

# PALOS

**AMENDED AND RESTATED TRUST AGREEMENT**

**July 15, 2011**

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**THIS AGREEMENT** dated as of the 15<sup>th</sup> day of July, 2011.

<b>BETWEEN:</b>	<b>COMPUTERSHARE TRUST COMPANY OF CANADA</b> , a trust company existing under the laws of Canada and authorized to carry on business in all provinces of Canada and subject to the <i>Act respecting trust companies and savings companies</i> (Québec), having its head office and principal place of business located at 100 University Avenue, Toronto, Ontario, M5J 2Y1 (the “ <b>Trustee</b> ”);
	<b>AND: PALOS MANAGEMENT INC.</b> , a corporation incorporated under the laws of the Province of Québec, having its head office and principal place of business located at 1 Place Ville Marie, Suite 1812, Montréal, Québec, H3B 4A9 (the “ <b>Manager</b> ”).

### RECITALS

**WHEREAS** the Palos Equity Income Fund/Fonds de Revenu Actions Palos (the “Fund”) was settled as a unit trust pursuant to a trust agreement dated January 3, 2008 (the “Original Agreement”);

**AND WHEREAS** the Original Agreement was amended and restated in its entirety by an amended and restated trust agreement dated November 24, 2010 (the “Amended and Restated Trust Agreement”) in order to, among other things, appoint Palos Corporate Services Inc. as trustee of the Fund and exchange, on a one to one basis, all of the issued and outstanding units of the Fund that had been authorized and issued pursuant to the Original Agreement for an equivalent number of Series A Units of the Fund created under the Amended and Restated Trust Agreement;

**AND WHEREAS** pursuant to Section 14.01(1) of the Amended and Restated Trust Agreement, Palos Corporate Services Inc., as the trustee of the Fund, is entitled to amend the Amended and Restated Trust Agreement without the consent of, or notice to, unitholders and, therefore, has determined that it is in the best interests of the Fund that the Amended and Restated Trust Agreement be and is hereby amended and restated in its entirety by this amended and restated trust agreement (the “Trust Agreement”) in order to appoint a trustee that is registered pursuant to an *Act respecting trust companies and savings companies* (Québec);

**AND WHEREAS** Palos Corporate Services Inc., the trustee of the Fund appointed pursuant to the Amended and Restated Agreement, has notified the Fund that it has decided to resign as the trustee of the Fund and has nominated BNY Trust Company of Canada, a trust company registered pursuant to an *Act respecting trust companies and savings companies* (Québec), as the successor trustee of the Fund;

**AND WHEREAS** BNY Trust Company of Canada has notified the Fund that it has decided to resign as the trustee of the Fund and has nominated Computershare Trust Company of Canada, a trust company registered pursuant to an *Act respecting trust companies and savings companies* (Québec), as the successor trustee of the Fund;

**AND WHEREAS** Computershare Trust Company of Canada has accepted to act as the trustee of the Fund, effective as of the date of this Trust Agreement, and is hereby confirmed as the trustee of the Fund;

**AND WHEREAS** this Trust Agreement may be amended in the future to add or delete additional series of units of the Fund;

**AND WHEREAS** the Fund, by its trustee, Computershare Trust Company of Canada, shall execute an amendment to this Trust Agreement (i) in order to establish or terminate a series of units of the Fund; or (ii) for any other purposes permitted by the terms of this Trust Agreement;

**NOW THEREFORE** Computershare Trust Company of Canada declares that, as of August 1, 2011, it shall hold in trust any and all property, immovable, movable or otherwise, which is hereafter transferred, conveyed or paid to it as trustee of the Fund and all income, profits and gains therefrom for the benefit of the unitholders of the Fund in accordance with and subject to the express provisions of this Trust Agreement, to wit:

## **ARTICLE 1 INTERPRETATION**

### **1.01 Effective Date**

This Trust Agreement shall be effective as of September 1, 2011.

### **1.02 Definitions**

In this Trust Agreement, unless the subject matter or context otherwise requires, the expression:

- (a) “**Common Expenses**” means all liabilities, costs and expenses and other similar amounts common to all Series of Units of the Fund and not specifically referable to an individual Series of Units of the Fund as determined by the Trustee;
- (b) “**conflict of interest matter**” has the meaning ascribed thereto in NI 81-107;
- (c) “**current market value**” means the most recently available sale price applicable to the relevant security on the principal exchange on which it is traded immediately preceding the valuation time on the valuation day,

provided that, if no sale has taken place on a valuation day, the average of the bid and ask quotations immediately prior to the valuation time on the valuation day shall be used;

- (d) “**Custodian**” means a person which, from time to time, is appointed by the Trustee under Section 9.07 to act as custodian of all or a part of the assets of the Fund;
- (e) “**Fair Market Value**” means the price determined in an open and unrestricted market between informed prudent parties, acting at arm’s length and under no compulsion to act, expressed in terms of money or money’s worth;
- (f) “**Fund**” means the Palos Equity Income Fund/Fonds de Revenu Actions Palos, being the open-end mutual fund, governed by this Trust Agreement;
- (g) “**Fund Net Asset Value**” means the total assets of the Fund less the total liabilities of the Fund determined in accordance with NI 81-106 or other applicable law by applying the valuation rules set out in Article 1 and calculated in accordance with Article 3;
- (h) “**Fund Property**” means as of any particular time any and all property which is transferred, conveyed or paid to and held by the Trustee on behalf of the Fund, and all income, profits and gains therefrom, including, for greater certainty, all property which has been transferred, conveyed or paid to and held by Trustee since the settlement of the Fund on January 3, 2008;
- (i) “**Income Tax Act**” means the *Income Tax Act* (Canada), R.S.C. 1985, 5<sup>th</sup> Supplement, as amended from time to time;
- (m) “**Investment and Fund Management Agreement**” means the management agreement dated the date hereof as amended from time to time between the Trustee and Palos;
- (n) “**Management Fee Distribution**” has the meaning ascribed thereto in section 6.01(3);
- (o) “**Manager**” means Palos Management Inc./Gestion Palos Inc and its successor or assignee under the terms of this amended and restated trust agreement;
- (p) “**NAV**” means net asset value;
- (q) “**NI**” means National Instrument, and shall be read and treated interchangeably with the word “Regulation” such that all references to

“NI” in this Trust Agreement shall be treated as references to the word “Regulation” for the purposes of interpreting this Trust Agreement in Québec or as the context demands;

- (r) “**NI 81-102**” means National Instrument 81-102 *Mutual Funds* as such instrument is amended from time to time;
- (s) “**NI 81-106**” means National Instrument 81-106 *Investment Fund Continuous disclosure* as such instrument is amended from time to time;
- (t) “**NI 81-107**” means National Instrument 81-107 *Independent Review Committee for Investment Funds* as such instrument is amended from time to time;
- (u) “**Notice Record Date**” has the meaning ascribed thereto in Section 13.03;
- (v) “**Palos**” means Palos Management Inc./Gestion Palos Inc., the investment fund manager and portfolio manager of the Fund;
- (w) “**Palos mutual fund**” means a mutual fund with which Palos considers itself to be associated by reason of acting as trustee, promoter, manager, administrator or distributor or in some other capacity;
- (x) “**Performance Fee**” has the meaning ascribed thereto in Section 12.03;
- (y) “**person**” means an individual, partnership, association, body corporate, trustee, executor, administrator or legal representative;
- (z) “**record time**” on a valuation day means the time that is immediately after the valuation time on such valuation day;
- (aa) “**Responsible Parties**” has the meaning ascribed thereto in Section 10.02;
- (bb) “**Securities Authorities**” means the securities regulatory authority or the regulator, as the case may be, in a jurisdiction in Canada;
- (cc) “**Series Expenses**” means the management fees, if any, payable in respect of a Series of Units of the Fund and all other costs, expenses and other similar amounts attributable to a particular Series of Units of the Fund, all as determined by the Trustee;
- (dd) “**Series Net Asset Value**” means the net asset value of a particular Series of Units of the Fund determined in accordance with Article 3;
- (ee) “**Series of Units**” or “**Series**” means all Units of the Fund created by the Trustee as a separate series of Units and available for issuance at the

discretion of the Trustee which are, as the date hereof, shown on the attached Schedule 1.01 (dd);

(ff) “**Series Unit Value**” means the net asset value per Unit of a given Series of Units of the Fund determined in accordance with Article 3;

(gg) “**Standard and Duty of Care**” means in respect of any person or company performing duties on behalf of the Fund, the obligation to:

- (i) exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the Fund; and
- (ii) exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances;

except:

- (i) in the case of a custodian or sub-custodian, in which case “Standard and Duty of Care” means the standard and duty of care as prescribed for custodians and sub-custodians in section 6.6(1) of NI 81-102; and
- (ii) in the case of the Trustee, in which case “Standard and Duty of Care” means the degree of care, diligence and skill that a reasonably prudent trustee would exercise in the circumstances.

(hh) “**tax plan**” means a registered retirement savings plan, a registered retirement income fund, a registered disability savings plan, a registered education savings plan, a deferred profit sharing plan, or a tax free savings account, under the *Income Tax Act*;

(ii) “**Trust Agreement**”, “hereof”, “hereby”, “herein”, “hereunder”, and similar expressions refer to this Trust Agreement in its entirety and any and every Schedule hereto, each as amended from time to time, and not to any particular Article, Section or portion hereof, and includes any and every instrument supplemental or ancillary hereto and any and every Schedule thereof;

(jj) “**Trustee**” means Computershare Trust Company of Canada, in its capacity as trustee of the Fund, or any successor duly appointed as trustee of the Fund in accordance with the provisions of this Trust Agreement;

- (kk) “**Unit**” or “**Units**” means a unit or units of a given Series of Units of the Fund into which the beneficial interest in the Fund may be divided from time to time and which are issued and outstanding or to be issued hereunder at any particular time;
- (ll) “**unitholders**” means the holders of Units, and “unitholder” means any holder of Units;
- (mm) “**valuation day**” means any day that the Trustee designates as a valuation day in the current prospectus of the Fund which shall be no less frequently than when the Fund is required to value the Fund Property pursuant to NI 81-102;
- (nn) “**valuation time**” means 4:00 p.m., Eastern time, on each valuation day or such other time as the Trustee shall from time to time determine; and
- (oo) “**Voting Record Date**” has the meaning ascribed thereto in Section 13.03;

## **1.02 Provisions regarding Computation of Net Asset Values**

In computing the Fund Net Asset Value and the Series Net Asset Values at any valuation time for the purpose of subscriptions and redemptions of Units,

- (a) the Fund Property shall be deemed to include:
  - (i) cash or its equivalent, including cash of other countries, if conversion into Canadian currency can be readily effected, on hand, on deposit or on call, including any accrued interest thereon;
  - (ii) all bills, demand notes and accounts receivable;
  - (iii) all shares, debt obligations, options, warrants, subscription rights and other securities owned or contracted for by the Fund;
  - (iv) forward and futures contracts, covered clearing corporation options or options on futures, owned or contracted for by the Fund, to the extent permitted by NI 81-102;
  - (v) all stock and cash dividends and cash distributions to be received by the Fund and not yet received by it but declared to holders of record on a date on or before the valuation day as of which the Fund Net Asset Value is being determined;
  - (vi) all interest accrued on any fixed interest bearing securities owned by the Fund which is not included in the quoted price of such securities; and

