

## INVESTMENT AND FUND MANAGEMENT AGREEMENT

**THIS AGREEMENT** dated as of the 15<sup>th</sup> day of July, 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, **COMPUTERSHARE TRUST COMPANY OF CANADA**, a trust company existing under the laws of Canada and authorized to carry on business in all provinces of Canada (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 Fund is mutual fund trust created pursuant to a Trust Agreement made as of the 3<sup>rd</sup> day of January, 2008 by and between Charles Marleau, as settlor of the Fund, and Hubert Marleau, as the trustee;
- B. On the 24<sup>th</sup> day of November, 2010, having received unitholder approval, and in contemplation of filing materials with the provincial securities regulators in order to offer the Fund 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 Fund, 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 Fund.
- D. The Trustee on behalf of the Fund intends to distribute one or more series of units of the Fund, 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 Fund 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 Fund, and (ii) appoint the Manager to act as portfolio manager and investment fund manager of the Fund and to provide, or cause to be provided, to the Fund 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 Fund and to provide, or cause to be provided, such services and facilities in the manner hereinafter set forth.

**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 Fund, 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 Fund 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) “**Manager**” means Palos Management Inc., its successors and permitted assignees;
- j) “**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;
- k) “**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;
- l) “**Prospectus**” means the simplified prospectus of the Fund, dated January 7, 2011, as the same may be amended or replaced from time to time;
- m) “**Unitholders**” means holders of the Units;
- n) “**Units**” means the various series of units of the Fund as the same may be authorized, issued and outstanding from time to time pursuant to the Trust Agreement;
- o) “**Trust Agreement**” means the trust agreement pursuant to which the Fund was created, as the same may be amended from time to time, including, for greater certainty, the Amended and Restated Trust Agreement dated as of January 7, 2011.

## **2. Effective Date**

This Agreement is effective as of September 1, 2011.

## **3. Number and Gender**

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

## **4. 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.

## **5. 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.

## **6. 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 Fund 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. The Manager shall 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 Manager shall ensure that the provisions of the Prospectus respecting the Investment Guidelines of the Fund 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. As soon as practicable, the Manager will forward a copy of such notice and consent to the Trustee.
- c) The Manager will notify the Trustee 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 Fund'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 Fund's investments to such changed Investment Guidelines.

## **7. Appointment of the Manager**

The Trustee hereby appoints the Manager as the administrator, portfolio manager and investment fund manager of the Fund (and of such other Funds that may from time to time be established or become governed hereafter by the Trust Agreement and as are hereafter agreed by the Trustee and the Manager to be Funds for purpose of this Agreement) with full authority and responsibility to provide, or cause to be provided, to the Fund the administrative, investment fund management and portfolio management services and facilities herein set forth and the Manager hereby accepts such appointment and delegation of authority and responsibility 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 Fund and to make all decisions regarding the business of the Fund, including the full power and authority to bind the Fund.

### **6.1 Execution of Documents**

Any director or officer of the Manager shall have authority to sign on behalf of a Fund all documents including, but not limited to, any certificate attached to a Disclosure Document, unaudited semi-annual financial statements, audited annual financial statements, and such documents shall be signed in accordance with the authorized signatories list of the Manager and any documents so signed shall be binding upon the Fund without any further authorization or formality.

## **8. 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 Fund all administrative and other services and facilities required by the Fund in relation to its Unitholders, including the all activities related to the preparation for and holding of any meetings of Unitholders of the Fund, the determination of the Fund Net Asset Value, the Series Net Asset Value, the Fund Property, 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 Fund and the issue of the Units;
- c) comply with the law of 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;
- d) to provide, or cause to be provided to the Fund, adequate for carrying on the undertaking and business of the Fund 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;
- e) to provide, or cause to be provided the monitoring of the limitation on Non-Resident Ownership as requested in the Trust Agreement.
- f) co-ordinate and supervise the services of any person engaged to provide services to or on behalf of the Fund;

