

PALOS

INVESTMENT AND FUND MANAGEMENT AGREEMENT

THIS AGREEMENT dated as of the 7th day of January, 2011.

BETWEEN: **PALOS EQUITY INCOME FUND**, a mutual fund trust formed under the laws of the Province of Québec (the “**Trust**”) acting through and represented by its trustee, **BNY TRUST COMPANY OF CANADA**, a company formed pursuant to the *Act respecting trust companies and savings companies* (Québec) on September 21, 2000, having its head office and principal place of business located at 320 Bay Street, 11th floor, Toronto, Ontario, M5H 4A6 (the “**Trustee**”);

AND: **PALOS MANAGEMENT INC.**, 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 “**Manager**”).

WHEREAS:

- A. The Trust is mutual fund trust created pursuant to a Trust Agreement made as of the 3rd day of January, 2008 by and between Charles Marleau, as settlor of the Trust, and Hubert Marleau, as the trustee;
- B. On the 24th day of November, 2010, having received unitholder approval, and in contemplation of filing materials with the provincial securities regulators in order to offer the Trust to the general public by way of prospectus, the Trustee and the Manager entered into an Amended and Restated Trust Agreement whereby the Trustee replaced Hubert Marleau as the trustee of the Trust, among other changes;
- C. The Trust Agreement was subsequently amended and restated on January 7, 2011 in order to appoint BNY Trust Company of Canada as the trustee (the “**Trustee**”) of the Trust.
- D. The Trustee on behalf of the Trust intends to distribute one or more series of units of the Trust, the first of which is described in Schedule “A” (collectively, the “**Series**”);
- E. The Manager’s business, among other things, is acting as portfolio manager and investment fund manager to investment funds; and
- F. The Trustee on behalf of the Trust wishes to (i) delegate, pursuant to section 9.01(f) of the Trust Agreement, the performance of the duties and powers vested in the Trustee under the Trust Agreement to the Manager as administrator of the Trust, and (ii) appoint the Manager to act as portfolio manager and investment fund manager of the Trust and to provide, or cause to be provided, to the Trust certain services and facilities described hereunder, and the Manager is willing to accept the foregoing delegation and appointment and to act as administrator, portfolio manager and investment fund manager of the Trust and to provide, or cause to be provided, such services and facilities in the manner hereinafter set forth.

PALOS

NOW THEREFORE, in consideration of the promises and the mutual covenants and agreements hereinafter contained, the sufficiency of which each party hereto affirms, it is agreed by and between the parties hereto as follows:

1. Definitions

In this Agreement, except where the context otherwise requires:

- a) **“Agreement”** means this Investment and Fund Management Agreement, as it may be amended in accordance with its terms from time to time;
- b) **“AIF”** means the annual information form of the Trust, dated January 7, 2011, as the same may be amended or replaced from time to time;
- c) **“Applicable Law”** means, unless the context otherwise dictates, any applicable statute of Canada or of a province or territory of Canada or any applicable regulations, orders, instruments, policies or other laws made under statutory authority by any governmental or regulatory body or agency having jurisdiction over each of the Funds, including any exemptions granted thereto;
- d) **“Business Day”** means a day on which the Toronto Stock Exchange is open for business;
- e) **“Disclosure Documents”** means the AIF and Prospectus and any amendments thereto;
- f) **“herein”, “hereof”, “hereby”, “hereunder”, “hereto”** and similar expressions refer to this Agreement, including schedules hereto, and include every instrument supplemental or ancillary to this Agreement and, except where the context otherwise requires, not to any particular article, section or subsection thereof;
- g) **“Independent Review Committee”** means Independent Review Committee as that term is defined in NI 81-107;
- h) **“Investment Guidelines”** means the investment objectives, investment restrictions and practices of the Trust as disclosed in the AIF, Prospectus, Trust Agreement, Applicable Law and the rules and policies of the applicable securities regulatory authorities, including NI 81-102, taking into account any exemptions granted by any regulatory authority;
- i) **“NI”** or **“National Instrument”** means a National Instrument made pursuant to applicable Canadian securities legislation, and shall include, and may be read interchangeably, with “Regulation” as that term is used pursuant to Québec securities legislation, such that a reference to a National Instrument herein shall be interpreted to mean a reference to the corresponding Regulation in Québec;
- j) **“person”** includes any individual, corporation, limited partnership, joint stock company or association, joint venture, trust, bank, trust company, land trust, investment trust, society or other entity, organization, syndicate whether incorporated or not, trustees, executors or other legal representatives, and governments, agencies and political subdivisions thereof;
- k) **“Prospectus”** means the simplified prospectus of the Trust, dated January 7, 2011, as the same may be amended or replaced from time to time;
- l) **“Unitholders”** means holders of the Units;
- m) **“Units”** means the various series of units of the Trust as the same may be authorized, issued and outstanding from time to time pursuant to the Trust Agreement;
- n) **“Trust Agreement”** means the trust agreement pursuant to which the Trust was created, as the same may be amended from time to time, including, for greater

PALOS

certainty, the Amended and Restated Trust Agreement dated as of January 7, 2011.

