

**PALOS EQUITY INCOME FUND
MATERIAL CHANGE REPORT UNDER
Part 11 of National Instrument 81-106**

Item 1. – Name and Address of Issuer:

Palos Management Inc.
1 Place Ville Marie
Suite 1812
Montreal, QC H3B 4A9

Item 2. – Date of Material Change:

July 15, 2011

Item 3. – News Release:

The press release reporting the material change was issued on July 18, 2011 by Palos Management Inc. (“Palos”), the manager of the Palos Equity Income Fund (the “Fund”), in Canada through the Canadian Timely Disclosure Network of Canada NewsWire and is attached hereto.

Item 4. – Summary of Material Change:

On July 15, 2011, Palos entered into an Amended and Restated Trust Agreement and an amended Investment and Fund Management Agreement with Computershare Trust Company of Canada (“Computershare”). On July 18, 2011, Palos announced that Computershare has been appointed as trustee of the Fund, effective September 1, 2011. BNY Trust Company of Canada will cease to act as trustee for the Fund on August 31, 2011.

Item 5.1. – Full Description of Material Change:

On July 15, 2011, Palos entered into an Amended and Restated Trust Agreement and an amended Investment and Fund Management Agreement with Computershare Trust Company of Canada (“Computershare”). On July 18, 2011, Palos announced that Computershare has been appointed as trustee of the Fund, effective September 1, 2011. Further to BNY Trust Company of Canada (“BNY”) providing its termination notice to unitholders of the Fund on or about June 28, 2011, in accordance with the current Amended and Restated Trust Agreement, BNY will cease to act as trustee for the Fund on August 31, 2011.

Item 6. – Reliance on subsection 11.2(2) or (4) of National Instrument 81-106:

Not applicable.

Item 7. – Omitted Information:

Not applicable.

Item 8. – Executive Officer:

Inquiries in respect of the material change referred to herein may be made to:

Noah Billick

Vice President, Legal Affairs
nbillick@palosmanagement.com
(514) 397-0188 or toll-free at (855) 725-6788

Item 9. – Date of Report:

July 18, 2011

Palos Management Inc. announces the appointment of Computershare Trust Company of Canada as trustee of the Palos Equity Income Fund

MONTREAL, July 18, 2011 – Palos Management Inc. (“Palos”) announces the appointment of Computershare Trust Company of Canada (“Computershare”) as trustee of the Palos Equity Income Fund (the “Fund”). Palos and Computershare have entered into an Amended and Restated Trust Agreement and an Investment and Fund Management Agreement, effective September 1, 2011. Computershare will assume responsibilities as trustee of the Fund effective September 1, 2011.

“Palos is pleased to announce this new relationship with Computershare, a recognized industry leader,” said Charles Marleau, president of Palos.

BNY Trust Company of Canada will maintain its role as trustee of the Fund under the current Amended and Restated Trust Agreement and Investment and Fund Management Agreement until August 31, 2011.

For further information: for media inquiries or additional information, please contact Noah Billick at nbillick@palosmanagement.com or at (514) 397-0188 or toll-free at (855) 725-6788.

About Palos Management Inc.

Founded in 2001, Palos Management is a boutique financial management firm that includes Palos Investment Funds, Holdun Family Office, and Palos Merchant Bank. Our mission is to constantly earn our clients’ trust by growing and sustaining their wealth through our creative and intelligent approach to financial management. Headquartered in Montreal, Canada, Palos Management has an international reach through offices in New York and the Bahamas.