

**FORM 51-102F3
MATERIAL CHANGE REPORT**

1. **Name and Address of Company:**

Energy Savings Income Fund
6345 Dixie Road, Suite 200
Mississauga, Ontario
L5T 2E6

2. **Date of Material Change:**

April 22, 2009.

3. **News Release:**

A news release was issued jointly by Energy Savings Income Fund ("**Energy Savings**" or "**ESIF**") and Universal Energy Group Ltd. ("**UEG**") on April 22, 2009 and disseminated through the facilities of a recognized newswire service.

4. **Summary of Material Change:**

On April 22, 2009, Energy Savings and UEG jointly announced that they have entered into a definitive agreement (the "**Arrangement Agreement**") pursuant to which Energy Savings will propose to acquire all of the outstanding common shares of UEG.

5. **Full Description of the Material Change:**

5.1 ***Full Description of Material Change***

Under the terms of the Arrangement Agreement entered into between Energy Savings and UEG, the proposed transaction will be effected by way of a plan of arrangement under the *Canada Business Corporations Act* (the "**Arrangement**"). The Arrangement will provide for a share exchange through which each outstanding common share of UEG ("**UEG Shares**") will be exchanged for 0.58 of a share (the "**Exchangeable Shares**") of a subsidiary of Energy Savings. Each Exchangeable Share will be exchangeable into one trust unit of Energy Savings ("**ESIF Units**") at any time at the option of the holder, for no additional consideration. The Exchangeable Shares will pay a monthly dividend equal to 66 2/3% of the monthly distribution paid on the ESIF Units. The issue of the Exchangeable Shares will allow UEG shareholders to receive the consideration under the Arrangement on a tax-deferred basis for Canadian income tax purposes.

Based on the closing price of the ESIF Units of \$12.40 on April 21, 2009, UEG shareholders will receive approximately \$7.19 per share in Exchangeable Shares pursuant to the transaction. The exchange ratio represents an approximate 42.9% premium for the UEG Shares to the 30-day weighted-average trading price of such shares ending April 10, 2009, the last trading day preceding the date Energy Savings and UEG first announced that they were in discussions respecting a proposed acquisition.

The transaction is expected to close in late June 2009 following a UEG special shareholders' meeting (the "**UEG Meeting**") to be called to consider the transaction. UEG is expected to make

its quarterly dividend payment of \$0.1875 per share, subject to pro-ration based upon the closing date.

The transaction will result in a corresponding adjustment to the conversion feature of UEG's outstanding 6% convertible unsecured subordinated debentures in accordance with their terms.

The board of directors of each of Ontario Energy Savings Corp. ("OESC"), the administrator of Energy Savings, and UEG has unanimously approved the transaction. The board of directors of UEG has unanimously determined that the Arrangement is fair to the shareholders of UEG, is in the best interests of UEG and its shareholders, and has resolved to recommend that holders of UEG Shares approve the Arrangement. The directors, officers and certain significant shareholders of UEG, collectively holding approximately 51% of the outstanding UEG Shares, have entered into support agreements to vote their securities in favor of the Arrangement.

CIBC World Markets Inc. acted as exclusive financial advisor to Energy Savings with respect to the transaction. National Bank Financial Inc. acted as lead financial advisor to UEG in respect of the transaction and has provided a verbal opinion to the Board of Directors of UEG that, as of the date of such opinion, the exchange ratio of 0.58 of an Exchangeable Share for each UEG Share is fair from a financial point of view, to UEG shareholders. GMP Securities LP acted as special advisor to UEG.

The following description of the Arrangement Agreement is a summary only. A complete copy of the Arrangement Agreement can be accessed under Energy Savings' profile on SEDAR at www.sedar.com.

Conditions

Closing of the transaction is subject to certain conditions including approval of UEG shareholders, compliance with the *Competition Act*, approval of Energy Savings' lenders and satisfaction of other customary approvals including regulatory, stock exchange and court approvals, as more particularly set forth in the Arrangement Agreement.