2. Number and Gender

Unless otherwise specified, words importing the singular include the plural and vice versa and words importing gender include all genders.

3. Statutory References

Each reference to an enactment is deemed to be a reference to that enactment, and to the regulations made under that enactment, as amended or re-enacted from time to time.

4. Business Day

If under this Agreement any payment or calculation is to be made, or any other action is to be taken, on or as of a day which is not a Business Day, that payment or calculation is to be made, and that other action is to be taken, as applicable, on or as of the next day that is a Business Day.

5. Incorporation by Reference of Other Documents

- a) The Manager acknowledges receipt of a copy of the current Trust Agreement and the Disclosure Documents of the Trust and that it is familiar with the provisions thereof. The Trustee shall promptly provide to the Manager a true copy of each amendment, codification or restatement which upon its execution forms a part of the Trust Agreement and which hereafter is executed from time to time, as well as a copy of each subsequent Prospectus or AIF or amendment thereto. The Trustee and the Manager shall each comply with and observe the provisions of this Agreement, the provisions of the Trust Agreement and of the Disclosure Documents and all Applicable Laws.
- b) The Trustee and the Manager shall ensure that the provisions of the Prospectus respecting the Investment Guidelines of the Trust or any matter relating to the Manager shall not be changed, except as required by regulatory authorities or Applicable Law, without the prior written notice to and written consent of the Manager, which shall not be unreasonably withheld and shall be deemed to be given within twenty (20) Business Days of receipt.
- c) The Trustee will notify the Manager in writing on a timely basis (and, in any event at least twenty (20) business days before the implementation date of the change) of any intention to change the Investment Guidelines to respond to a change in the requirements of regulatory authorities or Applicable Law.
- d) After notification of such changed Investment Guidelines, the Manager will make, as soon as reasonably practicable, such adjustments to the Trust's portfolio as may be necessary to comply with or facilitate the pursuit of such new Investment Guidelines, having regard to the need to ensure an orderly transition of the Trust's investments to such changed Investment Guidelines. The Manager will not be liable to the Trust, the Trustee or any other person for:
 - i. any failure to comply with any changes to the Investment Guidelines if prior notification thereof has not been provided to the Manager; and
 - ii. any failure to complete the orderly transition of the Trust's investments to comply with such changed Investment Guidelines by the time such

PALOS

changed Investment Guidelines come into effect, provided the Manager has complied with its standard of care in respect of the Trust.

- e) Should the Investment Guidelines, other than as a result of a change in Applicable Law, be changed without prior notice to, and the consent of, the Manager, the Manager shall not be obliged to comply with the changed provisions until notice of the change is provided and consent, if required, is obtained.
- f) Unless the change is required in order to comply with a change in Applicable Law, the Trustee shall not propose to or change the fundamental investment objective of the Trust without first obtaining the Manager's consent.

6. Appointment of the Manager

The Trustee hereby appoints the Manager as the administrator, portfolio manager and investment fund manager of the Trust with full authority and responsibility to provide, or cause to be provided, to the Trust the administrative, investment fund management and portfolio management services and facilities herein set forth and the Manager hereby accepts such appointment and agrees to act in such capacity and to provide or cause to be provided such administrative, investment fund management and portfolio management services and facilities upon the terms set forth in this Agreement. For greater certainty, the Trustee hereby grants to the Manager the exclusive authority to manage the operations and affairs of the Trust and to make all decisions regarding the business of the Trust, including the full power and authority to bind the Trust.

