

MATERIAL CHANGE REPORT

Reporting Issuer:

Polar Hedge Enhanced Income Trust (the "Trust")
350 Bay Street
13th Floor
Toronto, Ontario M5H 2S6

Date of Material Change:

October, 11 2000

Press Release:

The press release reporting the material change described in this report was issued on October 11, 2000.

The press release was distributed through Canadian Corporate News, a Newswire Service of International Teledata Group, and filed with the Toronto Stock Exchange and each of the Canadian securities regulatory authorities via SEDAR.

Summary of Material Change:

On October 11, 2000, the Trust announced that the Trustees of the Trust had completed a review of strategic alternatives available to the Trust. As a result, Polar Fund Management Inc. (the "Manager"), the manager of the Trust, announced that it plans to seek approval of holders of units of the Trust (the "Units") for certain amendments to the declaration of trust which governs the Trust. Specifically, it is proposed that the declaration of trust be amended as follows:

1. The investment objectives and guidelines of the Trust be amended and certain investment restrictions to which the Trust is subject be eliminated.

If the proposed amendments are approved, there can be no assurance that Units will continue to be qualified investments for registered plans after the effective date of the amendments.

2. The terms upon which a performance fee may be payable to the Manager be amended.
3. The declaration of trust be amended to provide Unitholders with the one-time right to require the Trust to redeem their Units at a redemption price equal to 100% of the net asset value per Unit as of the redemption date.

Subject to any required regulatory approvals, the Manager anticipates that a meeting of Unitholders will be held on or about December 7, 2000 to consider the proposed amendments. If the amendments are approved, the Manager anticipates that the redemption date for the one-time

redemption of Units will be on or about December 14, 2000, with payment of the redemption proceeds to be made on or about December 28, 2000.

Full Description of Material Change:

Proposed Amendments to Declaration of Trust

Polar Hedge Enhanced Income Trust (the “Trust”) (TSE: PHT) announces that the Trustees of the Trust have completed a review of strategic alternatives available to the Trust. As a result, Polar Fund Management Inc. (the “Manager”), the manager of the Trust, announced today that it plans to seek approval of holders of units of the Trust (the “Units”) for certain amendments to the declaration of trust which governs the Trust. Specifically, it is proposed that the declaration of trust be amended as follows:

1. It is proposed that the investment objective, restrictions and guidelines of the Trust be amended. The Trust’s investment objective will be to achieve stable, superior rates of return without undue risk of impairment of capital. The Trust will invest in a variety of asset classes and use a variety of investing strategies. Those strategies may include, but are not limited to, convertible arbitrage, long/short equities, volatility arbitrage and merger arbitrage. These changes are proposed in order that the Trust may gain broader access to market opportunities.

In addition, it is proposed that the investment restrictions related to diversification and foreign investment be eliminated. If these proposed amendments are approved, there can be no assurance that Units will continue to be qualified investments for registered plans after the effective date of the amendments.

Currently, the Trust’s investment objectives are (i) to provide unitholders with a superior, stable income by investing in a broad range of income-producing securities, and whenever appropriate, using sophisticated hedging techniques to enhance yield and reduce risk and (ii) to achieve capital appreciation and maximize the net assets of the Trust available for distribution to unitholders upon termination of the Trust.

2. It is proposed that the terms of the performance fee payable to the Manager be amended such that the Manager will be entitled to an annual performance fee equal to 20% of the amount by which the annual appreciation in net asset value of the Trust, adjusted for subscriptions and redemptions, exceeds the aggregate of (i) the 1% management fee which is payable to the Manager and (ii) other expenses of the Trust incurred by the Manager and reimbursed by the Trust, including legal, consulting and GST fees.
3. It is proposed that the declaration of trust be amended to allow for a one-time redemption of Units. Unitholders will be able to redeem Units at a redemption price equal to 100% of the net asset value per Unit as of the redemption date.

Subject to any required regulatory approvals, the Manager anticipates that a meeting of unitholders will be held on or about December 7, 2000 to consider the proposed amendments. If the amendments are approved, the Manager anticipates that the redemption date for the one-time redemption of Units will be on or about December 14, 2000, with payment of the redemption proceeds to be made on or about December 28, 2000.

As at October 10, 2000, the net asset value of the Trust was \$5.16 per Unit.

Reliance on Section 75(3) of the Act:

Not applicable.

Omitted Information:

Not applicable.

Senior Officer:

For further information, please contact :

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Polar Fund Management Inc., the Manager of
Polar Hedge Enhanced Income Trust
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Statement of Senior Officer:

The foregoing accurately discloses the material change referred to herein.

DATED at Toronto, Ontario this 19th day of October, 2000.

**POLAR FUND MANAGEMENT INC., AS
MANAGER AND ON BEHALF OF
POLAR HEDGE ENHANCED INCOME TRUST**

By: “Philip T. Schmitt”
Philip T. Schmitt
Vice-President