Non-Solicitation Provisions

Pursuant to the Arrangement Agreement, UEG has agreed to immediately cease and cause to be terminated all existing discussions and negotiations (including, without limitation, through any advisors or other parties on its behalf), if any, with any parties conducted before the date of the Arrangement Agreement with respect to any Acquisition Proposal (defined in the Arrangement Agreement to mean any inquiry or the making of any offer or proposal to UEG or its securityholders from any person or group of persons "acting jointly or in concert" (within the meaning of Multilateral Instrument 62-104) (or public announcement of an intention to do any of the foregoing) which constitutes, or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions): (i) an acquisition from UEG or its securityholders of 20% or more of the voting securities (or securities convertible into or exercisable for 20% or more of the voting securities, assuming the conversion or exercise of such acquired securities) of UEG or its Subsidiaries (as defined in the Arrangement Agreement); (ii) any acquisition of assets of UEG or its Subsidiaries (or any lease, long-term supply arrangement, license or other arrangement having the same economic effect as a sale of such assets) where such assets represent 20% or more of the fair market value of the assets of UEG (on a consolidated basis) or contribute 20% or more of the revenues of UEG (on a consolidated basis); (iii) an amalgamation, arrangement, merger, consolidation, joint venture, partnership or other business combination

involving UEG or its Subsidiaries; (iv) any take-over bid, issuer bid, recapitalization, liquidation, dissolution, reorganization or similar transaction involving UEG or its Subsidiaries; or (v) any other transaction, the consummation of which would, or would reasonably be expected to, impede, interfere with, prevent or delay the transactions contemplated by the Arrangement Agreement or the Arrangement, or which would or would reasonably be expected to materially reduce the benefits to Energy Savings, OESC and UEG Acquisition Corp. ("**AcquisitionCo**") under the Arrangement Agreement or the Arrangement). UEG has also agreed to immediately request the return or destruction of all information provided to any third parties who have entered into a confidentiality agreement with UEG relating to an Acquisition Proposal and to use all reasonable commercial efforts to ensure that such requests are honoured.

In addition, UEG has agreed that it shall not, and will cause each of its Subsidiaries not to, directly or indirectly, do or authorize or permit any of its officers, directors or employees or any financial advisor, expert, agent or other representative retained by it to do, any of the following: (i) solicit, assist, knowingly facilitate, initiate or knowingly encourage (including by way of furnishing any non-public information, permitting any visit to any facilities or properties of UEG or any Subsidiary of UEG, or entering into any form of written or oral agreement, arrangement or understanding) any Acquisition Proposal; (ii) enter into or participate in any discussions or negotiations regarding an Acquisition Proposal, or furnish to any other person any information with respect to its businesses, properties, operations, prospects or conditions (financial or otherwise) in connection with an Acquisition Proposal or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt of any other person to do or seek to do any of the foregoing; (iii) waive, or otherwise forbear in the enforcement of, or enter into or participate in any discussions, negotiations or agreements to waive or otherwise forbear in respect of, any rights or other benefits under confidential information agreements, including, without limitation, any "standstill provisions" thereunder; or (iv) withdraw, modify or qualify, or propose publicly to withdraw, modify or qualify, in any manner adverse to ESIF, OESC or AcquisitionCo, the approval or recommendation of the Board of Directors of UEG or any committee thereof of the Arrangement Agreement or the Arrangement, or accept, recommend, approve or enter into an agreement to implement an Acquisition Proposal (or propose publicly to do any of the foregoing); provided, however, that notwithstanding any other provision of the Arrangement Agreement, UEG and its officers, directors and advisors may, prior to the approval of the resolution approving the Arrangement by shareholders of UEG:

- (i) enter into or participate in any discussions or negotiations with a third party who (without any solicitation, initiation or encouragement, directly or indirectly, after the date of the Arrangement Agreement, or any other breach of UEG's non-solicitation covenants under the Arrangement Agreement, by UEG or any of its officers, directors or employees or any financial advisor, expert or other representative retained by it) seeks to initiate such discussions or negotiations and, subject to execution of a confidentiality and standstill agreement in favour of UEG that is substantially similar to the confidentiality agreement entered into between UEG and Energy Savings (provided that such confidentiality agreement shall provide for disclosure thereof (along with all information provided thereunder) to ESIF, OESC and AcquisitionCo as provided in the Arrangement Agreement), may furnish to such third party information concerning UEG and its business, properties and assets, in each case if, and only to the extent that: (A) the third party has first made a written bona fide Acquisition Proposal which the Board of Directors of UEG determines in good faith: (1) that the funds or other consideration necessary to complete the Acquisition Proposal are, or are reasonably likely to be, available to fund the completion of the Acquisition

