

PALOS

Subscription Agreement

by PALOS MANAGEMENT INC.

Fund:

Account No: _____

CONFIDENTIAL

Palos Management Inc.
1 Place Ville Marie, Suite 1812
Montreal (QC) H3B 4A9 Canada
Telephone 514.397.0188
Facsimile 514.397.0199

To find out more please visit our website at:
www.palosmanagement.com

Subscription and Power of Attorney Agreement

1 INSTRUCTIONS FOR PURCHASERS

The Purchaser must:

1. Read this "Subscription Agreement";
2. Complete and sign the "Subscription Agreement" and "Power of Attorney Agreement" on page 2, 3 and 4;
3. If not an existing holder of Units complete the "New Subscriber Information Form" on page 5;
4. Read, complete and sign the "Subscriber Certificate" on page 6, 7 and 8;
5. Complete page 9 for tax purposes;
6. Make payment for the Units;
7. Read, complete and sign the "Investment Management Agreement" on page 10; and
8. Deliver all signed documents.

2 INVESTMENT DETAILS

(Select one fund only)

- PAL100 PALOS INCOME FUND, L.P. / FONDS DE REVENU PALOS, S.E.C.
- PAL101 PALOS EQUITY INCOME FUND / FONDS DE REVENU ACTIONS PALOS
- PAL201 PALOS RENDEZ-VOUS FUND / FONDS RENDEZ-VOUS PALOS
- PAL500 PALOS CAPITAL POOL LP / CAPITAL POOL PALOS, S.E.C.
- PAL600 PALOS MAJESTIC COMMODITY FUND, L.P / FONDS DE COMMODITÉS PALOS MAJESTIC, S.E.C.
- PAL900 PALOS CREDIT FUND, L.P. / FONDS D' ACTIONS CREDIT PALOS, S.E.C.

(The indicated fund, hereinafter, the "Fund")

3 SUBSCRIPTION AND POWER OF ATTORNEY AGREEMENT

The undersigned (referred to herein as the "Purchaser"), hereby irrevocably agrees to contribute the sum set out below to subscribe for trust units of PAL101, PAL201 or PAL301, or limited partnership units of PAL100, PAL200, PAL600 or PAL700, (in each case, the "Units" and each individually, a "Unit") of the Fund at a purchase price per Unit equal to the net asset value per Unit immediately prior to the time that the Units are issued by the Fund to the Purchaser. This subscription plus a completed and executed Subscriber Certificate, attached as Schedule "A", the terms and conditions (including a power of attorney), attached as Schedule "B" (the "Terms and Conditions"), and the schedules attached hereto and thereto, are collectively referred to as the "Subscription Agreement". The Purchaser agrees to be bound by the Terms and Conditions and agrees that the Fund may rely upon the covenants, representations and warranties contained in the Subscription Agreement.

The Purchaser agrees to be bound by the Terms and Conditions and agrees that the Fund may rely upon the covenants, representations and warranties contained in the Subscription Agreement. The Purchaser hereby agrees that by signing this Subscription Agreement, he or she or it will be agreeing to be, and upon acceptance of this Subscription Agreement, shall be bound as a beneficiary Unitholder or as a Limited Partner, as the case may be, to the terms and conditions applicable to the holders of Units set forth in the applicable Trust Agreement or Partnership Agreement of the Fund, which is incorporated by reference into this Subscription Agreement, and agrees to perform all obligations therein imposed upon Unitholders or Limited Partners, as the case may be. **Purchasers should review the instructions for completing this Subscription Agreement above.**

Subscription Amount

FOR OFFICE USE ONLY	
Purchase Price per Unit	Total Number of Units
\$ _____ / Unit	_____ Units

Subscription and Power of Attorney Agreement (Continued)

4 NAME AND ADDRESS OF PURCHASER

Name of Purchaser (Please Print)					
By:					
X _____ Authorized Signature					
Official Capacity or Title (please print)					
Please print of signatory if different from the name of the Purchaser printed above.					
Purchaser's Address					
Number	Street		City	Prov./Ter.	Postal Code
Home Phone	Business Phone	Fax Number	E-mail Address		
Signature					
X _____ Please print of signatory if different from the name of the Purchaser printed above.					
Date (MM/DD/YYYY)					

5 Additional Purchaser Information (optional)

IMPORTANT: IF THE PURCHASER IS NOT AN INDIVIDUAL, PROVIDE NAMES AND TITLES OF ALL INDIVIDUALS WHO HAVE AUTHORITY TO GIVE INSTRUCTIONS ON BEHALF OF THE PURCHASER. (Attach additional pages if required):

6 TREATMENT OF DIVIDENDS

Please select how dividends payable with respect to the Units of the Purchaser shall be treated :

- Paid out in cash
- Reinvested into Units

Note: If no selection is made, dividends will automatically be reinvested Into Units.

Subscription and Power of Attorney Agreement (Continued)

FOR OFFICE USE ONLY

ACCEPTANCE OF SUBSCRIPTION TO BE COMPLETED BY THE FUND ONLY

Hubert Marleau as trustee of PAL101, PAL201 and PAL301, or Palos Management inc. as the general partner of PAL100, PAL200, PAL600 and PAL700, for and on behalf of the Fund, hereby accepts the above subscription for the number of Units set out on the preceding page, on the Terms and Conditions of this Subscription Agreement.