- (vii) all other property of every kind and nature including prepaid expenses;
- (b) the value of the Fund Property is to be determined as follows:
- (i) the value of any cash on hand, on deposit or on call loan, prepaid expenses, cash dividends and other distributions declared and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless the Trustee determines that any such deposit or call loan is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Trustee determines to be the fair value thereof;
  - (ii) the value of any bonds, debentures and other debt obligations shall be valued by taking the average of the bid and ask prices on a valuation day at such times as the Trustee, in its discretion, deems appropriate. Short term investments including notes and money market instruments shall be valued at cost plus accrued interest;
  - (iii) the value of any security, index futures or index options which is listed on any recognized exchange shall be determined by the closing sale price at the valuation time or, if there is no closing sale price, the average between the closing bid and the closing asked price on the day on which the Fund Net Asset Value is being determined, all as reported by any report in common use or authorized as official by a recognized stock exchange; provided that if such stock exchange is not open for trading on that date, then on the last previous date on which such stock exchange was open for trading;
  - (iv) the value of any security or other asset for which a market quotation is not readily available shall be its Fair Market Value as determined by the Trustee;
  - (v) the value of any security, the resale of which is restricted or limited, shall be the lesser of the value thereof based on reported quotations in common use and that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, equal to the percentage that the Fund's acquisition cost was of the market value of such securities at the time of the acquisition; provided that a gradual taking into account of the actual value of the securities may be made where the date on which the restriction will be lifted is known;

- (vi) purchased or written clearing corporation options, options on futures or over-the-counter options, debt-like securities and listed warrants shall be valued at the current market value thereof;
- (vii) where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by the Fund shall be reflected as a deferred credit which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation of such options shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the Fund Net Asset Value. The securities, if any, which are the subject of a written clearing corporation, or over-the-counter option shall be valued at their then current market value;
- (viii) the value of a futures contract, or forward contract, shall be the gain or loss with respect thereto that would be realized if, at the valuation time, the position in the futures contract, or the forward contract, as the case may be, were to be closed out unless daily limits are in effect in which case fair value shall be based on the current market value of the underlying interest;
- (ix) margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;
- (x) the value of all assets of the Fund quoted or valued in a foreign currency and all liabilities and obligations of the Fund payable by the Fund in foreign currency shall be converted into Canadian funds by applying the rate of exchange obtained from the best available sources to the Trustee, including but not limited to, the valuation agent or any of its affiliates;
- (xi) all expenses or liabilities (including fees payable to the Trustee, if any) of the Fund shall be calculated on an accrual basis;
- (xii) the value of the non-public investments will be valued by the Trustee (or any third party administrator which may be appointed by the Trustee) at Fair Market Value. In determining Fair Market Value, the Trustee's objective will be to establish what the transaction price would have been on the valuation day in an arm's length transaction motivated by normal business considerations. Fair Market Value will be estimated based on the results of a

valuation technique that makes maximum use of inputs observed from markets, and relies as little as possible on inputs generated by the Trustee. In addition, the Trustee incorporates factors that market participants would consider in setting the price and is consistent with accepted economic methods for pricing such financial instruments and will be in accordance with CICA Handbook Section 3855, paragraphs A47-A65 as such may be amended from time to time; and

- (xiii) if any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Trustee to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Trustee shall make such valuation as it considers fair and reasonable;
- (c) the liabilities of the Fund shall be deemed to include:
- (i) all bills, notes and accounts payable;
  - (ii) all administrative expenses payable or accrued, or both;
  - (iii) all contractual obligations for the payment of money or property, including without limitation any amount of net income, net capital gains or other amount credited or payable to unitholders or which is to be credited or become payable at the valuation time as of which the Fund Net Asset Value is being determined;
  - (iv) all allowances authorized or approved by the Trustee for taxes (if any) or contingencies; and
  - (v) all other liabilities of the Fund of whatsoever kind and nature;
- (d) Fund transactions, being transactions of purchase and sale of an investment effected by the Fund, shall be reflected in the computation of the Fund Net Asset Value not later than the first such computation made after the date on which any transaction becomes binding;
- (e) where a subscription for Units has been accepted by the Trustee, the Units so subscribed for shall be deemed to become outstanding immediately after the valuation time as at which the Series Unit Value which was the offering price of the Units was determined and as at the same time as such Units are so deemed to become outstanding, the subscription price shall be deemed to be an asset of the Fund;
- (f) where a notice of redemption of Units has been received by the Trustee, such Units shall be deemed to have been redeemed and ceased to be

outstanding immediately after the valuation time as at which the Series Unit Value is computed for purposes of the redemption of the Units and thereafter, until paid, the redemption price shall be deemed to be a liability of the Fund; and

- (g) all liquid assets and securities of the Fund valued in terms of currency other than Canadian dollars and contractual obligations payable to the Fund in currency other than Canadian dollars and all obligations payable by the Fund in currency other than Canadian dollars shall be translated into Canadian dollars at the applicable rate of exchange prevailing at the valuation time, as determined by the Trustee in accordance with Section 1.10.

### **1.03 Valuations, Fairness Opinion**

- (a) The consideration paid for investments of the Fund shall be based upon the Fair Market Value thereof as determined by the Trustee or its duly appointed agents who may but are not obligated, except as otherwise herein provided, to obtain valuations, fairness opinions or other similar professional opinions as to value.
- (b) The Trustee or its duly appointed agent shall have power to determine conclusively the Fair Market Value of any Fund Property, the Fund Net Asset Value, Series Net Asset Values and the Series Unit Values of the Fund. In making any such determination the Trustee may but is not obligated to, except as otherwise herein provided, rely on a valuation, fairness opinion or other similar professional opinion.
- (c) The Fund Net Asset Value, the Series Net Asset Values and the Series Unit Values of the Fund shall be determined as at each valuation time.

### **1.04 Deemed Fair Market Value**

In fulfilling its obligations hereunder, the Trustee shall be entitled to rely on the recommendations of any third party retained by the Trustee to supply certain services (including portfolio advice and portfolio pricing services) and, when obtained, on valuations, fairness opinions, pricing quotations or other similar professional opinions as to the Fair Market Value of the securities in which an investment is to be made or has been made or as to the reasonableness of an investment in or a sale of securities.

### **1.05 Gender and Number**

Words importing the singular number include the plural, and vice versa; words importing the masculine gender include the feminine gender; and words importing individuals include all persons, and vice versa.

## **1.06 Headings**

The headings of all the Articles and Sections hereof and the Table of Contents are inserted for convenience of reference only and shall not affect the construction or interpretation of this agreement.

## **1.07 References to Statutes**

A reference herein to any statute, including any regulation, instrument, rule or policy made pursuant to such statute, shall be deemed to be a reference to such statute as presently in force and as hereafter amended from time to time, and to include any statute which may be enacted in substitution thereof.

## **1.08 Governing Law**

This Trust Agreement shall be construed in accordance with the laws of the Province of Québec and the laws of Canada applicable therein.

## **1.09 Unitholder Rights**

Unitholders shall have no rights other than those rights expressly provided for unitholders herein or added by amendment hereto.

## **1.10 Currency**

All references to currency in this Trust Agreement are to lawful money of Canada unless expressly stated otherwise. For the purposes of the issue and redemption of Units and for any distribution to unitholders, the price, value or amount distributed by or paid to or by the Fund shall be in the same currency in which the Units are denominated, and for the purpose of all necessary currency conversions the rate used shall be the Bank of Canada noon rate on the valuation day on which the Fund Net Asset Value or the amount of the distribution was determined for purposes of the issue, redemption or distribution or such other rate as the Trustee shall from time to time determine.

## **ARTICLE 2 THE FUND**

### **2.01 Establishment of the Fund**

The Fund was established as a unit trust for the setting up of an investment fund for unitholders by an initial investment of \$10,000 made by Charles Marleau, the settlor of the Fund, on January 3, 2008.

## **2.02 Head Office**

The Fund shall have its head office at 1 Place Ville Marie, Suite 1812 Montreal, Québec, H3B 4A9 or at such other place as the Trustee may from time to time determine.

## **2.03 Assets of the Fund**

The assets of the Fund consist of the initial investment made by the settlor of the Fund on January 3, 2008 referred to in Section 2.01 above and all other moneys from time to time committed to the Trustee for investment in Units of the Fund, together with investments (including replacements thereof and additions thereto) made from time to time and less moneys paid to unitholders in respect of redemptions of Units or as distributions pursuant to Article 6 and less expenses incurred in connection with the Fund as provided in this Trust Agreement.

## **2.04 Investment Objectives**

The fundamental investment objectives of the Fund shall be as set forth in the attached Schedule 2.04.

## **2.05 Ownership of Fund Assets**

All assets of the Fund shall at all times be considered as property held in trust by the Trustee as trustee of the Fund according and subject to the provisions of this Trust Agreement and the Trustee shall have the exclusive administration of the Fund (and the Fund Property), including the power to enter into all agreements which it deems necessary on behalf of the Fund. No unitholder shall have or be construed to have individual ownership of any asset of the Fund and the interest of a unitholder shall consist only of the right to receive payment from the Fund at the time, place, in the manner and subject to the conditions herein expressly provided. For greater certainty, the Fund (and in particular the Fund Property) shall constitute a patrimony by appropriation, autonomous and distinct from that of the settlor, Trustee and unitholders, in respect of which none of them has any real rights.

## **2.06 Binding Effect**

The terms and conditions of this Trust Agreement shall be binding upon each unitholder and all persons claiming through such unitholder as if the unitholder had been a party to this Trust Agreement.

## **2.07 Legal Character of the Fund**

The Fund is not intended to be and shall not be treated as anything other than a trust of which the unitholders of the Fund are beneficiaries with the rights ascribed

to them hereunder and with no other rights. Without limitation, the Fund does not constitute a partnership, joint venture, corporation or joint stock company.

**2.08 Compliance with Laws**

The Fund shall comply with all laws of Canada and each of the provinces and territories of Canada and with the rules and policy statements of securities administrators, as applicable, where its Units are offered and sold to the public.

**2.09 Independent Review Committee**

The Trustee shall establish for the Fund an Independent Review Committee in accordance with NI 81-107 to review, deliberate and decide on any conflict of interest matter relating to the Fund and any other function required by applicable securities legislation.

**ARTICLE 3  
DESCRIPTION, CREATION AND ISSUE OF UNITS**

**3.01 Description and Creation of Units**

The beneficial interest of the Fund shall be divided into Units or fractions thereof issued in one or more Series as determined by the Trustee from time to time. Subject to the provisions of Section 13.08, all of the Units of the Fund shall be voting and shall vote equally with each other. Subject to the exercise of the power of the Trustee to make distributions under Subsections 6.01(3) and 6.01(4) and Section 9.11, unitholders of a Series of the Fund are entitled to participate *pro rata* in distributions in respect of such Series. The Trustee may create or redesignate a Series of Units of the Fund at any time pursuant to an amendment to this Trust Agreement, with or without notice to unitholders, and in doing so, the Trustee may, where applicable, fix before issuance the initial consideration per Unit and the designation of and the provisions attaching to the Units of each such Series.