Proposal at the time and on the basis set out therein; (2) after consultation with its financial advisor, would, or would reasonably be likely to, if consummated in accordance with its terms, result in a transaction financially superior for shareholders of UEG than the transaction contemplated by the Arrangement Agreement; (3) after consultation with its financial advisor and outside counsel, is reasonably likely to be consummated at the time and on the terms proposed, taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal; and (4) after receipt of advice from UEG's outside legal counsel, which is reflected in minutes of the Board of Directors of UEG, that failure to take such action would be inconsistent with its fiduciary duties under applicable laws (a "**Superior Proposal**"); and (B) prior to furnishing such information to or entering into or participating in any such discussions or negotiations with such third party, UEG provides prompt notice to ESIF, OESC and AcquisitionCo to the effect that it is furnishing information to or entering into or participating in discussions or negotiations with such person together with a copy of the confidentiality and standstill agreement referenced above and, if not previously provided to ESIF, OESC and AcquisitionCo, copies of all information provided to such third party concurrently with the provision of such information to such third party, and provided further that UEG shall notify ESIF, OESC and AcquisitionCo orally as soon as practicable and in writing within 24 hours of the receipt thereof, of any inquiries, offers or proposals received after the date of the Arrangement Agreement that would reasonably be expected to lead to a Superior Proposal (which written notice shall include, without limitation, a copy of any such proposal and any amendments or supplements thereto, the identity of the person making it, copies of all information provided to such party (if not previously provided to ESIF, OESC and AcquisitionCo), and all other information reasonably requested by ESIF, OESC and AcquisitionCo), and UEG shall keep ESIF, OESC and AcquisitionCo informed of the status and details of any such inquiry, offer or proposal and answer ESIF's, OESC's and AcquisitionCo's reasonable questions with respect thereto;

- (ii) comply with Multilateral Instrument 62-104 and other applicable securities laws relating to the provision of directors' circulars, information circulars or other disclosure documents and otherwise make appropriate disclosure with respect thereto to its securityholders; and
- (iii) accept, recommend, approve or enter into an agreement to implement a Superior Proposal from a third party, but only if prior to such acceptance, recommendation, approval or implementation, the Board of Directors of UEG shall have concluded in good faith, after considering all proposals to adjust the terms and conditions of the Arrangement Agreement pursuant to ESIF's "right to match" described below and after receiving advice from UEG's outside legal counsel, which is reflected in minutes of the Board of Directors of UEG, that failure to take such action would be inconsistent with its fiduciary duties under applicable laws, and UEG complies with its obligations described under "Right to Match" below and terminates the Arrangement Agreement and pays the amount described under "Termination Fees" below.