DATED this _____ day of _____, 20_____.

- PAL100 PALOS INCOME FUND, L.P. / FONDS DE REVENU PALOS, S.E.C.
- PAL101 PALOS EQUITY INCOME FUND / FONDS DE REVENU ACTIONS PALOS
- PAL201 PALOS RENDEZ-VOUS FUND / FONDS RENDEZ-VOUS PALOS
- PAL500 PALOS CAPITAL POOL LP / CAPITAL POOL PALOS, S.E.C.
- PAL600 PALOS MAJESTIC COMMODITY FUND, L.P / FONDS DE COMMODITÉS PALOS MAJESTIC, S.E.C.
- PAL900 PALOS CREDIT FUND, L.P. / FONDS D' ACTIONS CREDIT PALOS, S.E.C.

By: _____
Authorized Signing Officer

New Subscriber Information Form

1 INDIVIDUAL OR COMPANY

Name of Purchaser (Please Print)					
Address					
Number	Street	City	Prov./Ter.	Postal Code	
Home Phone	Business Phone	Fax Number	E-mail Address		
Social Insurance Number (SIN)	OR	Federal Business Number	Provincial Number		

2 SUBSCRIBER'S EMPLOYER (If subscriber is an individual)

Name	Type of Business
Address	Subscriber's Occupation

3 FAMILY INFORMATION (If subscriber is an individual)

Spouse's Name	Spouse's Occupation	Number of Dependents
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4 TRADING INFORMATION

Will any person or persons: (a) Have any trading authorization in this account? Yes No
 (If Yes provide particulars, including name and title) _____

(b) Have a financial interest in this account? Yes No
 (If Yes provide particulars) _____

5 INVESTOR PROFILE

Investment Knowledge:	Risk Tolerance:	Investment Objectives:	Growth:	Individual Income:	Household Net Worth:
<input type="checkbox"/> Extensive	<input type="checkbox"/> Low	<input type="checkbox"/> Income	<input type="checkbox"/> Short Term	<input type="checkbox"/> Under CA \$200,000	<input type="checkbox"/> Under CA \$5,000,000
<input type="checkbox"/> Moderate	<input type="checkbox"/> Medium	<input type="checkbox"/> Balanced	<input type="checkbox"/> Long Term	<input type="checkbox"/> Over CA \$200,000	<input type="checkbox"/> Over CA \$5,000,000
<input type="checkbox"/> None	<input type="checkbox"/> High	<input type="checkbox"/> Other			

6 BANKING INFORMATION

Branch Name	Transit Number
Branch Address	Account Number

7 SUBSCRIBER INFORMATION

Citizenship	Date (MM/DD/YYYY)
Passport Number	Subscriber Signature

Subscriber Certificate

1 INVESTMENT DETAILS

- PAL100 PALOS INCOME FUND, L.P. / FONDS DE REVENU PALOS, S.E.C.
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(The indicated fund, hereinafter, the “Fund”)

1 PLEASE CHECK ALL CATEGORY(IES) APPLICABLE TO THE PURCHASER

Reference is made to the subscription agreement executed by the undersigned (referred to herein as the “Purchaser”) dated as of the date hereof (the “Subscription Agreement”). Upon execution of this Subscriber Certificate by the Purchaser, this Subscriber Certificate shall be incorporated into and form a part of the Subscription Agreement. Terms not otherwise defined herein have the meanings attributed to them in the Subscription Agreement and in National Instrument 45-106 - *Prospectus and Registration Exemptions* (and in Québec, *Regulation 45-106 respecting prospectus and registration exemptions* (Québec)) (in each case, “NI 45 106”). All monetary references are in Canadian dollars.

In connection with the purchase of the Units by the Purchaser, the Purchaser represents, warrants and covenants and certifies to the Fund and acknowledges that the Fund is relying thereon that:

- A. the Purchaser is purchasing the Units as principal; and
- B. the Purchaser is an “Accredited Investor” as such term is defined in NI 45 106, and as at the Closing Date, the Purchaser falls within the following category(ies) (Please check all category(ies) applicable to the Purchaser):
 - (a) a Canadian financial institution, or a Schedule III bank;
 - (b) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada);
 - (c) a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary;
 - (d) a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer, other than a person registered solely as a limited market dealer under one or both of the Securities Act (Ontario) or the Securities Act (Newfoundland and Labrador);
 - (e) an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (d);
 - (f) the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the Government of Canada or a jurisdiction of Canada;
 - (g) a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l’île de Montréal or an intermunicipal management board in Québec;
 - (h) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government;

Subscriber Certificate (Continued)