- g) approve expenses of the Fund (and any series of Units thereof) and monitor and enforce agreements entered into on behalf of the Fund and enforce any rights of the Fund and defend any claims against the Fund on such terms and conditions as the Manager may in its sole discretion deem satisfactory; The Manger will, as soon as practicable, advise the Trustee of any claim or conflict that may arise out of the performance of its duties;
- h) provide, or cause to be provided, services in respect of the Fund's daily operations, including all activities related to the processing of subscriptions for Units, applications for redemption of Units, adjustments, payments to Unitholders, and the calculation and reporting to the Fund as often as maybe required by the Trustee of each series asset value of each of the Units;
- i) provide, or cause to be provided, services in respect of the Redesignation, Subdivision or Consolidation of the Units.
- j) exercise and deliver on behalf of the Fund, any agreements, documents or other instruments related to the business of the Fund, including derivative contracts and confirmations;
- k) execute the certificate of any Disclosure Document relating to an offering of Units of the Fund;
- l) 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 Fund; The Manager shall cause the auditor to provide a copy of the audited financial statements of the Fund as soon as is practicable.
- m) maintain a register for the registration of each Series of Units and shall provide for the transfer and the registration of transfers of Units in one or more places in Canada.
- n) maintain at all times complete and accurate books of account and records relating to services performed hereunder, which books of account and records shall be accessible for inspection by the Trustee, or by its representatives at any time during ordinary business hours. In addition, the Manager shall provide the Trustee, or its representatives with such additional information as the Trustee, or its representatives may reasonably request from time to time including any information contained in the registers and ledgers kept by the Manager.
- o) 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
- p) provide, or cause to be provided, to the Fund all other services necessary or desirable to conduct and operate the day-to-day business of the Fund in an efficient manner.

The Manager shall provide the Trustee with such information and periodic reports regarding the affairs of the Fund 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 Fund.

The Manager shall furnish to the Trustee annually, within 120 days of the fiscal year end of the Fund, 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. The Manager will also furnish a certificate of authorized officers annually, within 120 days of the fiscal year end, or at any time there is a change to such document.

## **9. 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 Fund 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 Fund'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 favorable terms;
- c) instruct the Fund'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 Fund, as necessary, in order that the value of the entire investment portfolio of the Fund can be calculated at the end of each Business Day;
- e) inform the Fund's valuation agent promptly of such information which is reasonably requested and relevant to the valuation of the Fund and its Units;
- f) consider, from time to time, the appropriateness of the valuation policies adopted by the Fund and any appropriate modifications of such policies;
- g) provide advice and assistance in connection with the investment programs of the Fund and the determination of investment restrictions and/or policies of the Fund and statistical and research services relating to the portfolios of the Fund;
- h) cause all investment advisers appointed by it with respect to the portfolios of the Fund to comply with the Investment Guidelines and the investment restrictions and policies of the Fund as same exist from time to time;
- i) maintain a continuous investment program for the Fund, consistent with the Fund'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 Fund and its investments, as amended from time to time;
- j) provide periodic monitoring of the securities comprising the Fund'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 Fund's action and any other rights pertaining to the Fund's securities shall be exercised and to so exercise on behalf of the Fund;
- 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 Fund from time to time;
- m) enter into agreements and execute any documents required to make investments on behalf of the Fund;
- n) perform any and all other acts as may be in its judgment necessary or appropriate to the management of the investments of the Fund;

- 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 Fund including, on a reasonable basis, making a person responsible for managing the portfolio of the Fund 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 Fund 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 Fund as may be necessary or desirable for the day-to-day management of the Trust.

Except as provided in the Trust Agreement, the Manager has the sole responsibility to ensure that the administration and operation of the Funds comply with Applicable Laws.

## **10. 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. The Manager shall comply, and shall cause any agents engaged by it as permitted by this Agreement to comply, as applicable, with the Trust Agreement, investment objectives, policies, restrictions and practices established by such documents, with Applicable Laws and with all other requirements insofar as they relate to the Manager's duties and obligations as a manager hereunder.

## **11. Relationship with the Fund**

- a) The Manager agrees to comply and shall cause any agents engage or employ by it as permitted by this agreement 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 Manager shall have the discretion and authority to appoint, change and generally deal with the Funds investment advisers and portfolio managers.