**3.02 Number of Units**

The number of Units of any Series authorized to be issued by the Fund shall be:

- (1) unlimited; or
- (2) such maximum number as is established by the Trustee prior to the issue of any Units of such Series.

**3.03 Issue of Units**

The Trustee may allot and issue Units or fractions of any Units at such time or times and in such manner and to such persons as the Trustee may determine. Units and fractions of Units shall not be issued otherwise than as fully paid and a Unit or fraction of a Unit is not fully paid until all consideration therefore, whether in cash or in kind, has been received by or on behalf of the Fund.

**3.04 Determination of Series Expenses and Common Expenses**

The Trustee shall have the power to determine from time to time the Series Expenses and Common Expenses of the Fund.

**3.05 Series Unit Values**

Each Series Unit Value of the Fund, which is the price at which Units of a particular Series of Units of the Fund may be purchased or redeemed, will be determined as of each valuation day by dividing the relevant Series Net Asset Value by the total number of outstanding Units of such Series on such valuation day and adjusting the number so obtained to the nearest whole cent. The number of outstanding Units of a particular Series of Units on a valuation day does not include Units of that Series to be issued (including by way of reinvestment of distributions by the Fund).

**3.06 Determination of Fund Net Asset Values and Series Net Asset Values**

- (1) The Fund Net Asset Value on a valuation day shall be the sum of each of the Series Net Asset Values on that valuation day.
- (2) The Series Net Asset Value of a Series of Units is computed by subtracting the liabilities of the Fund referable specifically to that Series of Units from that Series of Units' proportionate share of the difference between the value of the Fund Property and the Common Expenses.

**3.07 No Pre-Emptive Rights**

No Unit shall have any preference, conversion, exchange or pre-emptive right over any other Unit in the same Series of the Fund.

**3.08 Redesignation, Subdivision or Consolidation**

- (1) The Units of one Series of the Fund held by a unitholder may be redesignated into Units of another Series of the Fund as determined by the Trustee having an aggregate Series Unit Value equal to the aggregate Series Unit Value of the Units so redesignated. Such redesignation shall not constitute a redemption or cancellation of the Units so redesignated

and the unitholder shall not receive, and shall not be entitled to receive, any proceeds of disposition in respect thereof.

- (2) The Trustee may, on not less than 14 days' notice in writing, from time to time, cause the Units of the Fund to be subdivided or consolidated provided that Units of each Series of the Fund are subdivided or consolidated on the same basis as Units of all other Series of the Fund.
- (3) The Trustee may without notice adopt a plan of consolidation so that, immediately following a distribution pursuant to Article 6 hereof and reinvestment in additional Units, the Units of a Series of the Fund are consolidated so that the number of Units of the Series of the Fund held by a unitholder immediately after the distribution and reinvestment shall be equal to the number of Units of that Series of the Fund held by the unitholder immediately before such distribution (or would be equal to that number of Units if tax were not required to be withheld from the distribution in the case of a non-resident unitholder). Such consolidation shall not constitute a redemption or cancellation of the Units so consolidated and a unitholder whose Units are consolidated shall not receive, and shall not be entitled to receive, any proceeds of disposition in respect thereof.

### **3.09 Subscription for Units**

Subscriptions may be made orally, in writing or electronically, in each case accompanied by payment as described from time to time in the simplified prospectus of the Fund or if not so described as the Trustee may from time to time determine. A subscription may be reduced to writing in such form as may be prescribed from time to time by the Trustee.

### **3.10 Minimum Purchases**

An investor's initial subscription for Units of the Fund or a Series of Units shall be in such gross dollar amount as the Trustee may from time to time determine. The Trustee may also determine the gross dollar amount required in respect of the initial subscription of any investor who subscribes for Units or a Series of Units pursuant to a plan, whereby the investor agrees to make regular purchases of Units of the Fund, or pursuant to a tax plan. The Trustee may charge a fee, in such amount as the Trustee may from time to time determine, for the termination by a unitholder of its participation in such a plan. The Trustee may also determine the gross dollar amount required in respect of a subscription by a unitholder of the Fund for additional Units of the same Series of the Fund. An investor's initial subscription in respect of a Series of Units may be subject to sales charges imposed by such investor's dealer.

**3.11 Right to Reject Subscriptions**

The Trustee shall at its sole option be entitled to reject subscriptions for purchases of Units at any time and shall be required to reject subscriptions during any period when the right to redeem Units is suspended pursuant to Section 4.04. The Trustee shall at all times ensure that any decision to reject a subscription is made and communicated to the investor within one valuation day of receipt of the subscription application and refund to the investor immediately any moneys received without interest.

**3.12 Certificates**

Certificates evidencing Units shall not be issued.

**3.13 Payment**

Payment for Units for which an investor has subscribed must be received by the Trustee within three business days of the valuation day as of which the offering price for the Units is determined or within such other period as may be required by the Trustee. In all cases payment must be in a form acceptable to the Trustee which form may include, but is not limited to, wire transfer of funds, cheque, official bank cheque or money order. The gross amount of the payment shall be applied to the purchase of Units and, accordingly, shall become an asset of the Fund.

**3.14 Subsequent Purchases**

Subsequent purchases of Units shall be made in such manner as shall be determined, from time to time, by the Trustee.

**3.15 Transfer Agent and Registrar**

The Trustee shall maintain, or cause to be maintained by a transfer agent and registrar or by one or more branch transfer agents and registrars, a register for the registration of each Series of Units and shall provide, or cause to be provided, for the transfer and the registration of transfers of Units in one or more places in Canada. The Trustee or the transfer agent and registrar and/or branch transfer agents and registrars shall keep all necessary books and registers of the Fund required by this Article or by applicable legislation instruments or rules of securities regulatory authorities in jurisdictions where the Units are qualified for distribution. The books and registers referred to in this Section shall be kept in a bound or looseleaf book or may be entered or recorded by any system of mechanical or electronic data processing or any other information storage device and shall at all reasonable times be open for inspection at the principal office of the Trustee or of the transfer agent and registrar, free of charge by the unitholders of the Fund or their duly authorized representatives.

**3.16 Registered Unitholders**

The Trustee, any transfer agent and registrar, or branch transfer agent and registrar, as the case may be, shall for all purposes be entitled to treat the unitholder in whose name any Units are registered as the absolute owner thereof, any notice to the contrary notwithstanding. The Trustee, any transfer agent and registrar, or branch transfer agent and registrar, as the case may be, shall not be charged with notice of or be bound to see to the execution of any trust in respect of any Unit, whether express, implied or constructive, and may deal with any Unit on the direction of its registered unitholder whether named as trustee or otherwise.

**3.17 Transfer of Units**

Units shall be transferable only on the register of transfers or on one of the branch registers of transfers (if any) kept pursuant to Section 3.16 hereof, by the registered unitholder or such person's legal representative or attorney duly appointed by an instrument in writing in form and execution satisfactory to the Trustee or the transfer agent and registrar upon compliance with such reasonable requirements as the Trustee or the transfer agent and registrar may prescribe. The written authorization of an executor, administrator, committee of a mentally incompetent person, guardian or trustee who is registered on the books of the Fund as holding Units in any such capacity is sufficient justification for the Trustee or the transfer agent and registrar to register a transfer of such Units, including a transfer into the name of such executor, administrator, committee of a mentally incompetent person, guardian or trustee absolutely.

**ARTICLE 4  
REDEMPTION OF UNITS**

**4.01 Redemption of Units**

Subject to Section 4.04, each unitholder shall be entitled at any time and from time to time to require the Fund to redeem all or any part of such unitholder's Units at a redemption amount equal to the Series Unit Value, next determined after receipt by the Trustee of a request for redemption in such form as the Trustee shall reasonably determine from time to time. If the request for redemption is received after 4:00 p.m., Eastern time, or such other time as the Trustee may from time to time determine, on any valuation day the redemption amount shall be the Series Unit Value determined on the next valuation day. Upon payment to the redeeming unitholder of the Series Unit Value (which, for greater certainty shall include any amount payable pursuant to Section 6.01(4)), the Trustee shall be discharged from all liability to the unitholder in respect of the Units redeemed.

**4.02 Minimum Redemption**

In the event that a request for redemption is made by a unitholder with respect to Units having an aggregate Series Unit Value of less than \$500, or such other

amount as the Trustee may from time to time determine, the unitholder shall be deemed to have requested the redemption of such additional Units of the Fund as will cause the aggregate Series Unit Value of the Units to be redeemed to be equal to such amount.

**4.03            Short-Term Redemption Fee**

- (1) The Trustee may determine in its discretion that the Fund may charge a short-term redemption fee to a holder of Units payable to the Fund in respect of the redemption of Units which are redeemed within 90 days (or such other period of time as the Trustee may from time to time determine) of the purchase of such Units and/or with respect to multiple transfers among Palos mutual funds, and if the Trustee determines that the Fund may charge such fee, the amount of the fee and the circumstances in which the fee is payable shall be determined from time to time by the Trustee.
- (2) Fees charged will be paid directly to the Fund, and are designed to deter excessive trading and offset its associated costs. For the purposes of determining whether a fee applies, the Trustee will consider the Units that were held the longest to be the Units which are redeemed first. The fee will not apply in certain circumstances, including:
  - (a) redemptions of Units purchased by the reinvestment of distributions;
  - (b) reclassification of Units from one Series to another Series of the Fund; or
  - (c) redemptions initiated by the Trustee.

**4.04            Redemption Suspension**

- (1) The Trustee may suspend the right of unitholders to require the Trustee to redeem Units of the Fund or the obligation of the Trustee to make payment pursuant to Section 4.07:
  - (a) during any period when normal trading is suspended on any exchange on which securities or derivatives that make up more than 50% of the Fund's value or its underlying market exposure are traded, provided those securities or derivatives are not traded on any other exchange that is a reasonable alternative for the Fund, or
  - (b) with the approval of securities regulators.
- (2) During the above-mentioned suspension period, the Fund shall not accept any subscriptions for the purchase of Units. Any such suspension shall

take effect at such time as the Trustee specifies and thereafter there shall be no redemption of Units until the Trustee or the Securities Authorities, as applicable, declares the suspension at an end, or until the suspension automatically terminates following expiration of any designated period.

**4.05 Redemption Following Suspension**

Where a request for redemption is received by the Fund during the suspension period, the unitholder may withdraw the request up to the valuation time on the next valuation day following the termination of such suspension. If the request is not withdrawn, the Units shall be redeemed at the applicable Series Unit Value on the next valuation day following termination of the suspension.

