

Term Sheet



Palos Income Fund L.P.

For further details on the Fund, Key Personnel, Risk Factors, etc. investors should, before investment, refer to the Offering Memorandum and website of Palos, www.palosmanagement.com. The limited partnership agreement and other significant contracts are available upon request. This Term Sheet is dated November 25, 2015.

Organization Overview

Palos Income Fund L.P. (the “Fund”) is a limited partnership formed in Canada on September 1st, 2001. Palos Management Inc. (the “Firm”) is responsible for the investment decisions of the Fund. Palos Management, Inc., a Canadian investment management company, specializes in income oriented securities markets in Canada and the U.S.

Portfolio Characteristics	
Loan Facility	Not to exceed 25% on NAV
Strategy	Long Bias, multi-strategy
Region	Canadian focused
Valuation Currency	Canadian dollars
Currency Hedging	Strategic hedging
Market cap	No bias

Investment Objectives

The Fund's primary objectives are: 1) to provide an attractive and steady stream of income; and 2) to deliver trading-enhanced returns. The Fund seeks to outperform the TSX (on a total return basis) with less risk.

Investment Strategy

The Fund is a Canadian focused long-bias, actively managed fund that invests in a core portfolio of select high-grade and undervalued dividend-paying stocks, preferred stocks, bonds and convertible bonds. The Fund seeks to enhance the returns of its core portfolio by opportunistically engaging in syndication trades, merger arbitrage, pair trades, statistical pair trades and selling covered calls. In making investment decisions, management employs a fundamental approach, while sector exposure is broadly driven by industry themes and market exposure is affected by macro analysis.

Summary of Terms			
	Series A	Series F	Series X (Grandfathered)
Fundserv Code	PAL110: Front Load	PAL111: No Load	PAL100: No Load
Management fee	1.75% of NAV	0.75% of NAV	1% of Series X Book Value
Trailer fee	1%	n/a	0.25%
High water mark	Perpetual, no reset		Perpetual, no reset
Preferred return (Hurdle rate)	1.25% per quarter (5% annually)		2.5% per quarter (10% annually)
Performance fee	20% over preferred return and high water mark		20% over preferred return and high water mark
Redemption	Last business day of each week		Last business day of each quarter
Redemption notice period	7 days' notice		30 days' notice before quarter end
Early redemption fees	5% if units are held less than 120 days		1% fees for early redemption
Distribution	1.25% targeted quarterly (5% annually)		\$0.20 per unit targeted quarterly
Minimum Investment	Initial \$5,000, subsequent \$1,000		Initial \$1,000, subsequent: \$500
NAV frequency	Daily		Daily
Eligibility	Accredited investor or \$150K minimum exemption, or BC, NL, NB, NS exemption Canadian residents only; Not eligible for registered (RRSP) accounts		

Note 1: Series X - new investors may be allowed in the series at the discretion of the manager

Note 2: Series I - for large investments by institutional investors

Note 3: Series O - for large investments by multiple individual investors (from 1 advisor)

Fund Information	
Prime Broker:	NBCN Inc.
Legal Counsel:	Fasken Martineau DuMoulin LLP
Auditor:	PricewaterhouseCoopers LLP
Transfer Agent & Record Keeper:	Apex Fund Services (Canada) Ltd.
Portfolio Managers:	Charles Marleau, CIM and Joseph Khoubbieh, CFA

Firm Information	
Firm:	Palos Management Inc.
Role:	Investment Fund Manager & Portfolio Manager
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