FORM 27

MATERIAL CHANGE REPORT

1. **Reporting Issuer:**

   Western Star Trucks Holdings Ltd.
   2076 Enterprise Way
   Kelowna, British Columbia
   V1Y 6H8

2. **Date of Material Change:**

   January 30, 2000

3. **Press Release:**

   Date of Issuance: January 30, 2000
   Place of Issuance: Kelowna, BC

4. **Summary of Material Change:**

   Western Star Trucks Holdings Ltd. ("Western Star") has reached an agreement for the sale of its UK truck subsidiary, ERF (Holdings) plc ("ERF") to MAN Aktiengesellschaft ("MAN") for proceeds of approximately £65 million (C$156 million). In addition, MAN will assume ERF's indebtedness of £45 million (C$108 million) of which approximately £23 million (C$55 million) represents intercompany debt to be repaid to Western Star on closing. This results in an enterprise value of approximately £110 million (C$264 million), or the equivalent of 10.5 times ERF's most recent 12 month EBITDA.

   In a separate transaction Western Star will purchase MAN's Australian subsidiary, MAN Automotive (Australia) Pty. Limited ("MAN Australia"), for book value of approximately AUD$1 million. Western Star will also assume indebtedness of MAN Australia, largely represented by vehicle and component inventory, of which up to AUD$20 million is payable at closing and the balance is on payment terms of up to 24 months.

5. **<u>Full Description of the Material Change</u>:**

Western Star has reached an agreement for the sale of its UK truck subsidiary, ERF, to MAN for proceeds of approximately £65 million (C$156 million). Western Star will receive £1.8 million by way of a pre-closing dividend and approximately £63.5 million as a closing payment. The closing payment is subject to adjustment on the basis of a physical inventory count with respect to ERF's after-market parts, tooling and tangible fixed assets to be conducted prior to the closing. In addition, MAN will assume ERF's indebtedness of £45 million (C$108 million) of which approximately £23 million (C$55 million) represents intercompany debt to be repaid to Western Star on closing. After closing, Western Star is prohibited from competing in the "cab-over" segment of the truck market in Europe for a period of 3 years.

In a separate transaction Western Star will purchase MAN's Australian subsidiary, MAN Australia, for its book value of approximately AUD$1 million. Western Star will also assume indebtedness of MAN Australia, largely represented by vehicle and component inventory, of which up to AUD$20 million is payable at closing and the balance is on payment terms of up to 24 months. The amount of indebtedness to be assumed, and the payment terms in respect of that indebtedness, are subject to adjustment or determination on the basis of a physical inventory count with respect to MAN Australia's vehicle and component inventory to be conducted prior to the closing. After closing MAN Australia is entitled to be the exclusive importer of MAN's vehicles in Australia, New Zealand and Papua New Guinea for a period of ten years.

Western Star believes the European heavy-duty truck industry will continue to consolidate. ERF will now be positioned to benefit from increased asset utilization, better access to European markets and various synergies with MAN.

The acquisition of MAN Australia will further increase Western Star's presence in the Australian and New Zealand markets.

These transactions will allow Western Star to continue to maximize shareholder value through internal growth of its North American & Australasian operations as well as actively pursue acquisitions of other companies. Western Star will have a significantly improved cash position and a stronger balance sheet.

Both transactions are expected to be completed during the current quarter, subject to receipt of regulatory approval, confirmation of certain purchase price adjustments and usual closing conditions, including approval of MAN's Supervisory Board. Bunting Warburg Dillon Read acted as financial advisor to Western Star on this transaction.

Sale of ERF

Western Star was initially approached by a third party who was interested in purchasing ERF. This approach was driven by the fact that several companies active in the European commercial vehicle market are in a phase of consolidation. Western Star compared

MAN's offer to the returns expected by keeping ERF, which showed the offer to be a good alternative and it is management's belief the offer put forward by MAN is a better way to maximize shareholder value. MAN was willing to pay a premium for ERF due to the synergies that MAN expects to obtain through its ownership.

ERF is at a stage where in order to maximize its full business potential, it needs to find ways to fully utilize its assets. ERF currently runs at about 65% plant utilization. Growth in the European market is one way to achieve full plant utilization and Western Star would have to put significant time and resources into ERF to make this work. MAN will be able to take advantage of ERF's surplus capacity.

MAN, which currently has approximately 8% market share in the UK as well as extensive operations in Europe, will be able to realize significant synergies with ERF. Combined with ERF, MAN will have approximately 16% market share in the UK. It is MAN's intent to run ERF as a separate subsidiary and brand name.

Purchase of MAN Australia

In addition to the sale of ERF, Western Star will be acquiring the shares of MAN's Australian operations. The acquisition of MAN Australia will further increase Western Star's presence in the Australian and New Zealand markets with the addition of a number of MAN's products.

MAN has had difficulty running a successful import operation in Australia. Western Star will rationalize MAN Australia's operation and reduce operating costs by leveraging Western Star's existing distribution business.

The costs of rationalization will be borne almost entirely by MAN. MAN will continue to manufacture and ship product to Australia and leave the distribution requirements for Western Star to manage.

MAN has a dealer network of 30 parts and service dealers in Australia and 12 in New Zealand with a product range including Class 5 to 8 cab-over trucks, bus and coach chassis, intra-city buses and inter-state coaches. MAN Australia also benefits from the sale of high margin, proprietary after-market parts.

In essence the arrangement with MAN Australia is the importation of fully assembled trucks, CKD buses and related after market parts.

With the net proceeds from these transactions, Western Star will have a significantly improved cash position and stronger balance sheet and therefore is poised to grow further in the future. It is currently assessing acquisition opportunities that will allow it to expand its presence in North America.

Pre-Closing requirements

Prior to closing the transaction, there are various conditions which must be satisfied, including: approval of MAN's supervisory board, approval of Western Star's revolving credit facility syndicate, EU competition approval, Australian Foreign Investment Review Board (FIRB) approval, and completion of the various pre-closing physical inventory counts.

6. **Reliance on Confidentiality Provisions of the Act:**

Not applicable.

7. **Omitted Information:**

Not applicable.

8. **Senior Officers:**

For further information contact:

David Burke, Chief Financial Officer at (250) 860-3319

9. **Statement of Senior Officer:**

The foregoing accurately discloses the material change referred to herein.

DATED at Kelowna, British Columbia, this 9th day of February, 2000.

David L. Burke
Executive Vice President,
Chief Financial Officer