hedge Fund.</p> <p>The Manager is the issuer of the Royalty Units.</p> <p>The Hedge Fund is the issuer of the Hedge Fund Units.</p>

	<p>A Subscription Unit is not a security in and of itself. Rather, it is a bundling of two distinct securities issued by two distinct issuers, the Manager and the Hedge Fund. Accordingly, a Subscription Unit is merely a reference to the fixed allocation of subscription proceeds as between the Hedge Fund Units, on one hand, and the Royalty Units, on the other hand, such that a subscriber for Subscription Units is really subscribing for Hedge Fund Units and Royalty Units in that ratio. Upon Closing of the Offering, Subscribers will hold Hedge Fund Units and Royalty Units issued by the Manager.</p>
<p>Hedge Fund Units (i.e., Class E15 units of the Hedge Fund)</p>	<p>The Class E15 Units (or Hedge Fund Units) of BMG Diversified Hedge Fund (or the Hedge Fund) on this Offering will be issued at the NAV per Hedge Fund unit at the Closing Date (see “THE OFFERING – Closing”, below). The value of the Hedge Fund Units at the Initial Closing has been set at \$10 per Hedge Fund Unit. The value of the Hedge Fund Units will fluctuate after the Initial Closing in accordance with the change in value of the Hedge Fund’s investment portfolio. During the Interim Bullion Strategy, the Hedge Fund’s investment portfolio will be invested 100% in Class I Units of the Gold Fund.</p> <p>Additional classes of units of the Hedge Fund may be offered from time to time as the Manager determines appropriate. If the Hedge Fund becomes a public fund, it is expected to offer Class A, Class D and Class F units to the public. Redemption is expected to be available on a daily basis. The Manager is under no obligation to take the Hedge Fund public.</p>
<p>Redemption</p>	<p>Redemption of Hedge Fund Units is available on a monthly basis immediately following the Closing Date (see “THE OFFERING – Closing”, below). Notice of Redemption must be received seven (7) business days prior to month end for redemptions to occur that month. Any Notice of Redemption received after that date will be redeemed on the following month.</p> <p>Redemption of Hedge Fund Units affects the Royalty Units (see “THE OFFERING – Forfeiture of Royalty Units”, below).</p>
<p>Fees and Expenses</p>	<p><u>Management Fee</u>: The Hedge Fund Units will be charged a management fee by the Manager for its management services. The rate of the management fee will vary over the course of the two-stage investment strategy of the Hedge Fund, as follows:</p> <ul style="list-style-type: none"> • STAGE ONE (the Interim Bullion Strategy) – The management fee will be 0.5% per annum of the NAV per Hedge Fund Unit, there will be no management fee charged on the underlying Gold Fund Units (see “THE OFFERING – No Duplication of Management Fee”, below); and • STAGE TWO (the Long-Term Balanced Strategy) – The management fee will increase to 1.5% per annum of the NAV per Hedge Fund Unit, reflecting the additional service required to run the broader balanced portfolio. <p>In both Stage One and Stage Two, the management fee will be calculated daily and paid monthly.</p> <p>When the Manager issues the Market Correction Notice to holders of Hedge Fund Units declaring the end of the Interim Bullion Strategy and the commencement of the Long-Term Balanced Strategy, the notice will also set the start date for the higher management fee (see “THE OPPORTUNITY – Market Correction Process”, above).</p> <p><u>Performance Fee</u>: An annual performance fee (the “Performance Fee”) will be charged to Hedge Fund by the Manager. The Performance Fee will be equal to 20% of the Fund’s net gain (including unrealized capital gains, if any) by which the Hedge Fund outperforms 60% S&P/TSX Composite Index and 40% S&P Canada Aggregate Bond Index for a calendar year. The performance bonus will be accrued monthly but paid annually.</p>

	<p>Where, in a calendar year, the performance of the Hedge Fund is less than the performance of the combination of 60% S&P/TSX Composite Index and 40% S&P Canada Aggregate Bond Index, that shortfall will be carried forward into the next subsequent calendar year and deducted in calculating the Performance Bonus payable in respect of that subsequent calendar year.</p> <p>The accrued Performance Fee will be calculated on every Valuation Date and payable on the last Valuation Date of each calendar year, except where Units are redeemed in which case the Performance Fee will be payable on a pro-rata basis in respect to the redeemed Units on the redemption date.</p> <p>The Manager may make such adjustments to the Net Asset Value or the applicable High Water Mark as are determined by the Manager to be necessary to account for the payment of any distribution on Units, any Unit splits or consolidations or any other event that would, in the opinion of the Manager, impact upon the computation of the Performance Fee.</p> <p><u>Expenses:</u> Hedge Fund Units are responsible for their proportionate share of expenses on a <i>pro rata</i> basis with the other classes of units of the Gold Fund (e.g. operating and administrative costs, taxes, record keeping, Fund and unitholder accounting costs, audit fees and expenses, reporting and filing fees, legal fees, insurance costs, bullion storage fees, custodial expenses, investor servicing costs, costs of financial reports and other reports to investors, and preparing the offering documents of the Gold Fund).</p>