7. Investment Fund Management Services

The Manager agrees to perform, or cause to be performed, during the term of this Agreement and any renewal thereof the following administrative and investment fund management services:

- a) provide, or cause to be provided, to the Trust all administrative and other services and facilities required by the Trust in relation to its Unitholders, including the preparation for and holding of any meetings of Unitholders of the Trust, the determination of net income and net capital gains of the Units including temporary transfers from capital to income to facilitate distributions and other services for the provision of information to Unitholders and be responsible for all communications with Unitholders;
- b) comply with all Applicable Law in connection with the operation of the Trust and the issue of the Units;
- c) to provide, or cause to be provided to the Trust, adequate for carrying on the undertaking and business of the Trust in Canada, office accommodation, office facilities and personnel, telephone, telex and other communication services, stationery, office supplies, banking, custodian and bookkeeping and internal accounting and audit services including preparation of tax returns, legal services and other usual and ordinary office services;
- d) co-ordinate and supervise the services of any person engaged to provide services to or on behalf of the Trust;
- e) approve expenses of the Trust (and any series of Units thereof) and monitor and enforce agreements entered into on behalf of the Trust and enforce any rights of the Trust and defend any claims against the Trust on such terms and conditions as the Manager may in its sole discretion deem satisfactory;
- f) provide, or cause to be provided, services in respect of the Trust's daily operations, including the processing of subscriptions for Units and applications

PALOS

- for redemption of Units and the calculation and reporting to the Trust as often as maybe required by the Trustee of each series asset value of each of the Units;
- g) exercise and deliver on behalf of the Trust, any agreements, documents or other instruments related to the business of the Trust, including derivative contracts and confirmations;
 - h) execute the certificate of any Disclosure Document relating to an offering of Units of the Trust;
 - i) coordinate the preparation of accounting, management and other reports (including semi-annual and annual financial statements, tax reporting to Unitholders and income tax returns) and all matters relating to any auditor of the Trust;
 - j) monitor and advise the Trustee and the Independent Review Committee of the Fund of any “conflict of interest matters,” as such term is defined in National Instrument 81-107, and any successor regulation thereof; and
 - k) provide, or cause to be provided, to the Trust all other services necessary or desirable to conduct and operate the day-to-day business of the Trust in an efficient manner.

The Manager shall provide the Trustee with such information and periodic reports regarding the affairs of the Trust as may be necessary to enable the Trustee to determine whether the Manager or others are in compliance with their obligations hereunder, and access at any time to all books, records and other documents in the possession of the Manager pertaining to the Trust.

At the written request of the Trustee, the Manager shall furnish to the Trustee annually, within 120 days of the fiscal year end of the Trust, a certificate signed by the President and Chief Financial Officer of the Manager, or such other officers of the Manager as may be acceptable to the Trustee, certifying, in their capacity as officers of the Manager and not in their personal capacities, that the Manager is in compliance in all material respects with its covenants, duties and obligations under the Trust Agreement and this Agreement, or if such is not the case, specifying the covenants, duties or obligations which have not been complied with and giving particulars of such non-compliance.

8. Portfolio Management Services

The Manager agrees to perform, or cause to be performed, during the term of this Agreement and any renewal thereof the following portfolio management services:

- a) invest and reinvest the assets of the Trust with complete discretion, subject to the Investment Guidelines set out in the Prospectus, AIF and Trust Agreement;
- b) subject to as herein provided, execute all portfolio transactions for the Trust’s investment portfolio, including selection of market and broker or dealer, and where applicable, negotiate commissions, and in effecting portfolio transactions, seek to obtain overall services and prompt execution of orders on favourable terms;
- c) instruct the Trust’s custodian for the purposes of settling the purchases and sales of securities initiated by the Manager each Business Day;
- d) provide to the appropriate person information on all portfolio trades made that day, and assist in valuing securities held in the Trust, as necessary, in order that the value of the entire investment portfolio of the Trust can be calculated at the end of each Business Day;