- (i) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada;
- (j) an individual who, either alone or with a spouse, beneficially owns, directly or indirectly, financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds \$1,000,000;
- (k) an individual whose net income before taxes exceeded \$200,000 in each of the two most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of the two most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year;
- (m) an individual who, either alone or with a spouse, has net assets of at least \$5,000,000;
- (n) a person, other than an individual or investment fund, that has net assets of at least \$5,000,000 as shown on its most recently prepared financial statements, and such person has not been created or used solely to purchase or hold securities as an accredited investor;
- (o) an investment fund that distributes or has distributed its securities only to:
 - i. a person that is or was an Accredited Investor at the time of the distribution,
 - ii. a person that acquires or acquired securities in the circumstances referred to in sections 2.10 of NI 45 106 [Minimum amount investment] or 2.19 of NI 45 106 [Additional investment in investment funds], or
 - iii. a person described in subparagraphs (i) or (ii) that acquires or acquired securities under section 2.18 of NI 45 106 [Investment fund reinvestment];
- (p) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Québec, the securities regulatory authority, has issued a receipt;
- (q) a trust company or trust corporation registered or authorized to carry on business under the Trust and Loan Companies Act (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be;
- (r) a person acting on behalf of a fully managed account managed by that person, if that person:
 - i. is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction, and
 - ii. in Ontario, is purchasing a security that is not a security of an investment fund;
- (s) a registered charity under the Income Tax Act (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded;
- (t) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (d) or paragraph (i) in form and function;
- (u) a person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons that are Accredited Investors;
- (v) an investment fund that is advised by a person registered as, an adviser or, a person that is exempt from registration as an adviser;
or
- (w) a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Québec, the regulator as:
 - i. an Accredited Investor, or
 - ii. an exempt purchaser in Alberta or British Columbia.

Subscriber Certificate (Continued)

Dated: _____, 20 _____

 Name of Purchaser

By: _____
 Signature

 Print name of Signatory (if different from Purchaser)

 Title

¹ Terms used herein which are defined in National Instrument 14-101 - **Definitions** ("**NI 14-101**") as adopted by the securities regulatory authority in the jurisdiction of the Purchaser have the meaning given to them in NI 14-101 and terms used herein which are defined in the securities legislation of the jurisdiction of the Purchaser have the meaning given to them in that legislation. Reference should be made to NI 45_106 itself for its complete text, including other definitions, and to the Companion Policy to NI 45-106 for matters of interpretation and application.

² For purposes of this certificate, (i) "financial assets" means cash, securities, or a contract of insurance, a deposit or evidence thereof that is not a security for the purposes of securities legislation, and (ii) "related liabilities" means liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets or liabilities that are secured by financial assets.

³ For purposes of this certificate, the term "spouse" means an individual who (i) is married to another individual and is not living separate and apart within the meaning of the **Divorce Act** (Canada) from the other individual, (ii) is living with another individual in a marriage-like relationship, including a marriage-like relationship between individuals of the same gender, or (iii) in Alberta, is an individual referred to in paragraph (i) or (ii) above, or is an adult interdependent partner within the meaning of the **Adult Interdependent Relationships Act** (Alberta).

⁴ A "fully managed account" means an account of a client for which a person makes the investment decisions if that person has full discretion to trade in securities for the account without requiring the client's express consent to a transaction.

⁵ For the purposes of this certificate, an "eligibility adviser" means (a) an investment dealer or equivalent category of registration, registered under the securities legislation of the jurisdiction of the Purchaser and authorized to give advice with respect to the purchased securities; and (b) in Saskatchewan or Manitoba, also means a lawyer who is a practising member in good standing with a law society of a jurisdiction of Canada or a public accountant who is a member in good standing of an institute or association of chartered accountants, certified general accountants or management accountants in a jurisdiction of Canada, provided that the lawyer or public accountant (a) must not have a professional, business or personal relationship with the Fund, or any of its directors, executive officers, founders or control persons, and (b) has not acted for or been retained personally or otherwise as an employee, executive officer, director, associate or partner of a person or company that has acted for or been retained by the Fund or any of its directors, executive officers, founders or control persons within the previous 12 months.

Tax Identifiers

Palos Management Inc. requires complete Federal and/or Provincial disclosure of tax identifiers in order to open up your account.

Individual	OR	Company
Social Insurance Number (SIN)		Federal Business Number
		Provincial Number

Please note that Fiducie, Bare Trust, Limited Partnership, etc. must be disclosed above.

Regards,

Robert Sands
VP Compliance

TEL 514.397.0188 Ext. 880
FAX 514.397.0199
E-mail rsands@paloscapital.com

Corporate Resolution

RESOLUTION OF: _____
 (Name of Limited Company)

EXTRACT from the minutes of meeting of the Board of Directors or Sole Director of

 (Name of Limited Company)

Incorporated according to the laws of _____
 held at _____ on _____
 upon motion duly made and seconded, it was resolved that:

1 Officer(s)		
Title	Print name	Signature
Title	Print name	Signature
Title	Print name	Signature

AND/OR

Is/are hereby authorized to sell, assign, and transfer securities in the name of :

It was also resolved that any and all such assignments of securities by the above-named Officers, whether made in the past or in the future, are hereby ratified and confirmed.

DATED at _____ on _____

I, _____, certify that the above extract is a true copy of a resolution passed by the Board of Directors, and the above resolution has not been revoked. If I am also-named Officer, I hereby certify that I am the sole authorized representative and Director of this corporation.

 Print Name of Authorizing Corporate Representative

 Signature

 Date



Investment Management Agreement

TO: **PALOS MANAGEMENT INC.**
1812-1 Place Ville Marie
Montréal, Québec
Canada, H3B 4A9

FOR OFFICE USE ONLY

Name
Account Number

Dear Sirs:

The undersigned hereby authorizes Palos Management Inc. (Palos) to operate an investment management account (the "Account") on behalf of the undersigned on the following terms and conditions.