<p>No Duplication of Management Fee</p>	<p>The Manager is the manager of the Existing Funds (including the Gold Fund) and will be the manager of the Hedge Fund. During the Interim Bullion Strategy, the Hedge Fund’s investment portfolio will be invested 100% in Class I Units of the Gold Fund. During the Long-Term Balanced Strategy, it is intended that the Hedge Fund will continue to achieve its exposure to bullion through investment in the Existing Funds (including the Gold Fund) as part of the broader balanced investment strategy. In order to avoid duplication of management fees, no management fee will be charged by the Manager in the Existing Funds (including the Gold Fund) in respect of units of the Existing Funds held by the Hedge Fund.</p>
<p>Royalty Units</p>	<p>Each Subscription Unit will, upon Closing, entitle the Subscriber to receive one Royalty Unit.</p> <p>Each Royalty Unit will entitle the holder thereof to receive annual royalty payments calculated by reference to specified revenue of the Manager in respect of the Hedge Fund Units issued in the Subscription Unit with that Royalty Unit. Such underlying Hedge Fund Units are referred to herein as “Royalty Unit Associated Units”.</p> <p>The Manager is the issuer of the Royalty Units. The Manager is the manager of the Gold Fund and will be the Manager of the Hedge Fund and, in both capacities, will earn a management fee (and may earn a Performance Bonus in the Hedge Fund). Such revenue of the Manager can be calculated and expressed on a “per unit basis”.</p> <p>Each Royalty Unit will entitle the holder thereof to receive annual royalty payments in an amount equal to 10% per annum of the management fee paid, including Performance Bonus (as applicable), in respect of the Royalty Unit Associated Units held by the holder of the Royalty Unit in such calendar year.</p> <p>Accrual of royalty payment entitlement will commence on the first day following the Closing at which the Royalty Unit Associated Units in question were issued, and will be paid annually on January 31 of the year following the calendar year in respect of which the entitlement is calculated.</p> <p>In the event of mandatory conversion of the Royalty Units into common shares of BMG, the accrued and unpaid royalty entitlement in respect of the converted Royalty Units for the calendar year up to the effective time of conversion will be paid to the holder at the usual time of payment (i.e., January 31 of the year following the calendar year in respect</p>

	<p>of which the entitlement is calculated). For a discussion of the mandatory conversion feature of the Royalty Units, see “THE OFFERING – Mandatory Conversion of Royalty Units”, below.</p> <p>The holders of the Royalty Units are entitled to receive notice of and to attend any meeting of shareholders of BMG, but shall not be entitled to vote at any such meeting.</p> <p>BMG and the Manager reserve the right at all times, including while the Royalty Units may be outstanding, to issue further securities upon such terms as each may consider advisable, which terms may be materially different than the terms described herein.</p> <p>Royalty Units may be forfeited (see “THE OFFERING – Forfeiture of Royalty Units”, below).</p> <p>No Royalty Units will be offered in respect of future direct investments in the Hedge Fund pursuant to a public offering or otherwise (i.e., Royalty Units will only be offered as part of the Subscription Units on this Offering).</p>
<p>No Transfer of Royalty Units</p>	<p>The Royalty Units are not transferrable.</p>
<p>Forfeiture of Royalty Units</p>	<p>Except as provided below, Royalty Units will be forfeited by the holder if the holder ceases to hold all of the Royalty Unit Associated Units (defined above) associated with the Subscription Unit in respect of which the Royalty Unit was issued (see “THE OFFERING – Royalty Units”, above).</p> <p>Forfeiture will be in proportion to the number of Royalty Unit Associated Units redeemed and will be effected at the time of such redemption.</p> <p>Notwithstanding the foregoing, the Royalty Units cease to be subject to forfeiture on the following schedule:</p> <ul style="list-style-type: none"> • 20% on the first anniversary of the date on which such Royalty Units were issued to the holder; • a further 20% on the second anniversary; • a further 20% on the third anniversary; • a further 20% on the fourth anniversary; and • the final 20% on the fifth anniversary. <p>For example, if all Royalty Unit Associated Units are redeemed in the first year, all Royalty Units will be forfeited, whereas if all Royalty Unit Associated Units are redeemed in the third year, the holder will retain 40% of the Royalty Units.</p> <p>After this five-year period, Royalty Units are not subject to forfeiture regardless of the redemption of Royalty Unit Associated Units.</p> <p>While forfeiture of Royalty Units will reduce the number of Royalty Units outstanding, such reduction will not change the amount of the royalty payment to be made per Royalty Unit as that is set by reference to the number of Royalty Units issued on the Offering.</p>
<p>Mandatory Conversion of Royalty Units</p>	<p>Royalty Units will convert automatically into common shares of BMG in the following circumstances:</p> <ul style="list-style-type: none"> • upon an initial public offering of BMG (at the price per common share offered on the initial public offering), or • a sale of BMG or the Manager (subject to an independent valuation of the common shares or the audited EBITDA of BMG, excluding the EBITDA attributable to the True Hedge Fund).