**4.06 Minimum Ownership of Units**

If the aggregate Series Unit Value of Units of the Fund held by a unitholder is at any time less than \$500, or such other amount as the Trustee may from time to time determine, the Trustee may redeem the unitholder's Units, after giving such unitholder at least 30 days' notice by mail of the intention to redeem, on any subsequent specified valuation day, unless an additional purchase of the same Series of Units is made to increase the aggregate Series Unit Value of the unitholder's Units of the Fund to not less than the said minimum amount by such subsequent specified valuation day. If a partial redemption of Units requested by a unitholder would cause the aggregate Series Unit Value of a unitholder's remaining Units of the Fund to be less than the said minimum amount, the Trustee may redeem such unitholder's remaining Units of such Series without prior notice to the unitholder.

**4.07 Payment**

Subject to Section 4.11, payment for Units redeemed in accordance with the terms hereof shall be made by the Trustee to the unitholder in the manner described in Section 6.04 of this Trust Agreement. Payments for the redemption of Units shall be made within such period of time as the Trustee shall from time to time determine in accordance with applicable securities legislation, instruments, rules and policies after the valuation day upon which the Series Unit Value is determined for the purpose of such redemption. A unitholder shall be entitled to enforce payment of the redemption amount from and after the valuation day upon which the Series Unit Value of a Unit is determined for purposes of a redemption thereof.

#### **4.08 Adjustment to Redemption Payment**

If pursuant to this Article 4 a unitholder shall cause to be redeemed Units as of a particular valuation day, then any amount payable in accordance with Article 6 to such unitholder shall be paid to the unitholder at the same time and in the same manner as payment is made to such unitholder in respect of the redemption of such unitholder's Units in accordance with this Article 4 in respect of those Units being redeemed.

#### **4.09 Trustee's Discretion to Cause Redesignation of Units**

In the event a unitholder fails to meet the conditions set out in the simplified prospectus under which Units of a particular Series were offered, the Trustee may, in its sole discretion, on notice to the unitholder cause such unitholder's Units to be redesignated as Units of a Series of the same Fund for which the unitholder does meet the requisite conditions in accordance with Section 3.08(1).

#### **4.10 Limitation on Non-Resident Ownership**

If persons who are non-residents for the purposes of the *Income Tax Act* or are partnerships that are not "Canadian partnerships" for the purposes of the *Income Tax Act* (each a "non-resident") become the beneficial owners of (x) an aggregate of 40% of the Units of the Fund then outstanding (the "Number Threshold") or (y) Units of the Fund having an aggregate Series Unit Value equal to 40% of the Net Asset Value of the Fund (the "Value Threshold"), and more than 10% of the Fair Market Value property of the Fund consists of, has consisted of, or, in the reasonable opinion of the Trustee, may in the future consist of, property that is "taxable Canadian property" as defined in subsection 248(1) of the *Income Tax Act* (determined without reference to paragraph (b) of such definition) or, if such Act is amended as proposed by legislation released on September 16, 2004, "specified property" as that term is defined in such proposed legislation (such the Fund is referred to herein as a "Restricted Fund"), the Trustee may refuse to accept a subscription for Units of the Restricted Fund from, or issue or register a transfer of Units of the Restricted Fund to, a person, unless the person provides a declaration that the beneficial owner of the Units of the Restricted Fund held by such person is not, and will not be, a non-resident. If, notwithstanding the foregoing, the Units of a Restricted Fund or aggregate Series Unit Value of Units of a Restricted Fund, as applicable, held by non-residents at any time exceeds the lesser of the Number Threshold and the Value Threshold (the "Permitted Non-Resident Holding Limit"), and without restricting the scope of Section 4.06, the Trustee may redeem on the following valuation day for a redemption price per Unit equal to the Series Unit Value calculated at the close of business on such date that number of Units of the Restricted Fund held by non-residents such that, after giving effect to the redemption, the Units of the Restricted Fund held by non-residents do not exceed the Permitted Non-Resident Holding Limit, the Units to be redeemed to be determined on the basis of the most recent acquisition or registration of Units of the Restricted Fund or in such other manner as the Trustee may consider equitable and practicable. Upon such redemption, the affected unitholders shall

cease to be holders of Units of the Restricted Fund and their rights shall be limited to receiving the net proceeds of redemption from such Units.

**4.11 Redemption in Specie**

The Trustee may, subject to the prior written consent of the redeeming unitholders and to compliance with applicable laws, pay for all or any of such redeemed Units by making good delivery to such unitholders of portfolio securities, provided that such portfolio securities are valued for purposes of determining the redemption price at an amount equal to the amount at which such portfolio securities were valued for the purpose of determining the Fund Net Asset Value on the date of redemption.

**ARTICLE 5  
INVESTMENT OF TRUST PROPERTY**

**5.01 General Investment Powers**

Subject to the investment restrictions referred to herein, the Trustee may from time to time invest and reinvest any money at any time held in or for the Fund in accordance with the investment objectives and policies of the Fund set forth in Section 2.04 or in any amendment to this Trust Agreement or in the simplified prospectus or annual information form of the Fund. Pending the investment and reinvestment of any such money, the Trustee may deposit cash on hand into interest bearing accounts maintained by the Fund with any Canadian chartered bank or Canadian trust company.

**5.02 Investment Restrictions Applicable to the Fund**

The Fund's investment activities are subject to the investment restrictions and policies as shall be determined from time to time by the Trustee in compliance with Part 2 of NI 81-102.

**5.03 Not Restricted to Trustee Investments**

Subject to the requirements of the Securities Authorities and to the provisions of this Trust Agreement, the Trustee may invest and reinvest moneys and change and vary investments in the portfolio of the Fund without being in any way restricted by the provisions of the laws of any jurisdiction purporting to limit investments that may be made by trustees.

**ARTICLE 6  
DETERMINATION AND DISTRIBUTION OF  
NET INCOME AND NET CAPITAL GAINS**

**6.01 Computation of Net Income (Loss)**

- (1) The Trustee shall determine the net income and the net realized capital gains of the Fund for each taxation year of the Fund and, at its discretion, may pay, on or before the last business day of the calendar year in which, or coincident with the end of which, such taxation year-end of the Fund occurs, to unitholders the amount, if any, by which the net income and net realized capital gains of the Fund exceed:
  - (a) such part of the net realized capital gains of the Fund for the taxation year required to be retained by the Fund to maximize its capital gains refund for the taxation year (within the meaning of the *Income Tax Act*);
  - (b) the amount determined by the Trustee in respect of any non-capital losses (as defined in the *Income Tax Act*) for prior years which the Fund is permitted by the *Income Tax Act* to deduct in computing its taxable income for such year;
  - (c) such portion of the Fund's capital loss carry forwards as will permit the maximization of the Fund's capital gains refund for such year; and
  - (d) any amount previously made payable or distributed on an interim basis during the taxation year, which for this purpose shall include any amount payable in respect of the year under Subsections 6.01(3) and 6.01(4).
- (2) The amount, if any, paid to each unitholder pursuant to Subsection 6.01(1) in respect of Units of a Series of the Fund shall be equal to such portion of the net income and net realized capital gains of the Fund determined in accordance with the distribution methodology established pursuant to Section 9.11 in respect of the Series of Units of the Fund.
- (3) The Trustee in its discretion may agree to accept a management fee with respect to the Units of a particular Series of the Fund held by a unitholder which is less than that otherwise payable to the Trustee in respect of Units of that particular Series, in which case the Trustee shall distribute an amount equal to such reduction in the management fee adjusted, if appropriate, for any reduction in GST, HST, and any applicable provincial tax thereon to such unitholder (a "Management Fee Distribution"). The Trustee may also in its discretion agree to reduce the operating expenses incurred by the Fund and borne by a unitholder through an appropriate reimbursement to the Fund, provided that the benefit of such reduction will be distributed to such unitholder, in which case such distribution shall also be a Management Fee Distribution. Management Fee Distributions shall be calculated and credited on each business day and distributed at least quarterly and shall be payable out of net income and net realized

capital gains of the Fund to the extent that the Fund earns or realizes such income or gains in the year in which the Management Fee Distributions are made, and otherwise out of capital.

- (4) On redemption of a Unit of a Series of the Fund (other than a redemption occurring between December 16 and December 31), the Trustee may designate and distribute to the redeeming unitholder as part of the redemption proceeds of the Unit redeemed such part of the net realized capital gains of the Fund for the year as determined by the Trustee.
- (5) For the purposes of Subsection 6.01(1), the net income of the Fund for any year shall be determined in accordance with the provisions of the *Income Tax Act* regarding the calculation of income for the purposes of determining the “taxable income” of the Fund under the *Income Tax Act*, provided that capital gains and capital losses and such portion of expenses of the Fund allocated by the Trustee, in its discretion, against taxable capital gains, shall be excluded and provided further that (i) the portion of the Fund’s income comprised of taxable dividends received from corporations resident in Canada shall be calculated on the basis that the amount thereof included in income is not greater than the actual amount received, and (ii) no amount is deductible in respect of amounts payable or deemed payable in the year to unitholders. The net realized capital gains of the Fund for any year shall equal the amount, if any, by which the capital gains of the Fund in the year, net of the product of such portion of expenses of the Fund allocated by the Trustee against taxable capital gains of the Fund and the reciprocal of the relevant capital gains inclusion rate under the *Income Tax Act*, exceeds the aggregate of the capital losses of the Fund in the year determined in accordance with the *Income Tax Act*.
- (6) Unless the Trustee otherwise determines in its complete discretion, distributions pursuant to Sections 6.01(1), (3) and (9) (less any tax required to be withheld therefrom) shall be reinvested by the Trustee in additional Units or fractions of Units of the same Series of Units of the Fund as those held by the relevant unitholder in the name and for the benefit of the unitholder at the Series Unit Value for such Series of Units of that Fund determined in accordance with the provisions of this Trust Agreement. If the Trustee so determines, a distribution may be made in cash payable in either foreign currency or Canadian currency or both or in property having a value equal to the amount of the distribution determined in accordance with Section 1.02.
- (7) To the extent possible under the *Income Tax Act*, it is intended that the character of the net income and net realized capital gains of the Fund be maintained when such net income and net realized capital gains are distributed to unitholders. The Trustee shall consequently exercise all discretion and make all designations, elections, determinations,

appropriations and allocations under the *Income Tax Act* as may be, in the sole discretion of the Trustee, advisable or appropriate.

- (8) It is intended that sufficient net income and sufficient net realized capital gains of the Fund be distributed to unitholders in each year so that the Fund will not be liable to income tax under Part I of the *Income Tax Act*, other than tax that is immediately recoverable by the Fund by reason of the capital gains refund. If there is any change in the treatment under the *Income Tax Act* of the net income and net realized capital gains of the Fund, or of any other relevant amount, that would frustrate this intention, the Trustee may, notwithstanding Article 12 herein, without notice to or the vote or assent of the unitholders or any amendment to this Trust Agreement, alter the method of distribution or discontinue this distribution policy for the purpose of minimizing taxes payable by the Fund and/or the unitholders, provided that no such alteration or discontinuation shall be prejudicial to unitholders.
- (9) The Trustee may make interim distributions to unitholders of any Series and where such interim distributions are made, the same shall be due and payable on the last business day of a month or such other day as the Trustee may determine.