Right to Match

Following receipt of a Superior Proposal, UEG has agreed to give ESIF, OESC and AcquisitionCo, orally and in writing, a period of time ending at 5:00 p.m. (Toronto time) on the fifth business day following the date on which such notice is provided (such applicable time period, or such longer period as may be provided by UEG, is referred to as the "**Notice Period**"), of any decision by the Board of Directors of UEG to accept, recommend, approve or enter into an agreement to implement a Superior Proposal, which notice shall confirm that the Board of Directors of UEG has determined that such Acquisition Proposal constitutes a Superior Proposal, shall identify the third party making the Superior Proposal, and shall provide a true and complete copy of such Superior Proposal (including all related financing documents) and any amendments thereto. During such Notice Period, UEG has agreed not to accept, recommend, approve or enter into any agreement to implement such Superior Proposal and not to release the party making the Superior Proposal from any standstill provisions and shall not withdraw, redefine, modify or change its recommendation in respect of the Arrangement. In addition, during such Notice Period UEG shall, and shall cause its financial and legal advisors to, negotiate in good faith with ESIF and its financial and legal advisors to make such adjustments in the terms and conditions of the Arrangement Agreement and the Arrangement as would enable UEG to proceed with the Arrangement as amended rather than the Superior Proposal. In the event ESIF, OESC and AcquisitionCo propose to amend the Arrangement Agreement and the Arrangement to provide UEG shareholders with a value per UEG Share that the Board of Directors of UEG determines in good faith after consultation with its financial advisor to be equal to or having a value greater than the value per UEG Share provided in the Superior Proposal and so advises the Board of Directors of UEG prior to the expiry of such Notice Period, the Board of Directors of UEG has agreed not to accept, recommend, approve or enter into any agreement to implement such Superior Proposal, not to release the party making the Superior Proposal from any standstill provisions and not to withdraw, redefine, modify or change its recommendation in respect of the Arrangement, and UEG shall enter into an amended version of the Arrangement Agreement with ESIF, OESC and AcquisitionCo to give effect to such amendment. In the event that UEG provides the notice contemplated above on a date that is less than five business days prior to the UEG Meeting, ESIF, OESC and AcquisitionCo shall be entitled to require UEG to adjourn or postpone the UEG Meeting to a date that is not more than ten business days after the date of such notice. The Board of Directors of UEG has also agreed to promptly reaffirm its recommendation of the Arrangement by press release after: (i) any Acquisition Proposal (which is determined not to be a Superior Proposal) is publicly announced or made; or (ii) the Board of Directors of UEG determines that a proposed amendment to the terms of the Arrangement and the Arrangement Agreement would result in an Acquisition Proposal no longer being a Superior Proposal.

Termination Fees

If at any time after the execution of the Arrangement Agreement and prior to its termination:

- (a) the UEG Board of Directors has withdrawn, modified, qualified or changed any of its recommendations or determinations referred to in the Arrangement Agreement in a manner adverse to ESIF or shall have resolved to do so prior to the effective date of the Arrangement, or has failed to publicly reconfirm any such recommendation within five business days after receiving the written request of ESIF to do so (unless ESIF is then in material breach of its obligations under the Arrangement Agreement and such withdrawal, modification, qualification, change or failure relates to such breach);

- (b) a *bona fide* Acquisition Proposal is publicly announced, proposed, offered or made to the UEG shareholders or to UEG, or any person shall have publicly announced an intention to make a *bona fide* Acquisition Proposal in respect of UEG, and after such Acquisition Proposal shall have been made known, made or announced, the UEG shareholders do not approve the Arrangement or the Arrangement is not submitted for their approval, and (whether prior to or following the termination of the Arrangement Agreement) such Acquisition Proposal, an amended version thereof or any other Acquisition Proposal relating to UEG is consummated within 12 months of the date the first Acquisition Proposal is publicly announced, proposed, offered or made;
- (c) UEG or the Board of Directors of UEG (as applicable) accepts, recommends, approves or enters into an agreement to implement a Superior Proposal; or
- (d) UEG is in breach of any of its covenants or obligations made in the Arrangement Agreement, which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Change (as defined in the Arrangement Agreement) with respect to UEG or materially impedes or would reasonably be expected to materially impede the completion of the Arrangement, and UEG fails to cure such breach within five business days after receipt of written notice thereof from ESIF (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond July 31, 2009 (or such other date as is determined in accordance with the Arrangement Agreement));

(each of the above being an "**ESIF Damages Event**"), then in the event of the termination of the Arrangement Agreement as a result thereof, UEG has agreed to pay to ESIF \$7.5 million as liquidated damages in immediately available funds to an account designated by ESIF within one business day after the first to occur of the events described above, and after such event but prior to payment of such amount, UEG shall be deemed to hold such funds in trust for ESIF; provided that in the case of an ESIF Damages Event as contemplated by paragraph (c) above, such payment shall be made by UEG to ESIF concurrently with the acceptance, recommendation, approval or entering into of such Superior Proposal by UEG or the Board of Directors of UEG, as applicable.