	<p>In either case, the value of the Royalty Units for the purposes of determining the conversion rate will be based on a professional Valuation Report as may be determined by an independent valuation.</p> <p>See “THE OFFERING – Income Tax Considerations”, below.</p>														
Commissions	<p>Commission of up to 10% of which 8.5% is payable to registered dealers by BMG on that portion of the gross proceeds of the Offering allocated to Royalty Units, and a maximum of 1.5% is payable to the Principal Distributor.</p> <p>Commission of up to 3.0% of which 2.5% is payable to registered dealers by the Subscriber on that portion of the gross proceeds of the Offering allocable to Class E15 Units of Hedge Fund. Of the commission paid by the Subscriber, a maximum of 0.5% is payable to the Principal Distributor.</p> <p>The Manager may negotiate other arrangements with fee-based advisers.</p>														
Closing	<p>The Manager will accept subscriptions daily. Thereafter, Closing of the Offering will be monthly. The Issuers may hold one or more additional Closings of the Offering, each on the last business day of the month and subject to an earlier or later Closing at the discretion of the Issuers. The date on which each such Closing occurs is a “Closing Date”. Subscriptions must be accepted seven (7) days before month end in order to close on that month. Any subscriptions that are received after the seven day period will close on the following month.</p>														
BMG Gold BullionFund Fund Facts	<p>During the Interim Bullion Strategy (Stage One of the two-stage investment strategy of the Hedge Fund), the Hedge Fund’s investment portfolio will be invested 100% in Gold Fund Units.</p> <p>Subscribers will be given the Gold Fund Facts prepared and filed in respect of the BMG Gold BullionFund (the “BMG Gold BullionFund Fund Facts”). The material features of an investment in BMG Gold BullionFund Units are described in the BMG Gold BullionFund Fund Facts. The BMG Gold BullionFund Fund Facts document, together with the current simplified prospectus and all public documents of the Gold Fund, are also available to review at:</p> <ul style="list-style-type: none"> • https://bmgfunds.com/bmg-funds/financial-reports-filings-forms/ or • https://sedar.com/DisplayProfile.do?lang=EN&issuerType=01&issuerNo=00011312. 														
Service Providers	<p>The following is a list of the proposed service providers to the Hedge Fund:</p> <table> <tr> <td>Administrator</td> <td>RBC Investor Services Trust</td> </tr> <tr> <td>Auditor</td> <td>RSM Canada LLP</td> </tr> <tr> <td>Custodian</td> <td>RBC Investor Trust Services</td> </tr> <tr> <td>Legal Counsel</td> <td>Miller Thomson LLP</td> </tr> <tr> <td>Investment Fund Manager</td> <td>BMG Management Services Inc.</td> </tr> <tr> <td>Registrar</td> <td>BMG Management Services Inc.</td> </tr> <tr> <td>Trustee</td> <td>BMG Management Services Inc.</td> </tr> </table>	Administrator	RBC Investor Services Trust	Auditor	RSM Canada LLP	Custodian	RBC Investor Trust Services	Legal Counsel	Miller Thomson LLP	Investment Fund Manager	BMG Management Services Inc.	Registrar	BMG Management Services Inc.	Trustee	BMG Management Services Inc.
Administrator	RBC Investor Services Trust														
Auditor	RSM Canada LLP														
Custodian	RBC Investor Trust Services														
Legal Counsel	Miller Thomson LLP														
Investment Fund Manager	BMG Management Services Inc.														
Registrar	BMG Management Services Inc.														
Trustee	BMG Management Services Inc.														