#### **6.02 Default**

Where the Trustee has been unable, because of default on the part of any third party to make payment of any dividends declared or interest accrued or any other amounts owing in respect of the securities of the Fund, to collect any amount which has been included in determining any amount paid or payable to any unitholder, it shall have the right to make such adjustments as are appropriate to net income (loss) and capital gains and where such amount has been paid to such unitholder, to recover such amount from such unitholder. Notwithstanding the foregoing, the Trustee shall not be required to exercise such right with respect to any particular amount or series of amounts where, in the judgement of the Trustee, the anticipated costs and likelihood of recovery outweigh the anticipated benefit of such recovery.

#### **6.03 Use of Capital**

The Trustee, in its sole discretion, may transfer temporarily from capital to income within the Fund, sufficient cash to facilitate payments of net income or net realized capital gains to the unitholders. A permanent transfer from capital to income may be effected if payments made by and/or expenses of the Fund in any fiscal year of the Fund exceed the aggregate of the net income and net realized capital gains of the Fund in such fiscal year.

#### **6.04 Payments to Unitholders**

Any payment hereunder determined by the Trustee to be made to a unitholder, other than by way of reinvestment in Units pursuant to Section 6.01(6), shall be payable in the currency in which the Units are denominated by cheque or bank draft to the order of the registered unitholder and may be mailed by ordinary mail to the last address appearing on the books of the Fund but may also be payable in such other manner as the unitholder has designated to the Trustee and the Trustee has accepted. In the case of joint registered unitholders, any such payment to be made to a unitholder shall be deemed to be required to be made to such unitholders jointly and shall be payable by cheque or bank draft but may also be payable in such other manner as the joint registered unitholders or any one of the joint registered unitholders has designated to the Trustee and the Trustee has accepted. For greater certainty a unitholder or any one of the joint unitholders may designate and the Trustee may accept that any payment to be made hereunder shall be made by deposit to an account of such unitholder or to a joint account of such unitholder and any other Person or in the case of joint registered unitholders to an account of joint registered unitholders or to an account of any one of the joint registered unitholders. A cheque or bank draft shall, unless the joint registered unitholders otherwise direct, be made payable to the order of all of the said joint registered unitholders, and if more than one address appears on the books of the Fund in respect of such joint unitholding, the cheque or bank draft shall be mailed to the first address so appearing. The mailing of the cheque or bank draft or payment in other acceptable manner as aforesaid shall satisfy and discharge all liability of the Trustee or the Fund for the amount to be paid unless the cheque or bank draft is not paid at par on presentation at Montréal, Québec, or at any other place where it is by its terms payable. In the event of non-receipt of any such cheque or bank draft by the person to whom it was mailed, the Trustee on proof of the non-receipt and upon satisfactory indemnity being given to it and to the Fund, shall issue to the person a replacement cheque or bank draft for a like amount.

#### **6.05            Receipt by Unitholder**

The receipt of any payment not mailed or paid in another acceptable manner in accordance with Section 6.04 by the registered unitholder shall be a valid and binding discharge to the Fund and to the Trustee for any payment made in respect of the registered Units and if several persons are registered as joint registered unitholders or, in consequence of the death or bankruptcy of a unitholder, one or several persons are entitled so to be registered, receipt of payment by any one of them shall be a valid and binding discharge to the Fund and to the Trustee for any such payment.

#### **6.06            Definitions**

Unless the context otherwise requires, any term in this Article 6 which is defined in the *Income Tax Act* shall have that meaning for the purposes of this Article 6.

## **ARTICLE 7 VOTING RIGHTS OF PORTFOLIO SECURITIES**

**7.01 Voting Rights**

All of the securities carrying voting rights held from time to time as part of the assets of the Fund may be (but need not be) voted at any and all meetings of securityholders in such manner and by such person or persons as the Trustee shall from time to time determine subject to applicable regulatory requirements.

**7.02 Proxies**

The Trustee may from time to time execute and deliver proxies for and on behalf of the Fund and arrange for the issuance of voting certificates or other evidence of the right to vote in such names as it may from time to time determine.

**7.03 No Liability**

The Trustee shall be entitled to exercise the foregoing rights in its discretion as it considers to be in the best interests of the unitholders and shall not be subject to any liability or responsibility in respect of the management of the investment in question or in respect of any vote, action or consent given or taken or not given or taken by the Trustee whether in person or by proxy.

**7.04 Other Consent**

The provisions of this Article shall apply to and govern not only a vote at a meeting but any consent to or approval of any arrangement, scheme or resolution or any alteration in or abandonment of any rights attaching to any part of the assets of the Fund and the right to requisition or join in a requisition to convene any meeting or to give notice of any resolution or to circulate any statement.

**ARTICLE 8  
AUDITOR AND INFORMATION FOR UNITHOLDERS**

**8.01 Auditor and Frequency of Audit**

Until changed, the auditor of the Fund shall be BDO Canada LLP. The Trustee shall cause the Fund to be audited on an annual basis.

**8.02 Auditor's Remuneration**

The auditor's remuneration shall be fixed by the Trustee from time to time and charged as an expense to the Fund.

**8.03 Financial Reporting to the Trustee and to Unitholders**

The Manager shall cause the auditor to provide a copy of the audited financial statements of the Fund as soon as is practicable. The Trustee shall forward to each unitholder the financial statements and other additional information required by any applicable statute or by applicable rules or policies issued by the Securities Authorities, including, without limitation NI 81-106.

**8.04 Fiscal Year**

The fiscal year of the Fund, until otherwise determined by the Trustee, shall end on December 31 in each year.

**8.05 Income Tax Information to Investors**

All information required by law for income tax purposes shall be sent to unitholders by the Trustee within the time periods required by the *Income Tax Act*.

**8.06 Tax Returns, Etc.**

The Trustee shall prepare and shall file on behalf of each Fund all tax returns that the Fund is required by law to file.

**ARTICLE 9  
THE TRUSTEE**

**9.01 Powers of the Trustee**

By way of supplement to the provisions of any act of any province of Canada for the time being relating to trustees and in addition to any other provision of this Trust Agreement, it is expressly declared as follows:

- (a) the Trustee shall have, without the necessity of authorization by, and free from any power of control on the part of, the unitholders, all of the powers of a natural person, including, without limitation, full, absolute, and exclusive power, control and authority over the property and the affairs of the Fund, to the same extent as if the Trustee were the sole, beneficial owner thereof in its own right, and to do all such acts and things as in its judgement and discretion are necessary or incidental to, or desirable for, the carrying out of any of the terms hereof or the conduct of the affairs of such Fund;
- (b) in construing the provisions of this Trust Agreement, presumption shall be in favour of the grant of powers and authority to the Trustee. The enumeration of any specific power or authority herein shall not be construed as limiting the general powers or authority or any other specified power or authority conferred herein on the Trustee;

- (c) the Trustee may act on the opinion or advice of or information obtained from any investment adviser, any legal counsel, chartered accountant or other expert, whether obtained by the Trustee or otherwise, but shall not be bound to act upon such opinion or advice;
- (d) The Trustee shall be entitled to assume, without inquiry or investigation or attempt to verify, that all action that the Manager directs, instructs, requests or recommends the trustee to take or which the Manager takes under the Investment and Management Agreement, are permitted and not prohibited by any applicable law.
- (e) the Trustee may
  - (i) employ and contract with, for and on behalf of the Fund, investment advisers, brokers, agents (including sales agents), bankers, chartered accountants, legal counsel, notaries, officers and servants, that the Trustee may reasonably require for the proper discharge of its duties hereunder;
  - (ii) pay for, out of the assets of the Fund, reasonable remuneration for all services performed for the Fund including any costs or fees of legal counsel;
  - (iii) purchase and pay for out of the assets of the Fund, insurance contracts and policies insuring the assets of the Fund against any and all risks and insuring the Fund and/or the Trustee and/or the unitholders against any and all claims and liabilities of any nature asserted by any person arising by reason of any action alleged to have been taken or omitted by the Fund or by the Trustee or by the unitholders;
  - (iv) do all such other acts and things as are incidental to the foregoing, exercise all powers which are necessary or useful to carry on the undertaking of the Fund, promote any of the purposes for which the Fund was formed and carry out the provisions of this Trust Agreement, including without limitation, providing or arranging for the provision of management services and investment advisory services to the Fund and acting as principal distributor of the Fund;
- (f) the Trustee, except as herein otherwise provided, shall, as regards all the trusts, powers, authorities and discretions vested in it, have absolute and uncontrolled discretion as to the exercise thereof, whether in relation to the manner or as to the mode of and time for the exercise thereof;

- (g) the Trustee may transfer, sell, assign or delegate (subject to the laws of Québec) to any company or person the performance of any of the trusts, duties and powers vested in it hereunder, and any such transfer, sale, assignment or delegation may be made upon such terms and conditions, including a power to retransfer, resell, further assign or subdelegate, as the Trustee may think to be in the best interests of the Fund; and
- (h) the Trustee may make such elections, determinations, designations and applications in respect of the Fund as contemplated by the *Income Tax Act* and other applicable tax legislation as the Trustee may determine.
- (i) The Trustee hereby delegates to the Manager, under the Investment and Management Agreement, the exclusive power and sole responsibility to manage the business and affairs of the Funds. The Manager shall have the powers and duties expressly provided in the Investment and Management Agreement, including the power to further delegate the administration of each Fund, where in the discretion of the Manager, it would be in the best interest of the Unitholders to do so.
- (j) For greater certainty, it is hereby confirmed that the Trustee shall have no responsibility for investment management of the securities or other property of each Fund or for any investment decisions or for compliance with any investment policy or principle regardless of whether such policy or principle is set out in a Supplemental Indenture.

Notwithstanding anything to the contrary in this agreement, nothing herein requires the Trustee to exercise any discretion, control or power, unless and until it receives such direction, assurance, indemnity, advice or opinion that it may from time to time require. The trustee shall not be responsible for any delay or failure to act, where it is seeking any direction, assurance, indemnity, advice or opinion that it determines may be necessary or desirable in the circumstances.

## **9.02 Standard and Duty of Care**

In performing its duties hereunder, the Trustee shall discharge such duties in accordance with the Standard and Duty of Care. Notwithstanding anything to the contrary in this Agreement, the Trustee shall be deemed to have exercised the requisite degree of care, diligence and skill in exercising its powers and discharging its duties where the Trustee has delegated such powers and duties to any one or more agents, representatives, officers, employees, independent contractors or other persons in accordance with this Agreement.

## **9.03 Verification of Signatures**

The Trustee shall be entitled to require that the signature of any investor or unitholder on any document required to be signed by such person under or in connection

with this Trust Agreement shall be verified or guaranteed by a bank or broker or other responsible person or otherwise authenticated to the reasonable satisfaction of the Trustee.

**9.04 Wire Authorizations**

The Trustee may make arrangements to accept, from prospective investors or unitholders, orders to purchase Units, transfer Units or redeem Units given by telephone or by facsimile or other form of wire communication.