PALOS

- e) inform the Trust's valuation agent promptly of such information which is reasonably requested and relevant to the valuation of the Trust and its Units;
- f) consider, from time to time, the appropriateness of the valuation policies adopted by the Trust and any appropriate modifications of such policies;
- g) provide advice and assistance in connection with the investment programs of the Trust and the determination of investment restrictions and/or policies of the Trust and statistical and research services relating to the portfolios of the Trust;
- h) cause all investment advisers appointed by it with respect to the portfolios of the Trust to comply with the Investment Guidelines and the investment restrictions and policies of the Trust as same exist from time to time;
- i) maintain a continuous investment program for the Trust, consistent with the Trust's fundamental investment objectives and strategies as set forth in the Trust Agreement, the Disclosure Documents and all applicable laws, regulations and other restrictions of regulatory authorities in Canada having jurisdiction over the Trust and its investments, as amended from time to time;
- j) provide periodic monitoring of the securities comprising the Trust's portfolio so as to ensure, among other things, that the securities held are accurately reflected and valued in the reports prepared from time to time;
- k) determine the manner in which voting rights, rights to consent to the Trust's action and any other rights pertaining to the Trust's securities shall be exercised and to so exercise on behalf of the Trust;
- l) to execute and deliver, or cause to be executed and delivered, proxies and vote, or cause to be voted, securities held as part of the assets of the Trust from time to time;
- m) enter into agreements and execute any documents required to make investments on behalf of the Trust;
- n) perform any and all other acts as may be in its judgment necessary or appropriate to the management of the investments of the Trust;
- o) in connection with its obligations hereunder, open, maintain, conduct and close such accounts with any broker, dealer or investment firm as may be necessary or appropriate for the performance of the services described herein;
- p) assist in the marketing of the Trust including, on a reasonable basis, making a person responsible for managing the portfolio of the Trust available for a "road show" for marketing purposes throughout Canada;
- q) perform or arrange for the performance of due diligence on potential investments with a view to, among other matters, determining, or relying on the tax opinions of advisors capable and qualified to provide said opinion, on the Canadian tax implications for the Trust of such investment and if necessary the tax implications in the jurisdiction in which the investment is located; and
- r) provide such other portfolio management and related services to the Trust as may be necessary or desirable for the day-to-day management of the Trust.

9. Delegation

In connection with the duties of the Manager herein specified, the Manager may, subject to any limitation on delegation imposed by law, engage or employ any persons as agents, representatives, employees or independent contractors, including, without limitation, lawyers, bankers, investment advisers, portfolio managers, notaries, underwriters, accountants, brokers or dealers in one or more capacities and any other advisers which the Manager deems advisable and may delegate any of the powers and duties of the Manager to any agents, representatives, officers, employees, independent contractors or other persons.

PALOS

10. Relationship with the Trust

- a) The Manager agrees to comply with the investment policies, practices and restrictions established pursuant to the Trust Agreement, the Disclosure Documents or the Applicable Law (including any exemptions therefrom) insofar as such relate to its position as Manager or its obligations hereunder. The Trustee hereby agrees to consult with the Manager prior to causing the Trust to change or proposing a change to any investment policies, practices or restrictions which may be changed by the Trustee or with the consent of the Unitholders of the Trust.
- b) The Trustee agrees to act in accordance with, and not to cause the Trust to take any action which differs from the statements contained in the most recent Disclosure Documents and any amendment thereto relating to the Units.

11. Undertaking of the Trust

The Trustee hereby agrees with the Manager that the Trust will not carry on any business other than the business of investing the consideration which the Trust receives for the Units issued.

12. Fees and Expenses

- a) In consideration of the services provided by the Manager pursuant to the terms of this Agreement, the Manager shall receive from the Trust management fees in Canadian currency at the rates set out in Schedule "A" accrued daily and payable monthly subject to paragraph (d) below, or unless otherwise waived by the Manager and the Manager shall receive from the Trust performance fees, if applicable, in Canadian currency at the rates set out in Schedule "A" accrued daily and payable quarterly.
- b) The Manager shall be paid on or before the fifth day of each calendar month in which such management and/or performance fees are payable in accordance with paragraph (a). All calculations made in accordance with this section 12 shall be based on financial statements (which may be unaudited except as specifically required herein) prepared on behalf of the Trust, consistent with generally accepted accounting principles, regardless of whether the Trust may also prepare statements on a different basis.
- c) Within 15 days after completion of the annual audit of the Trust's financial statements for each fiscal year, the amount of the management and performance fees in respect of the fiscal year reflected in such financial statements shall be recalculated and the Trust shall pay to the Manager the amount by which such fees were deficient or the Manager shall reimburse to the Trust the amount by which such fees were overpaid, as the case may be. Should the parties disagree upon the amount so recalculated, the recalculation shall be referred to the auditors of the Trust, whose determination shall, absent manifest error, be final and binding upon the parties.
- d) The Trust shall also pay for all fees and expenses relating to the operation of the Trust and the carrying on of its business including, without limitation, the following expenses incurred by or on behalf of the Trust:
 - i. commissions or service charges and brokerage fees on the purchase and sale of portfolio securities;
 - ii. taxes of all kinds to which the Trust is or might be subject;
 - iii. fees and expenses provided in the Trust Agreement;

PALOS

- iv. charges made for registry and transfer agency services, dividend and distribution crediting services and all services required in connection with the provision of information to shareholders;
- v. interest expenses;
- vi. audit and legal fees;
- vii. custodian and transfer agent fees;
- viii. costs of Disclosure Documents and reports to Unitholders;
- ix. administrative and shareholder accounting costs;
- x. costs attributable to the issue and redemption of Units;
- xi. costs of submitting annual and semi-annual financial reports to shareholders;
- xii. costs associated with producing the Disclosure Documents and other reports to investors; and
- xiii. amounts payable under derivative contracts.