- a) Palos shall maintain and operate the Account in the name of the undersigned and Palos is hereby authorized and requested to take such action from time to time in connection with the Account as Palos in its sole discretion, may consider necessary or desirable for its proper operation and administration, including without limitations, the power:
 - i. to buy, sell, exchange and otherwise deal in all securities which may at any time form part of the Account including the power to vote generally and to consent to any reorganizations or similar transactions;
 - ii. to hold any part of the invested funds in cash or other term accounts if deemed advisable;
 - iii. to utilize any margin facilities established by the Account with Palos or to enter into the standard margin agreement of Palos with the Account; and
 - iv. to trade in options and for that purpose to operate under any option trading agreement entered into by the Account with Palos;
- b) The undersigned shall advise Palos:
 - i. of any legal or contractual restrictions on the ability of the undersigned to trade in any specific security or securities generally, including securities deposited in the portfolio by the undersigned for management in the Account; and
 - ii. of any issuer of which the undersigned is an insider, unless the investment objectives preclude transactions in the securities of the issuer.
- c) All Account transactions shall be subject to and governed by the by-laws, rules, regulations and customs of the exchange or other market on which they are executed and its clearing house, if any.
- d) It is understood that the undersigned may make arrangements with Palos for the securities and funds of the Account to be held by a custodian designated by the undersigned and approved by Palos in writing. The undersigned shall furnish Palos with copies of any authorization to such custodian regarding acceptance of instructions from Palos in relation to such securities and funds. Except with Palos's consent in writing, the undersigned undertakes not to withdraw any funds or securities held by such custodian without giving Palos thirty (30) days prior written notice of such withdrawal.
- e) Palos shall act, at all times, in accordance with its best judgment but shall not be responsible for any loss sustained in the operation of the Account, for any depreciation in the value of the Account assets or any failure to achieve investment gains.
- f) If the Account is a corporation, trust, attorney or other person other than an individual acting on his or her own behalf, the Account shall provide to Palos concurrently with the execution and delivery by the Account of this agreement all such evidence of authority to act, including without limitation, designations of authorized persons and certified copies of charter or trust documents and resolutions as Palos may require and Palos may continue to rely on all such evidence until notice to the contrary given hereunder has been received by it.
- g) The undersigned's investment objectives with respects to the Account are set out in the Palos form of "New Client Application Form" completed and executed by the undersigned. The undersigned hereby undertakes to notify Palos forthwith in writing of any change in investment objectives.
- h) The undersigned acknowledges and agrees that Palos or its affiliated companies or firms may act as principal or as agent in respect of the securities purchased or sold for the Account. In the event securities are purchased for the Account in the course of their primary distributions pursuant to any underwriting in which Palos or any of its affiliated companies or firms are participating, Palos will send the undersigned a copy of the prospectus filed with the appropriate Securities Commission in connection with such underwriting. The purchase of such securities for the Account is to be deemed confirmed unless Palos receives written notice of the objection of the undersigned thereto within a period of two (2) days following the date when the undersigned would have received such prospectus in the ordinary course of mail.

- i) This agreement may be terminated by the undersigned effective upon the receipt by Palos of written notice of termination from the undersigned. The agreement may be terminated by Palos by written notice to the undersigned which shall be effective upon the date specified therein, which date shall not be earlier than thirty (30) days from the mailing or delivery thereof to the undersigned. The undersigned agrees to honour all transactions for the Account entered into prior to such termination becoming effective.
- j) Palos may not invest in the securities of any issuer in which any individual participating in the formation of, or having access prior to implementation of investment decisions in the Account or a responsible person or an associate of a responsible person is an officer or director unless such office or directorship shall first have been disclosed in writing to the undersigned and the undersigned has provided written consent thereto. The foregoing shall not in any way prevent Palos from investing on behalf of the Account in the securities of an issuer in which the firm, its directors, officers or employees, other than those participating in the formation of, or having access prior to implementation of investment decisions in the Account, may have an interest either by way of participation in the distribution of an issue or share ownership or the holding of office or directorship within the issuer's corporate structure. It is understood that Palos may receive a fee or other payment from other persons in respect of certain transactions effected for the Account.
- k) Palos may recommend to the undersigned one or more selected Sub-advisors to manage a portion of the assets of the Account if the Client elects to allocate a portion of the assets in the Account the Sub-advisor will be granted full power and authority to enter into transactions on a continuing basis. At all times Palos will be responsible for the overall suitability of the account. The Client acknowledges that a portion of the fees charged to the Client by Palos for portfolio management services will be paid to the Sub-advisor for services rendered.
- l) The undersigned must advise Palos promptly of any and all material change(s) in the general information supplied to Palos relative to the management of the account.
- m) The undersigned acknowledges receipt of a copy of the policies of Palos which are directed to ensuring fairness in allocation of **investment opportunities among its clients (See Statement of Fairness in allocation of investment opportunities in this agreement)**.
- n) Management fees will be charged quarterly as of the end of each calendar quarter and will be assessed on the total market asset value of the portfolio at the end of the end of the applicable calendar quarter. The undersigned acknowledges **being informed by Palos of the current rate of such fees (Fee and Commission Schedule attached)**. It is agreed that the Account will receive written notice of any fee changes made from time to time.
- o) The terms hereof, together with signed Fee and Commission Schedule and Sub-advisor Direction (if applicable) will constitute the entire agreement between Palos and the undersigned except for written notice of changes in the Account's investment objectives and may not be altered by verbal statements by agents of Palos. This agreement may be amended at any time at the request of either party, provided such amendment is in writing and is agreed to by both parties.
- p) This agreement shall be to the benefit of and be binding upon the heirs, executors, administrators, successors or assigns of the undersigned and the successors or assignees of Palos.
- q) Palos shall be authorized at its own discretion to undertake any credit check or make personal inquiries that it deems necessary in the operation of the Account.
- r) This agreement is to be interpreted in accordance with the laws of the Province of Quebec.
- s) Any notice or other communication required or permitted to be given hereunder will be sufficiently given if sent by prepaid mail addressed to you at 1812 - 1 Place Ville Marie, Montreal QC H3B 4A9 and to the undersigned at the address as shown on your books from time to time. Any such notice will be deemed to have been received on the third business day after mailing.
- t) The undersigned hereby acknowledges that the terms of this Investment Management Agreement have been read and expressly understood and a copy of this agreement has been received.
- u) The parties hereto have requested that this agreement be drawn up in the English language. Les parties aux presentes ont demande que cette convention soit redigee en langue anglaise uniquement.