<p>Transfer and Resale Restrictions</p>	<p>The Royalty Units are not transferrable.</p> <p>In addition, the Hedge Fund Units and the Royalty Units are subject to transfer and resale restrictions under applicable securities legislation and may be sold in reliance upon an available exemption. Subscribers for Subscription Units will need to consult with their legal counsel to confirm whether any proposed sale or transfer of their Hedge Fund Units or Royalty Units can be completed. Of course, Hedge Fund Units are redeemable as described above (see “THE OFFERING – Redemption”, above).</p>
<p>Liquidity</p>	<p>No prospectus was or will be filed with respect to this Offering. The Manager is not currently a reporting issuer. There is no market for the Hedge Fund Units or the Royalty Units, and none is expected to develop. Hedge Fund Units are redeemable on a monthly basis (see “THE OFFERING – Redemption”, above). Royalty Units are not redeemable but are convertible into common shares of BMG in limited circumstances (see “THE OFFERING – Mandatory Conversion of Royalty Units”, above). No market exists for the common shares of BMG, and there is no assurance that a market will develop.</p>
<p>Income Tax Considerations</p>	<p>Prospective purchasers should consult their tax advisors with respect to their particular circumstances and the tax considerations under the tax laws of the Offering Jurisdictions.</p> <p>It is expected that Royalty Units will not be eligible for investment by Registered Plans.</p> <p>It is expected that the conversion of Royalty Units into common shares of BMG will be a taxable transaction. Investors should consult with their own tax advisors for the tax consequences of the conversion of Royalty Units applicable in their circumstances.</p>
<p>Risk Factors</p>	<p>An investment in Royalty Units should be considered speculative. The purchase of Royalty Units should be considered only by investors who are able to assume the risk of a substantial loss and who are able to make a long-term investment. As for an investment in the BMG Gold BullionFund, the Bank of International Settlements (“BIS”) under Basel III rates allocated bullion, held by a central bank or a commercial bank, as a zero risk asset equal to US dollars and US Treasuries.</p> <p>Investors are urged to consider that an investment in Hedge Fund Units and Royalty Units should be considered from the perspective of the investor’s overall investment portfolio composition and not as solely as a standalone investment.</p>
<p>Right of Action</p>	<p>In the event that this Term Sheet contains a misrepresentation (i.e. an untrue statement of a fact that significantly affects, or would reasonably be expected to have a significant effect, on the market price or the value of the Royalty Units and/or the Hedge Fund Units (a “material fact”); or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made), a Subscriber who purchases Subscription Units pursuant to the Offering may have, depending on where they reside, without regard to whether the Subscriber relied upon the misrepresentation, a right of action for damages against the applicable Issuer, or alternatively, while still the owner of the Royalty Units and Hedge Fund Units a right of rescission against the applicable Issuer.</p> <p>These rights are described more fully in the subscription agreement to which this Term Sheet is attached as a schedule.</p> <p>In addition, no action may be commenced to enforce these rights after certain time periods dependent upon where the Subscriber resides. Subscribers are advised to consult with their legal advisors regarding the full particulars of these rights of action.</p>

<p>Prior Drafts of this Term Sheet are Withdrawn</p>	<p>The Subscriber understands that this Term Sheet is the document authorized by the Issuers to be reviewed in connection with a subscription for Subscription Units pursuant to the Offering.</p> <p>The Subscriber acknowledges that any prior drafts of this Term Sheet dated and/or received prior to the date first shown above in this Term Sheet are hereby withdrawn and are not relied upon in connection with a subscription for Subscription Units.</p>
<p>Governing Law</p>	<p>Ontario and the federal laws of Canada applicable therein.</p>
<p>Forward-Looking Statements</p>	<p>This Term Sheet contains certain statements regarding the anticipated future results, performance and achievements of BMG, the Manager, the Gold Fund and the Hedge Fund. These “forward-looking” statements are based on the beliefs of, assumptions made by, and information available to BMG and the Manager. Where possible, BMG and the Manager have used words such as “may,” “will,” “believe,” “anticipate,” “intend,” “estimate,” “expect,” “plan” and similar expressions to identify these forward-looking statements. Forward-looking statements in this Term Sheet include, among other things and without limitation, statements relating to:</p> <ol style="list-style-type: none"> 1. global economic conditions; 2. global markets; and 3. gold and gold markets. <p>Forward-looking statements are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this Term Sheet are made as of the date of this document and BMG and the Manager and their respective management do not undertake any obligation to update forward-looking statements to reflect new information, subsequent events or otherwise, except as required by applicable securities laws.</p>