**9.05 Banking Arrangements**

- (1) The banking business of the Fund, or any part thereof, shall be transacted with such Canadian chartered bank or other financial institution carrying on a banking business as the Trustee may designate, appoint or authorize from time to time and all such banking business, or any part thereof, shall be transacted by such one or more officers of the Trustee or such other persons as the Trustee may designate, appoint or authorize from time to time and shall include but not be limited to:
  - (a) the execution of a borrowing by-law;
  - (b) the operation of the accounts of the Fund;
  - (c) the making, signing, drawing, accepting, endorsing, negotiating, lodging, depositing or transferring of any cheques, promissory notes, drafts, acceptances, bills of exchange and orders for the payment of money on behalf of the Fund;
  - (d) the giving of receipts for and orders relating to any property of the Fund;
  - (e) the execution of any agreement relating to any such banking business and defining the rights and powers of the parties thereto; and
  - (f) the authorizing of any officer of such financial institution to do any act or thing on the Trustee's behalf to facilitate such banking business.
- (2) In all such banking transactions the Trustee shall ensure that the Fund is credited with interest at prevailing interest rates on all sums deposited to the credit of the Fund's account.

**9.06 Anti-Money Laundering and Anti-Terrorist Financing**

Each party to this Agreement other than the Trustee hereby represents to the Trustee that any account to be opened by, or interest to be held by the Trustee in connection with this Agreement, for or to the credit of such party, either (i) is not intended to be used by or on behalf of any third party; or (ii) is intended to be used by or on behalf of a third party, in which case such party hereto agrees to complete and execute forthwith a declaration in the Trustee's prescribed form as to the particulars of such third party.

The Trustee shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Trustee, in its sole judgment, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Further, should the Trustee, in its sole judgment, determine at any time that its acting under this Indenture has resulted in its being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on 10 days written notice to the other parties to this Agreement, provided (i) that the Trustee's written notice shall describe the circumstances of such non-compliance; (ii) that if such circumstances are rectified to the Trustee's satisfaction within such 10 day period, then such resignation shall not be effective.

#### **9.07 Custodian**

The Trustee shall, from time to time, appoint a Canadian chartered bank or duly licensed Canadian federally or provincially incorporated trust company, or an affiliate of such bank or trust company, on such terms as it considers appropriate to be the Custodian of all or a part of the assets of the Fund and the Custodian may retain one or more sub-custodians with the prior written consent of the Trustee or as otherwise permitted by Section 6.1(4) of NI 81-102.

#### **9.08 Resignation of Trustee**

The Trustee or any successor Trustee may resign as Trustee of the Fund by giving notice to the unitholders not less than 60 days prior to the date on which the resignation is to take effect. The resignation will take effect on the date specified in the notice.

#### **9.09 Appointment of Successor**

In the event that the Trustee becomes incapable of acting, a successor Trustee shall be appointed by Palos. In the event that Palos fails to appoint a successor Trustee within 30 days of such vacancy, a unitholder or unitholders holding not less than five per cent (5%) of the outstanding Units of a Series of Units of the Fund may call a meeting of all unitholders within 30 days thereafter for the purpose of appointing a successor Trustee. If upon the expiration of a further 30 day period the unitholders have not appointed a new Trustee, this Trust Agreement shall be terminated immediately and

the assets of the Fund shall be distributed in accordance with provisions of Article 15 and the present Trustee shall continue to act as Trustee of the Fund until all the assets of the Fund have been so distributed.

**9.10            Successor Trustee**

The right, title and interest of the Trustee in and to the assets of the Fund shall vest automatically in any person or persons who may, as a result of the operation of Section 9.07, duly become Trustee without any further act and the successor Trustee shall have all the rights, privileges, powers, obligations and immunities given the Trustee by this Trust Agreement. Such right, title and interest shall vest in the Trustee whether or not conveyancing documents have been executed and delivered.

**9.11            Distributions**

Subject to the provisions of Article 6, the Trustee shall have power to make allocations, credit amounts and pay distributions in cash, Units or fractions thereof, or otherwise, to unitholders of each Series or to any unitholders designated by the Trustee in its discretion, whether out of income, capital, earnings, profits, capital gains or surplus, and to make allocations to such unitholders of costs, expenses, losses and deficits in respect or to any unitholders designated by the Trustee in its discretion, provided that the Trustee shall not make a distribution of assets by way of cash payments or otherwise which would, in the opinion of the Trustee, impair the ability of the Trust to repay loans or meet its other commitments, as and when the same become due, after giving effect to any subscriptions for Units or redemptions of Units. The Trustee shall determine from time to time the distribution methodology to be used in determining the amounts to be credited, allocated, made payable or distributed, as the case may be, to unitholders of each Series of the Fund.

**ARTICLE 10  
LIMITATION OF LIABILITY**

**10.01            Limitation of Liability of Unitholders**

No unitholder of the Fund (and any annuitant or beneficiary of a tax plan that is a unitholder) shall be subject to any personal liability whatsoever, due solely by reason of being a unitholder (or by reason of being an annuitant or beneficiary of a tax plan that is a unitholder), whether extra-contractually, contractually or otherwise, to the Fund or to the other unitholders, the Trustee, a manager or an investment adviser, to the directors, officers, employees or agents of the Fund or any of the Trustee, manager or investment adviser(s), or to any other person in connection with the assets of the Fund or the obligations or affairs of the Fund. All such other unitholders, the Trustee, manager, investment adviser(s) and their directors, officers, employees or agents shall look solely to the assets of the Fund for satisfaction of claims of any nature arising out of or in connection therewith and the assets of the Fund only shall be subject to levy or execution.

## **10.02            Limitation of Liability of Trustee and Others**

Neither the Trustee, a manager, an investment adviser, legal counsel, chartered accountant nor any director, officer, partner, employee or agent thereof (collectively the “Responsible Parties”) shall be subject to any liability whatsoever, whether extra-contractually, contractually or otherwise, in connection with the assets of the Fund or the affairs of the Fund, including without limitation in respect of any loss or diminution in value of any assets of the Fund, to the Fund or to any Responsible Party or to unitholders, or any of them, or to any other person for anything done or omitted to be done by any of them including, without limitation, the failure to compel in any way a former or acting Trustee to redress any breach of trust in respect of the execution of the duties of its office or in respect of the affairs of the Fund, except only that arising from its own failure to act in accordance with the Standard and Duty of Care. The Responsible Parties, in doing anything or omitting to do anything in respect of the execution of the duties of their offices or in respect of the affairs of the Fund, are and shall be conclusively deemed to be acting as Trustee, manager, investment adviser, legal counsel, chartered accountant, directors, officers, partners, employees or agents as the case may be, of the Fund and not in their own individual capacities. Except to the extent provided in Section 10.02, no Responsible Party shall be subject to any personal liability for any debts, liabilities, obligations, claims, demands, judgments, costs, charges or expenses against or with respect to the Fund arising out of anything done or omitted by any of them to be done in respect of the execution of the duties of their respective offices or for or in respect of the affairs of the Fund. Each Fund shall be solely liable therefore and resort shall be had solely to the assets of the Fund for the payment or performance thereof. No property or assets of the Trustee, whether owned in its personal capacity or otherwise, will be subject to levy, execution or other enforcement procedures with regard to any obligation under this declaration or under any other transaction documents.

## **10.03            Indemnification of Responsible Parties**

- (1) The Trustee, its beneficiaries, incorporators, affiliates (as that term is defined in NI 45-106) shareholders, directors, officers, representatives, employees, managers, members, advisors and agents will at all times be indemnified and saved harmless out of the Fund Property from and against all claims, demands, losses, actions, causes of action, costs, charges, expenses, damages, debts, judgments, obligations and liabilities whatsoever arising in connection with the Fund Property or the services provided by the Trustee to the Fund, legal fees and disbursements on a substantial indemnity basis and costs and expenses incurred in connection with the enforcement of this indemnity, which the Trustee, its beneficiaries, incorporators, affiliates (as that term is defined in NI 45-106), shareholders, directors, officers, representatives, employees, managers, members, advisors and agents may suffer or incur, whether at law or in equity, in any way caused by or arising, directly or indirectly, in

respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in relation to the execution of its duties as Trustee or which it sustains or incurs in relation to the Fund Property or the services provided by the Trustee to the Fund including those related to anything done, or omitted to be done, by the Manager but only to the extent that the Manager is performing duties delegated or subcontracted to it in accordance herewith. Further, the Trustee, its beneficiaries, incorporators, affiliates (as that term is defined in NI 45-106) shareholders, directors, officers, representatives, employees, managers, members, advisors and agents will not be liable to the Trust or to any person, including the unitholders, for any loss or damage relating to any matter regarding the Fund, including any loss or diminution in the value of the Fund Property. The foregoing provisions of this Section 10.03(1) will not apply to the extent that there has been fraud, willful misconduct, bad faith, gross negligence or reckless disregard of an obligation or duty by the Trustee or its beneficiaries, incorporators, affiliates (as that term is defined in NI 45-106) shareholders, directors, officers, representatives, employees, managers, members, advisors or agents. Notwithstanding any other provision hereof, this indemnity will survive the removal or resignation of the Trustee or the termination of this Trust Agreement and the termination of any trust created by this Trust Agreement. Payments of amounts owing on account of the foregoing indemnification pursuant to this Section 10.03(1) will be made in accordance with this Trust Agreement and any related documents.

- (2) The right of indemnification conferred by Section 10.03(1) on the beneficiaries, incorporators, affiliates (as that term is defined in NI 45-106) shareholders, directors, officers, representatives, employees, managers, members, advisors, agents or successors and assigns of the Trustee and of any unitholders of the Fund is hereby vested in the Trustee in trust form, and shall be enforceable by it for the benefit of, each such person.
- (3) The Trustee shall be fully protected in relying upon any instruments or directions given by an officer, director, employee or agent of a manager or any investment adviser or by a broker, a Custodian or any unitholder, or by such other parties as may be authorized by the Fund to give instructions or directions to the Trustee. If required by the Trustee, a manager and any investment adviser shall file with the Trustee a certificate of incumbency setting forth the names of parties authorized to give instructions or directions to the Trustee together with specimen signatures of such persons and the Trustee shall be entitled to rely on the latest certificate of incumbency filed with it. The Trustee, a manager and any investment adviser shall each be fully protected in acting upon any instrument, certificate or paper believed by it to be genuine and signed or presented by the proper person or persons. Neither the Trustee or an investment adviser

shall be under any duty to make any investigation or inquiry as to any statement contained in any such writing, but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained.