Palos Management Inc.: Statement of fairness In allocations of investment opportunities
It is our policy to act in a manner consistent with an obligation to deal fairly with all clients when disseminating investment recommendations or taking investment action. However, in the course of managing a large number of individual accounts, decisions are made to purchase or sell securities **for some accounts and not for others. No accounts or type of account will receive preference in the allocation of investment opportunities.** Furthermore, it is not always possible to fill all orders at a constant price or in the case of new issues to receive a sufficient supply to meet the requirements of every account which should participate. Every effort will be made in future transactions to ensure that over a period of time every account regardless of size, receives equitable treatment.

Signatures

1 CLIENT

Name of Purchaser (Please Print)

Address

Number

Street

City

Prov./Ter.

Postal Code

Signature

X _____

Date (MM/DD/YYYY)

2 WITNESS

Name (Please Print)

Address

Number

Street

City

Prov./Ter.

Postal Code

Signature

X _____

Date (MM/DD/YYYY)

3 PALOS MANAGEMENT

Director or Officer (Please Print)

Account Portfolio Manager

Director or Officer's Signature

X _____

Date (MM/DD/YYYY)

Disclosure Statement

Firm: Palos Management Inc.

August 6, 2010

While Palos' business has not changed, there have been some recent changes in Canadian securities regulation that affect portfolio managers and fund managers doing business in Canada. Under the new regulations, Palos is required to make a variety of disclosures to its clients, including disclosures relating to reporting, dispute resolution, suitability, risk, conflicts of interest and insider trading. Thus, as required in conformity with applicable securities legislation, Palos provides this disclosure to you, the investor.

Palos Management Inc. ("Palos") is an independent investment management company incorporated under the laws of Canada. Palos is in the business of providing investment advisory services to its clients.

Reporting

You will receive regular account statements from your outside custodian (your broker) such as Penson Financial Services Canada Inc. You will receive statements at least quarterly.

Dispute Resolution

Palos seeks to resolve all conflicts on an informal basis, whenever possible. In the event that a dispute cannot be resolved informally, independent mediation services are available at Palos's expense. If you have a dispute with Palos, please contact Mr. Hubert Marleau directly to discuss a solution.

Privacy

Palos respects your privacy. In accordance with provincial privacy legislation, please note that a file is being created that will contain certain identifying personal information. The file will be maintained at Palos' office, and you may access the file during normal business hours and upon reasonable notice to Palos.

Suitability

Palos has an obligation to assess whether a purchase or sale of a security is suitable for you at all times. Palos will collect information about you for this purpose, including information about your income, net worth, experience with and knowledge about investing, and your future liquidity needs. Palos will discuss your personal financial circumstances with you and will obtain your concurrence with Palos's intended investing allocation for your account. Palos will update this information occasionally, but at the very least, Palos will update this information every two years.

Please Note

Investments made on your behalf by Palos:

- a. are not insured by a government deposit insurer,
- b. are not guaranteed by the Canadian financial institution or Schedule III bank, and
- c. may fluctuate in value.

If You are a Resident of a Canadian Jurisdiction Outside Québec

Please note that Palos is a resident in Québec, and is therefore is a non-resident in your jurisdiction. The following people will accept service on behalf of Palos:

In British Columbia and Yukon:
Owen Pawson
Answith Corporate Services Ltd.
Robson Court
1000 – 840 Howe Street
Vancouver, BC V6Z 2M1

In Manitoba:

Nigel Thompson
Aikins, MacAulay & Thorvaldson LLP
30th Floor, 360 Main Street
Winnipeg, MB R3C 4G1

In New Brunswick:

C. Paul W. Smith
Stewart McKelvey
44 Chipman Hill, Suite 1000
Saint John, NB E2L 4S6

In Newfoundland and Labrador:

Geoffrey E.J. Brown, QC
Stewart McKelvey
11th Floor, 100 New Gower St.
P.O. Box 5038, St. John's, NL A1C 5V3

In Nova Scotia:

Marc Belliveau
Stewart McKelvey
900 – 1959 Upper Water Street
P.O. Box 997
Halifax, NS B3J 2X2

In Ontario:

Paul Marleau
1-18077 Tyotown Road
Cornwall, ON K6H 5R5

In Prince Edward Island:

James C. Travers. Q.C.
Stewart McKelvey
65 Grafton Street
Charlottetown, PEI C1A 8B9

In Saskatchewan:

Aaron D. Runge
MacPherson Leslie & Tyerman LLP
1500 – 1874 Scarth Street
Regina, SK S4P 4E9

Please note that your legal rights may not be enforceable outside Québec, and if you wish to take legal action against Palos, you may have to retain counsel in Québec. Furthermore, Québec law is different from the law outside Québec, and your rights and obligations may be affected as a result. Please contact your legal advisor for more information.