In the event that prior to the termination of the Arrangement Agreement a *bona fide* Acquisition Proposal is publicly announced, proposed, offered or made to UEG shareholders or to UEG, or any person shall have publicly announced an intention to make a *bona fide* Acquisition Proposal in respect of UEG, and after such Acquisition Proposal shall have been made known, made or announced, UEG shareholders do not approve the Arrangement or the Arrangement is not submitted for their approval, and (whether prior to or following the termination of the Arrangement Agreement) such Acquisition Proposal, an amended version thereof or any other Acquisition Proposal relating to UEG is not consummated within 12 months of the date the first Acquisition Proposal is publicly announced, proposed, offered or made, then UEG shall pay to ESIF \$2.5 million in full satisfaction of, and as a fixed amount for reimbursement of, all expenses, including all third party expenses and costs, of ESIF, OESC and AcquisitionCo in relation to the Arrangement.

If the Arrangement Agreement is terminated by ESIF, OESC and AcquisitionCo because of the failure of the condition contained in Section 5.2(c) of the Arrangement Agreement and no ESIF Damages Event has occurred which entitles ESIF, OESC and AcquisitionCo to the payment of the \$7.5 million fee specified above, then UEG shall upon such termination and in any event

within one business day of receiving from ESIF, OESC and AcquisitionCo written notice of termination, pay to ESIF, OESC and AcquisitionCo the amount of \$2.5 million in the aggregate.

If the Arrangement Agreement is terminated by UEG because of the failure of the condition in Section 5.3(b) of the Arrangement Agreement and no ESIF Damages Event has occurred which entitles ESIF, OESC and AcquisitionCo to the payment of the \$7.5 million fee specified above, then ESIF, OESC and AcquisitionCo shall upon such termination and in any event within one business day of receiving from UEG written notice of termination, pay to UEG the amount of \$2.5 million in the aggregate.

Termination

The Arrangement Agreement may be terminated at any time prior to the effective date of the Arrangement:

- (a) by mutual written consent of ESIF, OESC, AcquisitionCo and UEG;
- (b) if any of the conditions precedent set forth in the Arrangement Agreement shall not be complied with or waived by the party or parties for whose benefit such conditions are provided on or before the date required for the performance thereof, then a party for whose benefit the condition precedent is provided may rescind and terminate the Arrangement Agreement, provided that the party seeking termination is not then in breach of the Arrangement Agreement so as to cause any of the conditions set forth therein not to be satisfied;
- (c) by ESIF, OESC and AcquisitionCo upon the occurrence of an ESIF Damages Event; and
- (d) by UEG upon the occurrence of an ESIF Damages Event as described in paragraph (c) under "Termination Fees" above (carried out in accordance with UEG's non-solicitation covenants described in paragraph (iii) under "Non-Solicitation Provisions" above and in compliance with UEG's obligation to provide ESIF with a right to match as described above) and the payment by UEG to ESIF of \$7.5 million.

Forward-Looking Statements

This material change report contains forward-looking statements concerning completion of the proposed Arrangement. These statements are based on the current expectations of OESC's management but are subject to known and unknown risks and uncertainties that could cause actual events to differ from those anticipated in the forward looking statements. In particular, closing of the proposed transaction is subject to certain conditions, including approval of UEG shareholders, compliance with the *Competition Act*, approval of Energy Savings' lenders and satisfaction of other customary approvals including regulatory, stock exchange and court approvals, some of which are beyond Energy Savings' control.

5.2 ***Disclosure for Restructuring Transactions***

Not applicable.

6. **Reliance on Subsection 7.1(2) of National Instrument 51-102:**

Not applicable.

7. **Omitted Information:**

None.

8. **Executive Officers:**

Rebecca MacDonald, Executive Chair of OESC ((416) 367-2872), Ken Hartwick, Chief Executive Officer and President of OESC ((905) 795-3557) and Beth Summers, Chief Financial Officer of OESC ((905) 795-4206), is knowledgeable about the material change that is the subject of this report.

9. **Date of Report:**

May 1, 2009.