#### **10.04 Provisions Regarding Liability**

- (1) Any written instrument creating an obligation of the Fund shall be conclusively deemed to have been executed by the Trustee, or by a manager or investment adviser, or director, officer, employee or agent of the Fund only in its or their capacity as Trustee, manager or investment adviser or as a director, officer, employee or agent of the Fund. Any written instrument creating an obligation of the Fund shall refer to this Trust Agreement and contain a provision to the effect that the obligations thereunder are not personally binding upon, nor shall resort be had to the private property of any Responsible Party or any unitholders, but that the assets of the Fund or a specific portion thereof only shall be bound, and may contain any further provision which they or it may deem appropriate. The omission of such provision in any such written instrument shall not operate to impose personal liability on any of the Trustee, manager, investment adviser or the unitholders, directors, officers, employees or agents of the Fund or of the Trustee, manager or investment adviser. No provision of this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of its duties or the exercise of any of its rights or powers unless indemnified, other than as a result of its own gross negligence, bad faith or willful misconduct.
- (2) The Trustee will not be subject to any liability whatsoever, in tort, contract or otherwise, in connection with the Fund Property or the services provided by the Trustee to the Fund, to any person, for any action taken or permitted by it to be taken, or for its failure to take any action, including the failure to compel in any way any former or acting trustee to redress any breach of trust in respect of the execution of the duties of its office or in respect of the Fund Property or the services provided by the Trustee to the Fund. The foregoing limitation does not apply in respect of action or failure to act arising from or in connection with fraud, willful misconduct, bad faith, gross negligence or reckless disregard of an obligation or duty by the Trustee. The Trustee, in doing anything or permitting anything to be done in respect of the execution of the duties of its office or in respect of the Fund Property or the services provided by the Trustee to the Fund, is, and will be conclusively deemed to be, acting as trustee of the Fund and not in any other capacity. Except to the extent provided in this Section 10.04, the Trustee will not be subject to any liability for any debts, liabilities, obligations, claims, demands, judgments, damages, losses,

actions, causes of action, costs, charges or expenses against or with respect to the Fund, arising out of anything done or permitted by it to be done or its failure to take any action in respect of anything done or permitted by it to be done or its failure to take action in respect of the execution of its duties of its office or for or in respect of the Fund property or the services provided by the Trustee to the Fund and resort will be had solely to the Fund Property for the payment or performance thereof. No property or assets of the Trustee, whether owned in its personal capacity or otherwise, will be subject to levy, execution or other enforcement procedure with regard to any obligation under this Trust Agreement or any related documents.

- (3) The limitation of liability conferred by this Section 10.04 on the beneficiaries, incorporators, affiliates (as that term is defined in NI 45-106) shareholders, directors, officers, representatives, employees, managers, members, advisors, agents or successors and assigns of the Trustee and of any unitholder shall be enforceable by each such person as fully and effectively as it if is a party to this Trust Agreement and notwithstanding any law that otherwise might deprive it of the benefit of this Section 10.04 due to a lack of privity or want of consideration.
- (4) The Trustee will be entitled to consult with and obtain advice from counsel appointed by it, who may but need not be counsel for the Fund, in the event of any questions as to any provisions of, or its duties under, this Trust Agreement. The Trustee may rely and act upon any statement, notice, report or opinion, prepared by or any advice received from the Manager in its capacity as agent of the Trust or from the auditors, counsel or her professional advisors of the Trust. The Trustee will not be responsible or held liable for any loss or damage resulting from so relying or acting if the Trustee acted reasonably in relying upon the advice received and if the advisor was aware that the Trustee was receiving the advice in its capacity as Trustee.

#### **10.05            Apparent Authority**

No purchaser, lender, registrar or other person dealing with the Trustee or any director, officer, employee or agent of the Fund or of the Trustee, manager or investment adviser shall be bound to make any enquiry concerning the validity of any transaction purporting to be made by the Trustee, manager and investment adviser or by such director, officer, employee or agent or make inquiry concerning or be liable for the application of money or property paid, loaned or delivered to or on the order of the Trustee, manager or investment adviser or of such director, officer, employee or agent.

#### **10.06            Cessation of Trustee's and Others Liability in Certain Circumstances**

Notwithstanding anything herein contained, upon the expiration of 90 days from the sending of financial statements pursuant to Section 8.03, the Trustee, manager and investment adviser shall be forever released and discharged from liability or accountability to unitholders with respect to the propriety of their acts and transactions shown in any such account except with respect to acts or transactions as to which a written statement objecting thereto has been delivered to the Trustee within that 90 day period. Notwithstanding the foregoing, the Trustee shall have the right to elect to have its account settled by judicial proceeding whether or not any written objection to its accounts has been filed.

## **ARTICLE 11 MANAGEMENT AND INVESTMENT ADVISORY SERVICES**

### **11.01            Management Services**

The Trustee shall arrange for the provision of management services to the Fund, including the day-to-day administration of the activity of the Fund, the preparation and filing of a simplified prospectus to permit continuous offering of the Units to the public in those jurisdictions specified from time to time by the Trustee, the preparation of all written and printed material for distribution to potential investors and existing unitholders in compliance with the registration, filing, reporting and similar requirements of all regulatory bodies having jurisdiction over the Fund, the provision of office space and facilities, clerical help, bookkeeping and the internal accounting and auditing services required by the Fund, the provision of registry and transfer agency services, distribution crediting services and all other unitholder services and management services. In arranging for the provision of the said management services, the Trustee shall be entitled to retain one or more persons or companies on such terms and conditions as it considers appropriate and such persons or companies may be delegated full responsibility for all or part only of such services and they may subdelegate such responsibility with the prior written consent of the Trustee. Initially, the Trustee has retained Palos to provide management services to the Fund under the Investment and Management Agreement.

### **11.02            Investment Advisory Services**

The Trustee arrange for the provision of investment advisory services to the Fund, including the evaluation of current information and data relating to the economy generally, to the particular investments of the Fund and to any security or securities which the Trustee considers desirable for inclusion in the investments of the Fund and the taking or the instituting, on behalf of the Fund, of all such action as the Trustee may deem desirable to invest or reinvest in, or to purchase or sell securities generally, securities of a particular class or kind or securities of a particular issuer, including the placing of orders for the purchase and/or sale of such securities. In arranging for the provision of the said investment advisory services, the Trustee shall be entitled to retain one or more persons or companies on such terms and conditions as it considers appropriate and such persons or companies may be delegated full responsibility for all or part only of such services and they may subdelegate such responsibility with the

prior written consent of the Trustee. Initially, the Trustee has retained Palos to provide investment advisory and portfolio management services to the Fund under the Investment and Management Agreement.

**11.03            No Liability for Delegation**

The Trustee shall have no liability or responsibility for any matters delegated to Palos hereunder or under the Investment and Management Agreement, and the Trustee, in relying on the Manager, shall be deemed to have complied with its obligations under Sections 11.01 and 11.02 and shall be entitled to the benefit of the indemnity provided in Section 10.03.

**ARTICLE 12  
FEES AND EXPENSES**

**12.01            Expenses of Trustee**

- (1) The Trustee shall be entitled to receive fees for its services under this Trust Agreement which shall be paid from the Fund Property. The amount of such fees shall be agreed to in writing by Palos and the Trustee from time to time. In addition, the Trustee shall be entitled to receive reimbursement of proper disbursements made on behalf of the Fund in providing or procuring, coordinating and supervising all of the services described herein for the Fund.
- (2) The Fund, out of the Fund Property shall be responsible for fees payable to any qualified person retained to provide management, investment advisory services or advice services to the Fund and for all expenses incurred by the Trustee relating to the initial organization of the Fund.

**12.02            Management Fee**

The Fund may pay, out of the Fund Property, such management fee to Palos as may be determined by the Trustee and provided in the terms and conditions attaching to a Series of Units. The management fee shall be paid from the Fund Property.

**12.03            Performance Fee**

The Fund, out of the Fund Property, shall pay Palos a performance fee (the "Performance Fee") equal to 20% of the amount by which the Fund outperforms its benchmark, the S&P/TSX Composite Index. Any Performance Fees will be calculated and accrued daily, and paid quarterly, such that, to the extent possible, the Series Net Asset Value on each day will reflect any Performance Fees payable as at the end of such day.

**12.04            Other Expenses**

The Fund, out of the Fund, shall be responsible for the payment of the Fund's Common Expenses and Series Expenses. Notwithstanding the foregoing, the Trustee may, as described in the simplified prospectus of the Fund, determine that it will be responsible for (1) all or part of the Common Expenses of the Fund, the benefit thereof to be allocated to one or more Series of Units of the Fund as determined by the Trustee and reflected in the computation of the Series Net Asset Value of such Series or Series of Units, and/or (2) all or part of the Series Expenses of the Fund which shall be reflected in the computation of the Series Net Asset Value of the relevant Series of Units.

**12.05            Allocation of Specific Expenses**

Where the Trustee reasonably determines that certain expenses incurred by or expected to be incurred by the Fund are solely or primarily referable to certain unitholders or certain persons becoming unitholders, the Trustee, if permitted under securities legislation and by Securities Authorities, may require that such unitholders, or persons on becoming unitholders, reimburse the Fund for such expenses or a reasonable estimate thereof on such basis and terms as the Trustee may from time to time determine.

**ARTICLE 13  
MEETING AND NOTICE PROVISIONS**

**13.01            Meetings of Unitholders**

Meetings of unitholders of the Fund shall be convened by the Trustee from time to time as may be required hereunder or deemed by the Trustee to be advisable for the due administration of the Fund in accordance with the notice provisions following.

**13.02            Notice**

Any notice or document required to be sent under this Trust Agreement may be effectively sent to the unitholder by ordinary post or by any alternative method of delivery permitted by applicable law (the "Alternative Delivery Method") addressed to such unitholder at the last address appearing on the register of unitholders or, in the event of a disruption in the postal service or Alternative Delivery Method, as the case may be, by publication in at least one newspaper of general circulation in each province and territory in which a simplified prospectus has been filed. Any notice or document so sent shall be conclusively deemed to have been received by the unitholder three business days after it is mailed, within the minimum time period permitted or prescribed for the Alternative Delivery Method, or, in the event of a disruption in the postal services, on the day on which the notice is published as aforesaid, and, in proving notice, it shall be sufficient for the Trustee to prove that the notice or document was properly addressed, stamped and mailed, published or otherwise delivered, as aforesaid, or was given to the unitholder in such other manner as may have been designated by the unitholder and accepted by the Trustee. A notice convening a meeting of unitholders shall be given at least 21 days prior to the meeting and shall include a description of the business to be

considered by the meeting. If the business to be considered involves a change of the amount of the Trustee fee or of the basis of calculation of the Trustee fee, the notice shall include a description of the effect that the change would have had on the management expense ratio had the change been in force throughout the immediately preceding fiscal year and the date of the proposed implementation. Accidental error or omission in giving notice to any unitholders shall not invalidate any action or proceeding founded on such notice.

### **13.03            Record Date**

The record date (the “Notice Record Date”) for determining unitholders of the Fund entitled to notice of a meeting of unitholders shall be the valuation day immediately preceding the day on which the notice is given, unless otherwise specified in the notice. The Trustee may also fix a time and date as the record date for the determination of unitholders entitled to vote at any meeting of unitholders, which record date (the “Voting Record Date”) shall not, subject to any applicable legislation, regulations and policies, be a date which precedes the date of the meeting by more than 50 days. Any unitholder who was a unitholder at the close of business on either of the Notice Record Date or Voting Record Date shall be considered a unitholder for notice or voting purposes, as the case may be, even though such unitholder may have sold or redeemed units subsequent to such record date. Any person purchasing units after the Voting Record Date shall not be entitled to vote in respect of such units at a meeting or any adjournment thereof. The Trustee may also fix a date in accordance with applicable securities laws and policies prior to the date of any distribution or other action as a record date for the determination of unitholders entitled to receive such distribution or to be treated as unitholders of record for purposes of such other action.