Insider Trading

Under the new requirements, Palos is obligated to explain what it means to be an "insider" and what it means to be "publicly traded".

Being "publicly traded" means a company or an entity has issued securities that are traded, or offered for sale, on a stock exchange.

Under securities law, an “insider” is (1) every director or officer of a publicly traded company or entity, (2) every director or officer of a subsidiary of a publicly traded company or entity, (3) a person that exercises control over more than 10% of the voting rights attached to all outstanding voting securities of a publicly traded company or entity; and a publicly traded company or entity that holds its own securities.

“Insider trading” means using information that has not been disclosed to the public to gain an advantage in buying or selling a security or a derivative (such as an option) that derives its underlying value from that security. Insider trading is illegal and Palos has specific written policies to prevent insider trading.

Risk

All investing involves risk. While Palos takes measures to minimize risk, it is impossible for Palos to completely eliminate risk. The major forms of investing risk are the following:

Price Risk

Price risk is the danger of incurring a loss due to an unfavourable change in the market price of a security. With negative news, a security can lose value quickly and in extreme market conditions it is possible to lose one’s entire investment. Some examples of price risk are: the price of a security may be affected by the publication of disappointing financial performance, cessation of contracts vital to the company, departure of employees, issuance of additional shares and other events.

Market Risk

Market risk is the prospect of incurring a loss due to general price changes in the securities market or unfavourable price changes in a certain sector. Unfavourable price changes may be caused, for instance, by the poor financial performance of a country or sector of the economy, unstable economic environment, unstable securities markets, political upheaval etc.

Currency Risk

Currency risk is the prospect of incurring a loss due to the price of securities being calculated in one foreign currency while purchases and sales are in another, or due to an issuer operating in one country and generating revenue in another. For example, a loss can be incurred due to unfavourable changes in exchange rates between various currencies, devaluation, long-term depreciation, depegging of a pegged currency exchange rate, etc.

Liquidity Risk

Liquidity risk involves a reduction in or absence of liquidity in the securities market, causing the sale of securities at the desired time at the desired price to be impeded or impossible. In case of steep price drops, there may be few buyers in the market and the sale of a sizable position may exacerbate the drop and increase any losses.

Interest Rate Risk

Interest rate risk is the prospect of incurring a loss because of changes in interest rates in an unfavourable direction. Unfavourable market changes can generate a loss, for example, due to a change in the prevailing interest rates, a change in interest rate volatility, a change in the difference between interest rates (interest rate “spread”), repayment of debts before term, etc. For example, a rise in interest rates in the bond market will result in a drop in bond prices.

Issuer Risk

Issuer risk is the prospect of the value of a security declining due to an issuer’s poor financial indicators, financial difficulties or incapacity to meet its obligations toward investors arising from the securities issued by it. For example, filing for bankruptcy protection almost inevitably results in a rapid drop in the price of a company’s shares.

Country Risk

Country risk or political risk is the prospect of events in the country or region where the issuers of securities are active or registered that may affect the political or economic stability or future development of that country. Due to such events, an investor may lose in part or all of its investments in that country. Examples of country risks include: radical changes in the political system (such as revolution), in economic policy (nationalization, imposition of trade restrictions, changes in the tax system), and political crises (popular unrest, political confrontation).

Legal Risk

Legal risk is the prospect that legislation may be amended in a manner that has a negative impact on the investor.

Systems Risk

Systems risk is the prospect of incurring a loss due to a technical malfunction in the systems of depositories, custodians, stock exchanges and in settlements of securities transactions. As a result, transactions may fail to be effected, post-transaction transfers may be late, etc.

Custody Risk

Custody risk is the prospect of that in the event of the custodian’s bankruptcy the client’s securities may be commingled with the assets of the bankrupt, resulting in difficulty regaining possession of the securities or requiring Palos to make a claim in the bankruptcy legal process.

Leverage Risk

Palos will not lend you money. Palos may use leverage as part of its investment strategy. Leverage magnifies the gains and losses in an investment portfolio.

Identification of Material Conflicts of Interest

Under the new regulations, Palos is obligated to identify material conflicts of interest which would be expected to arise between Palos (including each individual acting on Palos’s behalf) and its clients. Further, if a reasonable investor would expect to be informed of the nature and extent of an identified conflict of interest, Palos must do so. One of the central purposes of this Disclosure Statement is to provide Palos’s clients with a description of the conflicts that Palos might encounter and the measures Palos has taken to prevent, avoid, and mitigate such conflicts.

Referral Arrangements with Affiliated Managers and Third Parties – Palos may pay a fee to brokers or advisors who place their clients’ assets with Palos.