13. Expenses of the Manager

Without regard to the amount of fees received or to be received from the Manager hereunder, the Manager shall bear all of its own expenses and all costs incurred by it in performing its obligations hereunder, including, without limitation, the following expenses:

- a) employment expenses of its personnel, including, without limitation, salaries, wages and the cost of employee benefit plans and temporary help expenses;
- b) rent, telephone, utilities, office furniture, equipment and machinery and other office expenses of the Manager;
- c) travel and other expenses of directors, officers and employees of the Manager;
- d) all fees payable to any portfolio advisor hired by the Manager; and
- e) miscellaneous administrative expenses relating to the performance by the Manager of its services hereunder.

14. Liability and Indemnification of the Manager

- a) The standard of care and duty of the Manager shall be that the Manager shall discharge and execute its duties honestly, in good faith and in the best interests of the Trust and its Unitholders, and in connection therewith shall exercise that degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Manager shall protect and indemnify the Trust and the Trustee from and against all losses, claims, costs, damages and liabilities caused by or arising, directly or indirectly, by reason of the failure of the Manager to comply with the standards provided in the preceding sentence.
- b) The Manager is entitled to be indemnified out of the assets of the Trust against all losses, claims, costs, damages and liabilities reasonably incurred by the Manager in respect of any civil, criminal or administrative action or proceeding to which it is made a party by reason of being or having been administrative and investment manager of the Trust, if
 - i. it complied with the standards provided for in subsection (a) above; and
 - ii. in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, it had reasonable grounds for believing that its conduct was lawful.

Any claim for indemnity by the Manager shall be limited to the assets attributable to the Trust.

PALOS

- c) The Manager, as investment fund manager and portfolio manager of the Trust, shall not be responsible for the acts or omissions of third party service providers acting at arm's length from the Manager.
- d) The services of the Manager hereunder are to be provided on a non-exclusive basis, such that the Manager shall be entitled to provide similar or other services for persons other than the Trust.

15. Term

This Agreement shall continue in full force and effect until terminated in accordance with the provisions hereof.

16. Termination

- a) This Agreement may be terminated at any time at the request of one party to the other(s) upon 180 days' prior written notice to the other party (parties) (or such lesser amount of time as is acceptable to the other party (parties)).
- b) This Agreement may be immediately terminated by any party by notice in writing to the other(s) if:
 - i. the other party (parties) shall cease to carry on business, become bankrupt or insolvent, resolve to wind up or liquidate or if a receiver of any of the assets of the other party (parties) is appointed;
 - ii. the other party (parties) shall commit any material breach of the provisions hereof, or any relevant law, and shall not have remedied such breach within 30 days after written notice requiring same to be remedied;
 - iii. the assets of the other party (parties) have (has) become subject to seizure or confiscation by any public or governmental organization;
 - iv. the other party (parties) has (have) lost any registration, license or other authorization required by it to perform the services described herein; or
 - v. the Trust Agreement and each Fund are terminated.

17. Acts Upon Termination

From and after the effective date of termination of this Agreement, the Manager shall not be entitled to compensation for further services to the Trust but shall be paid all compensation accruing to the effective date of termination. The Manager shall and is hereby authorized and directed to, forthwith upon termination:

- a) pay over to the Trust any monies collected and held for the account of the Trust after deducting any accrued compensation to which the Manager is then entitled;
- b) deliver to the Trust a full accounting, including a statement showing all payments collected by the Manager and a statement of all monies held by the Manager covering the period following the date of the last accounting furnished to the Manager; and
- c) deliver to and where applicable transfer into the name of the Trust, or as the Trustee may direct in writing on behalf of the Trust, all property and documents of the Trust which may then be in the custody of the Manager.

PALOS

18. Amendments to this Agreement

This Agreement shall not be amended or modified in whole or in part except by instrument in writing executed by the parties hereto or otherwise as specifically provided herein and after any required regulatory or shareholder approval is obtained and amendments to the Disclosure Documents shall have been made to disclose the nature of such amendment, change or modification if required by applicable securities legislation.