### **13.04            Joint Holders of Units**

Service of a notice or document on any one of two or more joint unitholders shall be deemed effective service on the other joint unitholders.

### **13.05            Quorum**

A quorum for purposes of a meeting of unitholders shall be a minimum of two (2) unitholders present in person or represented by proxy, representing at least five (5%) percent of the issued and outstanding Units. All questions posed for the consideration of the unitholders shall be determined by a majority of the votes cast, and in case of an equality of votes, the chairman presiding at the meeting shall have a casting vote.

### **13.06            Appointment of Proxy**

Every unitholder entitled to vote at meetings of unitholders may by means of a proxy appoint a person, who need not be an unitholder, as such unitholder’s nominee to attend and act at the meeting in the manner, to the extent and with the power conferred

by the proxy. A proxy shall be in writing, shall be executed by the unitholder or such unitholder's attorney authorized in writing or, if the unitholder is a body corporate, under its corporate seal or by an officer or attorney thereof duly authorized, and ceases to be valid one year from its date. A proxy may be in such form as the Trustee from time to time may prescribe or in such other form as the chairman of the meeting may accept as sufficient, and shall be deposited with the secretary of the meeting before any vote is passed under its authority, or at such earlier time and in such manner as the Trustee may prescribe.

**13.07**            **Votes**

Subject to Section 13.08, each whole Unit entitles the unitholder thereof to one vote at any meeting of unitholders.

**13.08**            **Separate Series Votes**

If a Series of Units of the Fund is affected by any matter requiring the approval of unitholders in a manner which is different from Units of another Series of Units, the holders of Units of such Series shall be entitled to vote separately as a Series in respect of such matter and, notwithstanding anything to the contrary herein contained, such matter shall not become effective until it has been approved by the holders of Units of each Series entitled to vote thereon. If a Series of Units of the Fund is affected by any matter requiring approval and any other Series of Units is not affected by such matter, the holders of Units of the Series so affected shall only be entitled to vote in respect of such matter and any such other Series of Units shall not be entitled to vote in respect thereof. The provisions of Sections 13.01, 13.02, 13.03, 13.04, 13.05, 13.06 and 13.07 shall apply, *mutatis mutandis* to any meeting of the unitholders of a single Series.

**ARTICLE 14**  
**AMENDMENTS**

**14.01**            **Amendments by the Trustee**

- (1) This Trust Agreement may be amended by the Trustee without notice to unitholders, unless such amendment would constitute a "material change" for the purposes of NI 81-106, in which case this Trust Agreement may be amended on at least 21 days' prior written notice to unitholders or such longer period as may be required by applicable law.
- (2) Unitholder approval is required pursuant to Section 14.02 in connection with any change:
  - (a) which requires unitholder approval under applicable law;

- (b) to modify the rights of unitholders with respect to the outstanding Units of the Fund by reducing the amount payable thereon upon liquidation of the Fund; or
- (c) to diminish or eliminate voting rights attached to the Units.

**14.02 Amendments by the Unitholders**

Subject to Section 14.01, this Trust Agreement may be amended by the vote of a majority of the votes cast at a meeting of unitholders duly called for that purpose. Such amendment will take effect the first valuation day following receipt of the approval of the vote of a majority of the votes cast at a meeting of unitholders unless otherwise specified in the relevant resolution of unitholders.

**ARTICLE 15  
TERMINATION OF THE FUND**

**15.01 Notice of Termination of the Fund**

The Trustee may, in its discretion, terminate the Fund by giving 60 days' prior written notice to unitholders.

**15.02 Termination Procedure**

Upon a notice of termination being given by the Trustee pursuant to Section 15.01, the Trustee shall proceed as follows:

- (a) the Trustee shall sell at Fair Market Value all investments then remaining in its hands as part of the property of the Fund (other than portfolio securities that are to be distributed *in specie* to unitholders) and such sale shall be carried out and completed in such manner as the Trustee in its absolute discretion determines to be advisable;
- (b) distributions shall first be made of the net income (excluding net realized capital gains), if any, and net realized capital gains, if any, of the Fund for the period since the end of the last taxation year of the Fund and ending on the termination date pursuant to Article 6, to unitholders to the extent possible in the manner prescribed in Article 6 respecting distributions made pursuant to that Article and otherwise as the Trustee considers appropriate;
- (c) distributions shall thereafter be made in cash or portfolio securities to unitholders from the capital of the Fund provided that:
  - (i) to the extent that Series Expenses have not been previously charged to a Series of Units, in determining and paying the amount

of distributions of net income and net realized capital gains pursuant to distributions thereof made under Article 6 or (b) above, they shall first be deducted against the capital of the Fund to be paid to the applicable Series of Units before distribution of the capital; and

- (ii) to the extent that such distribution includes portfolio securities, such portfolio securities shall be valued for purposes of determining the amount available for distribution at an amount equal to the amount at which such portfolio securities would be valued for the purpose of determining the Fund Net Asset Value on the distribution date.
- (d) the Trustee shall be entitled to retain out of any moneys in its hands under the provisions of this section full provision for all costs, charges, expenses, claims and demands incurred, made or apprehended by the Trustee in connection with or arising out of the liquidation of the Fund and out of the moneys so retained to be indemnified and saved harmless against any such costs, charges, expenses, claims and demands. Such final distribution shall only be made against delivery to the Trustee of such form of release as the Trustee shall in its absolute discretion require.

**15.03 Redemption of Units**

As and from the date of termination of the Fund so fixed by the Trustee, the Fund shall carry on no activity except for the purpose of winding up its affairs and the rights of unitholders with respect to the redemption of units shall cease.

**[Next page is signature page]**

**IN WITNESS WHEREOF** the Trustee has caused this Trust Agreement to be executed by its duly authorized officer as of the 15<sup>th</sup> day of July, 2011.

**COMPUTERSHARE TRUST COMPANY OF CANADA**

Per: (signed) Sophie Brault

Per: (signed) Ekaterini Galouzis

I have authority to bind the Trustee.

Acknowledged and accepted by Palos, the investment fund manager and portfolio manager of the Fund, as of the 15<sup>th</sup> day of July, 2011.

**PALOS MANAGEMENT INC.**

Per: (signed) Charles Marleau  
Charles Marleau, President

I have authority to bind the corporation.

## **SCHEDULE 1.01(dd) - SERIES**

The capitalized terms used, but not otherwise defined herein, shall have the meaning ascribed thereto in the Trust Agreement to which this Schedule is attached.

The only issued and outstanding Series of Units of the Fund are the “Series A Units”.

### **Series A Units**

#### *Attributes*

In addition to the attributes applicable to all Units of the Fund described in the Trust Agreement to which this Schedule is attached, including, without limitation, Article 3 of the Trust Agreement, the following are the attributes of the Series A Units of the Fund:

- (a) the number of Series A Units authorized to be issued by the Fund pursuant to this Trust Agreement shall be unlimited;
- (b) each Series A Unit represents an equal undivided interest in the assets and property of the Fund and each Series A Unit ranks equally with every other Series A Unit;
- (c) Series A Units shall be issued without any nominal or par value at the Series Unit Value determined in respect of the Series A Units at the time of purchase or redemption; and
- (d) holders of Series A Units are entitled to participate *pro rata* in distributions to holders of Series A Units when and as declared and, upon termination and liquidation of the Fund pursuant to Article 15 of the Trust Agreement, to participate in the final distribution of the Fund Net Asset Value.

#### *Investment Restrictions*

The minimum subscription amount for Series A Units of the Fund shall initially be fixed at \$1,000. Subsequent investments by a holder of Series A Units of the Fund may be made in minimum tranches of \$500.

#### *Management Fee*

Series A Units shall be subject to a management fee payable to Palos Management Inc., the investment fund manager and portfolio manager of the Fund, in cash from the assets and property of the Fund, which shall consist of an amount payable in advance within five (5) days of the beginning of each month equal to one-twelfth (1/12<sup>th</sup>) of one and one-half percent (1.5%) of the Series Net Asset Value (the “Management Fee”) as of the last Business Day of the preceding month, and calculated before payment of such Management Fee and without regard to any accrual of Performance Fees, plus any

applicable taxes, but less the applicable Trailer Fees payable in respect of the Series A Units.

For the purposes of this Schedule, “Business Day” shall mean any day, other than a Saturday or Sunday, on which banks in Toronto, Ontario, Canada and Montreal, Québec, Canada are open for commercial banking business during normal banking hours.

*Trailer Fee*

The Fund shall pay, on a monthly basis, each investment dealer who had sold Series A Units of the Fund a portion of the Management Fee as a trailer fee equal to one-twelfth (1/12<sup>th</sup>) of zero decimal seventy-five percent (0.75%) of the aggregate Series Net Asset Value of all Series A Units that had been sold by the particular investment dealer which were outstanding at the time the Series Net Asset Value was calculated in order to determine the Management Fee (the “Trailer Fee”).

## SCHEDULE 2.04 - FUNDAMENTAL INVESTMENT OBJECTIVES

The primary objectives of the Palos Equity Income Fund (the "Fund") are:

1. To preserve capital;
2. To provide an attractive and steady stream of income; and
3. To deliver trading-enhanced returns.

The Fund employs qualitative, quantitative and comparative research to manage a portfolio of select high-grade and undervalued dividend-paying and income-paying securities. The Fund takes both long and short positions and employs market and statistical arbitrage techniques to maximize returns.

The Fund's asset allocation is roughly comparable to the Toronto Stock Exchange. However, the Fund's managers actively manage the fund to ensure that the fund's volatility (its "beta") is lower than that of the Toronto Stock Exchange.

The Fund is composed of a core portfolio of securities, selected for their income yield, as well as, in the opinion of the Fund's managers, their relatively low price. The Fund's managers seek to enhance returns through five targeted, short-term trading strategies:

1. Pair trading, whereby the Fund's managers identify a security that is either undervalued or overvalued, and purchase (or sell) the security and simultaneously take the opposite action with regards to the security's index. For example, the Fund's managers might identify the common equity of Bank ABC as being overvalued. The Fund's managers would borrow a quantity of Bank ABC common equity and sell it "short", while simultaneously buying a security that represents the index in which Bank ABC trades in. This strategy effectively eliminates market risk from the pair trade;
2. Syndication trading, whereby the Fund's managers invest in securities being offered in the market for the first time, while simultaneously selling the index "short". New issues are typically underpriced by a small amount in order to encourage investors to purchase the security. This strategy effectively eliminates market risk from the investment in the new issue;
3. Merger arbitrage, whereby the Fund's managers trade in the equity of an acquirer in a merger while simultaneously taking the opposite action with regards to the security's index. The actual trade will depend on the Fund's managers' view of whether the transaction is likely to be completed;
4. Statistical pair trading, whereby the Fund's managers identify securities that historically trade in tight correlation but that, for some reason, have become uncorrelated. The actual trading strategy will depend on the nature of the uncorrelation; and
5. Dividend capturing, whereby the Fund's managers purchase a security just prior to the ex-dividend date and sell the security just after the dividend is paid. This strategy locks in a dividend payment while limiting risk.