Investments in Related or Connected Issuers - A “related issuer” is a person or company that influences or is influenced by, through ownership or direction and control over voting securities, another person or company. Palos is an independent firm and as such is not influenced by any other person or company.

A person or company is a “connected issuer” to another person or company if, due to its relationships with such person, a prospective purchaser of securities of the person or company might question the other person or company’s independence from the first person or company. Clients of Palos may invest in funds managed by Palos manager. As such, the funds managed by Palos may be “connected issuers” of Palos.

The principals of Palos, including Charles Marleau and Hubert Marleau, have also invested personally in funds managed by Palos. It is possible that the principals of Palos, through their ownership of units of the funds, would be able to have significant influence over the governance of the funds.

Investments in Certain Other Issuers – Hubert Marleau is a director and shareholder of several reporting issuers (public companies), the securities of which may also be held in the Palos Capital Pool LP.

Principal Transactions and Cross Trading Securities – Generally, Palos will not engage in cross-trading. Cross-trading is defined as the purchase or sale of securities between any of (i) Palos, (ii) any directors, officers or associates of Palos, or (iii) any investment funds managed by them or (iv) any fully-managed account. For greater certainty, Palos will always trade through arm’s length, independent brokers at the prevailing market price. In the rare event that Palos does engage in cross-trading, it will do so the prevailing market price or net asset value of the security in question.

Best Execution and Soft Dollars - When placing orders for and on behalf of clients’ accounts or any of the funds, Palos will either select those brokers and dealers from whom it reasonably expects to obtain the best execution and settlement services (after considering all

transaction costs and research or other benefits), or will direct orders to the brokers selected by Palos's clients. Palos takes steps to ensure that transactions are not more costly to its clients as a result of soft dollar agreements.

While Palos does receive benefits from brokers and dealers, Palos has taken steps to ensure that any potential benefits received are used only to benefit its clients, either by reducing the commissions paid or by obtaining relevant financial information in order to achieve better returns for their portfolios.

In particular, Palos has a "soft dollar" agreement in place with its principal custodian-broker, CIBC World Markets. Through this agreement, Palos is granted a credit for its commissions. In accordance with the agreement, Palos may instruct CIBC World Markets to apply the credits against amounts payable to third parties for expenses related to making investment decisions and managing funds on behalf of Palos' clients. Because these expenses would ordinarily be expenses of the funds managed by Palos, the soft dollar agreement directly benefits Palos unitholders. In no circumstances does Palos ever use soft dollars for anything that does not directly benefit its clients.

The management of Palos determines, on a case-by-case basis, whether the amounts charged by third party service providers are in accordance with prevailing market prices and whether Palos' clients receive reasonable benefit from such services or products.

A copy of the Palos/CIBC World Markets soft dollar agreement is posted on Palos' website and can also be accessed by contacting Palos directly.

Marketing, Promotion and Sale of the Funds - Palos' services as advisor and vendor of units of the Funds are integrated and not separable from each other. Palos does not receive any separate compensation or commission for vending units of the Funds. Palos' interest is in the fees paid to it by the Funds for its advisory and management services.

Fair Allocation Amongst Clients - Palos has adopted trading policies which are designed to ensure fair allocation of securities amongst client accounts.

Palos is engaged to act as an advisor by multiple clients. Where one broker acts for multiple clients, Palos has taken steps to ensure that the securities purchased by the broker will be fairly allocated amongst the clients.

Because Palos does not advise its clients on individual securities, fair allocation is not a significant issue. When Palos purchases a security, it does so on behalf of one or more of the funds. The prices paid for a given security are allocated to the fund and each client therefore gets the security at the same average price.

Fees - Fee due to Palos shall be payable in accordance with the terms of the subscription agreement and limited partnership agreement or trust agreement applicable to a given fund, as the case may be.

If you have a fully-managed account, your external service provider (your broker) may charge you additional fees. Palos does not get a share of any such fees.

Allocating Expenses in the Funds - As required by legislation, Palos Funds only pays the following fees: the management fee, audit fees, record keeping fees, independent review committee fees and legal fees.

Pricing and Account Errors - While errors are exceptionally rare, Palos may have a potential conflict of interest when determining when, and how, to deal with a pricing error or other type of unitholder account error, due to the time, processing cost and reimbursement of investors involved. Palos may use third party service providers to calculate net asset values of the Funds and to record unitholder transactions. Palos's Internal Control and Compliance Manual establishes standards for the correction of discrepancies in the calculation of net asset value in a consistent manner and in accordance with industry guidelines.

Proxy Voting and Other Corporate Actions - Palos usually has discretion in voting the portfolio securities purchased on behalf of its clients. A perceived conflict arises given the opportunity to vote securities in its own interest or agree to certain corporate actions. To minimize such conflicts, Palos has established a written set of Proxy Voting Policies and Procedures and maintains records of how it votes securities. Palos does not invest in securities of issuers for the purposes of exercising control over, or participating in management of, issuers.

Personal Trading - Palos has an Internal Control and Compliance Manual that sets forth standards of business conduct intended to prevent possible conflicts of interest, diversions of corporate opportunity or appearances of impropriety. Palos has established policies and procedures for monitoring personal trades of employees, officers and directors who have access to information regarding the portfolios of clients and the Funds. Specifically, no Palos employee may trade in a security within forty-eight hours before or after Palos trades in the same security in a Fund.