19. Notices

- a) Any notice or other communication required to be given hereunder shall be in writing and shall be properly given if delivered personally, addressed to the Trustee on behalf of the Trust or the Manager, as the case may be, as follows:

Manager:

Palos Management Inc.
1 Place Ville Marie
Suite 1812
Montréal, Québec
Attention: Charles Marleau, President
Facsimile: (514) 397-0199

Trustee:

BNY Trust Company of Canada
320 Bay Street,
PO1, 11th floor
Toronto, Ontario
Attention: Ms. Moran Chiu, Relationship Manager
Facsimile: (416) 360-1711

- b) Any party hereto may change its address for service from time to time by notice given to the other party hereto in accordance with the foregoing.

20. Governing Law

This Agreement shall be subject to and construed in accordance with the laws of the Province of Québec and each of the Trustee on behalf of the Trust and the Manager hereby irrevocably attorns to the jurisdiction of the courts thereof.

21. Assignment

This Agreement shall not be assignable by either party hereto, without the express prior written consent of the other party hereto. Notwithstanding the foregoing, the Manager may assign this Agreement to an affiliate of the Manager, provided that, if requested to duly provide the services hereunder, such affiliate is duly registered under applicable securities legislation.

PALOS

22. Severability

In the event that any provision hereof is determined to be, for any reason, void or unenforceable, such void or unenforceable provision shall automatically be severed from the remaining provisions of this Agreement and such remaining provisions shall continue, in full force and effect, notwithstanding the severing of such void or unenforceable provision.

23. Waivers

No waiver of any provision of this Agreement is binding unless it is in writing and signed by all the parties to this Agreement entitled to grant the waiver. No failure to exercise, and no delay in exercising, any right or remedy, under this Agreement will be deemed to be a waiver of that right or remedy. No waiver of any breach of any provision of this Agreement will be deemed to be a waiver of any subsequent breach of that provision.

24. Further Assurances

Each party shall from time to time promptly execute and deliver all further documents and take all further action reasonably necessary to give effect to the provisions and intent of this Agreement.

25. Counterparts

This Agreement may be executed in any number of counterparts all of which taken together shall constitute this Agreement.

26. Entire Agreement

This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral. There are no conditions, covenants, agreements, representations, warranties or other provisions, express or implied, collateral, statutory or otherwise, relating to the subject matter hereof except as herein provided.

27. Language

The Parties have requested that this Agreement be drawn up in the English language only. Les Parties ont exigé que cet accord soit rédigé en anglais.

[This page left blank. Next page is signature page]

PALOS

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first abovewritten.

**BNY TRUST COMPANY OF CANADA AS TRUSTEE
OF PALOS EQUITY INCOME FUND**

PER: (signed) Moran Chiu

PALOS MANAGEMENT INC.

PER: (signed) Charles Marleau
Charles Marleau, President and Director

PALOS

SCHEDULE “A”

LISTING OF UNITS AND FEES

Series “A” Units of Palos Equity Income Fund (the “Trust”)

1. Management fees at the rate of 1.5% calculated and accrued daily and paid monthly on Series A Units.
2. Performance fee equal to 20% of the amount by which the Trust outperforms the S&P/TSX Composite Index (the “**Benchmark**”) shall be paid to the Manager (the “**Performance Fee**”).
3. The Performance Fee shall be calculated and accrued monthly and payable quarterly.
4. The term:
 - a) “**Measurement Period**” means the period that begins immediately after the:
 - i. Inception Date of the Fund, or the
 - ii. last period for which the Performance Fee was paid;whichever is later;
 - b) “**Inception Date**” means the Business Day on which the Autorité des marchés financiers first issued the final receipt for the Trust’s simplified prospectus;
 - c) “**Performance**” means the cumulative total return of the Trust for the Measurement Period; and
 - d) “**Deficiency Period**” means, any period during a Measurement Period where Performance is less than the Benchmark.
5. The Performance Fee in any given Measurement Period shall be calculated by subtracting the Benchmark’s return from the Performance Fee, and if the result is a positive number, multiplying it by 20%, and then multiplying that result by the market value of the assets held in the Trust.
6. No calculation or accrual of Performance Fees shall occur during a Deficiency Period.
7. Performance Fees will be calculated and accrued on any Business Day that is not in a Deficiency Period and payable by the Trust quarterly in arrears.