The Manager agrees to act in accordance with, and not to cause the Fund to take any action which differs from the statements contained in the most recent Disclosure Documents and any amendment thereto relating to the Fund.

## **12. Undertaking of the Fund**

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

## **13. 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 Fund 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 Fund 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 13 shall be based on financial statements (which may be unaudited except as specifically required herein) prepared on behalf of the Fund, consistent with generally accepted accounting principles, regardless of whether the Fund may also prepare statements on a different basis.
- c) Within 15 days after completion of the annual audit of the Fund’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 Fund shall pay, out of the Fund Property, to the Manager the amount by which such fees were deficient or the Manager shall reimburse to the Fund 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 Fund, whose determination shall, absent manifest error, be final and binding upon the parties.
- d) The Fund shall also pay, out of the Fund Property, for all fees and expenses relating to the operation of the Fund and the carrying on of its business including, without limitation, the following expenses incurred by or on behalf of the Fund:
  - i. commissions or service charges and brokerage fees on the purchase and sale of portfolio securities;
  - ii. taxes of all kinds to which the Fund is or might be subject;
  - iii. fees and expenses provided in the Trust Agreement;
  - 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 Unitholders;
  - 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 Unitholders accounting costs;
  - x. costs attributable to the issue and redemption of Units;
  - xi. costs of submitting annual and semi-annual financial reports to Unitholders;
  - xii. costs associated with producing the Disclosure Documents and other reports to investors; and
  - xiii. amounts payable under derivative contracts.

#### **14. 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.

**15. 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 Fund 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 Fund 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 Fund against all losses, claims, costs, damages and liabilities reasonably incurred by the Manager in respect of any civil, penal 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 Fund, if
  - i. it complied with the standards provided for in subsection (a) above; and
  - ii. in the case of a penal 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 Fund.
- c) 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 Fund.

**16. Term**

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

**17. Termination**

- a) Except as set out herein, this Agreement may be terminated at any time at the request of one party to the other(s) upon 60 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 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.
- c) This agreement may be terminated by the Trustee upon 10 days' prior written notice if the Manager is in non-compliance with any provision of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations, SOR/2002-184*, (*Proceeds of Crime (Money Laundering) and Terrorist Financing Act*) as that may be amended from time to time, or any other applicable anti-money laundering or anti-terrorist legislation, including any regulation made thereto, and the Manager's non-compliance is not rectified to the Trustee's satisfaction within such 10 day period

## **18. 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 Fund 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 Fund any monies collected and held for the account of the Fund after deducting any accrued compensation to which the Manager is then entitled;
- b) deliver to the Fund 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 Fund, or as the Trustee may direct in writing on behalf of the Fund, all property and documents of the Fund which may then be in the custody of the Manager.

## **19. 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 Unitholders 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.

## **20. 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 Fund or the Manager, as the case may be, as follows:

Manager:

**Palos Management Inc.**

1 Place Ville Marie  
Suite 1812  
Montréal, Québec

Attn: Charles Marleau, President  
Facsimile: (514) 397-0199

Trustee:

**Computershare Trust Company of Canada**

1500 University  
7<sup>th</sup> Floor  
Montreal, Qc., H3A 3S8

Facsimile: 514-982-7677  
Attn: General Manager, Corporate Trust

- 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.

**21. 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 Fund and the Manager hereby irrevocably attorns to the jurisdiction of the courts thereof.

**22. 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.

**23. 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.

**24. 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.

**25. 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.

**26. Counterparts**

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

**27. 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.

**28. 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]*

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

**COMPUTERSHARE TRUST COMPANY OF CANADA**

PER: (signed) Sophie Brault

PER: (signed) Ekaterini Galouzis

**PALOS MANAGEMENT INC.**

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

## SCHEDULE "A"

### LISTING OF UNITS AND FEES

#### Series "A" Units of Palos Equity Income Fund (the "Fund")

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 Fund 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 Fund's simplified prospectus;
  - c) "**Performance**" means the cumulative total return of the Fund 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 Fund.
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 Fund quarterly in arrears.