Gifts and Business Entertainment - When employees of Palos accept gifts or business entertainment of more than minimal value in connection with services provided to Palos's clients or to the Funds, there is also a perceived or potential conflict of interest. Palos has established written standards for the acceptance of gifts and business entertainment from persons or entities with which the firm has an existing or potential business relationship and regularly monitors employees' adherence to such standards.

Outside Business Activities - Palos has developed policies and procedures that restrict any outside business activity that would interfere or give the appearance of interfering with an employee's ability to act in the best interests of, or perform work for, Palos and its clients.

Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding

OMB No. 1545-1621

▶ Section references are to the Internal Revenue Code. ▶ See separate instructions.
 ▶ Give this form to the withholding agent or payer. Do not send to the IRS.

Do not use this form for:

- A U.S. citizen or other U.S. person, including a resident alien individual W-9
- A person claiming that income is effectively connected with the conduct of a trade or business in the United States W-8ECI
- A foreign partnership, a foreign simple trust, or a foreign grantor trust (see instructions for exceptions) W-8ECI or W-8IMY
- A foreign government, international organization, foreign central bank of issue, foreign tax-exempt organization, foreign private foundation, or government of a U.S. possession that received effectively connected income or that is claiming the applicability of section(s) 115(2), 501(c), 892, 895, or 1443(b) (see instructions) W-8ECI or W-8EXP

Instead, use Form:

Note: These entities should use Form W-8BEN if they are claiming treaty benefits or are providing the form only to claim they are a foreign person exempt from backup withholding.

- A person acting as an intermediary W-8IMY

Note: See instructions for additional exceptions.

Part I Identification of Beneficial Owner (See instructions.)

1 Name of individual or organization that is the beneficial owner	2 Country of incorporation or organization
3 Type of beneficial owner: <input type="checkbox"/> Individual <input type="checkbox"/> Corporation <input type="checkbox"/> Disregarded entity <input type="checkbox"/> Partnership <input type="checkbox"/> Simple trust <input type="checkbox"/> Grantor trust <input type="checkbox"/> Complex trust <input type="checkbox"/> Estate <input type="checkbox"/> Government <input type="checkbox"/> International organization <input type="checkbox"/> Central bank of issue <input type="checkbox"/> Tax-exempt organization <input type="checkbox"/> Private foundation	
4 Permanent residence address (street, apt. or suite no., or rural route). Do not use a P.O. box or in-care-of address.	
City or town, state or province. Include postal code where appropriate.	Country (do not abbreviate)
5 Mailing address (if different from above)	
City or town, state or province. Include postal code where appropriate.	Country (do not abbreviate)
6 U.S. taxpayer identification number, if required (see instructions) <input type="checkbox"/> SSN or ITIN <input type="checkbox"/> EIN	7 Foreign tax identifying number, if any (optional)
8 Reference number(s) (see instructions)	

Part II Claim of Tax Treaty Benefits (if applicable)

9 I certify that (check all that apply):

- a The beneficial owner is a resident of within the meaning of the income tax treaty between the United States and that country.
- b If required, the U.S. taxpayer identification number is stated on line 6 (see instructions).
- c The beneficial owner is not an individual, derives the item (or items) of income for which the treaty benefits are claimed, and, if applicable, meets the requirements of the treaty provision dealing with limitation on benefits (see instructions).
- d The beneficial owner is not an individual, is claiming treaty benefits for dividends received from a foreign corporation or interest from a U.S. trade or business of a foreign corporation, and meets qualified resident status (see instructions).
- e The beneficial owner is related to the person obligated to pay the income within the meaning of section 267(b) or 707(b), and will file Form 8833 if the amount subject to withholding received during a calendar year exceeds, in the aggregate, \$500,000.

10 Special rates and conditions (if applicable—see instructions): The beneficial owner is claiming the provisions of Article of the treaty identified on line 9a above to claim a % rate of withholding on (specify type of income):
 Explain the reasons the beneficial owner meets the terms of the treaty article:

Part III Notional Principal Contracts

11 I have provided or will provide a statement that identifies those notional principal contracts from which the income is **not** effectively connected with the conduct of a trade or business in the United States. I agree to update this statement as required.

Part IV Certification

Under penalties of perjury, I declare that I have examined the information on this form and to the best of my knowledge and belief it is true, correct, and complete. I further certify under penalties of perjury that:

- 1** I am the beneficial owner (or am authorized to sign for the beneficial owner) of all the income to which this form relates,
- 2** The beneficial owner is not a U.S. person,
- 3** The income to which this form relates is (a) not effectively connected with the conduct of a trade or business in the United States, (b) effectively connected but is not subject to tax under an income tax treaty, or (c) the partner's share of a partnership's effectively connected income, **and**
- 4** For broker transactions or barter exchanges, the beneficial owner is an exempt foreign person as defined in the instructions.

Furthermore, I authorize this form to be provided to any withholding agent that has control, receipt, or custody of the income of which I am the beneficial owner or any withholding agent that can disburse or make payments of the income of which I am the beneficial owner.

Sign Here ▶

Signature of beneficial owner (or individual authorized to sign for beneficial owner) Date (MM-DD-YYYY) Capacity in which acting

