

## MATERIAL CHANGE REPORT

1. **Reporting Issuer:**

Direct Energy ("Direct Energy")  
1000, 111 - 5th Avenue S.W.  
Calgary, Alberta  
T2P 3Y6

2. **Date of Material Change:**

July 5, 2000

3. **News Release**

A press release disclosing the details outlined in this Material Change Report was issued by Direct Energy from Calgary, Alberta on July 6, 2000 and disseminated through the facilities of Canada NewsWire and would have been received by the securities commissions where Direct Energy is a "reporting issuer" (being those commissions in each of the Provinces of Canada) and The Toronto Stock Exchange (the "Exchange"), the stock exchange on which the securities of Direct Energy are listed and posted for trading, in the normal course of its dissemination.

4. **Summary of Material Change:**

Direct Energy has entered into an amended and restated agreement (the "Purchase Agreement") with 3742245 Canada Ltd. ("3742245") and GB Gas Holdings Limited ("GB Holdings"), both subsidiaries of Centrica plc., whereby Direct Energy has agreed to sell (the "Sale Transaction") to 3742245 for a cash purchase price, of approximately \$792 million, subject to adjustment in accordance with the Purchase Agreement, all of its assets, namely the equity and debt securities of Direct Energy's subsidiaries, Direct Energy Marketing Limited ("DEML") and Alliance Gas Management Inc. ("Alliance"). In a related transaction, 3742245 has agreed to acquire (the "NGW Purchase") certain assets and assume certain liabilities of DEML's primary marketing agent, NGW Natural Gas Wholesalers Inc. ("NGW"). The purchase of the equity and debt securities of DEML, and the assumption of all DEML's debt in addition to the NGW Purchase result in the total cost of both transactions being in aggregate approximately \$912 million.

Upon completion of the Sale Transaction, it is proposed that Direct Energy will be terminated and all assets (cash) net of liabilities, will be distributed to unitholders ("Unitholders") of Direct Energy. All consideration shall be held in escrow until such time as the Fund and wholly-owned Gas Management Income Fund ("GMIF") are terminated. The distribution amount is expected to be \$28.00 in cash per trust unit (together with \$0.25 in payment of the August 2000 distribution). The Fund has obtained orders from the Court of Queen's Bench of Alberta establishing a claims process in order to provide for certainty in respect of the identification of creditors and the amounts of their claims and to provide a procedure for dealing with disputed claims, in the event disputed claims arise.

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

Direct Energy has entered into the Purchase Agreement with 3742245 and GB Holdings, both subsidiaries of Centrica plc., whereby Direct Energy has agreed to the Sale Transaction for a cash purchase price, of approximately \$792 million, subject to adjustment in accordance with the Purchase Agreement, all of its assets, namely the equity and debt securities of DEML and Alliance. In a related transaction, 3742245 has agreed to the NGW Purchase and will acquire certain assets and assume certain liabilities of NGW. The purchase of the equity and debt securities of DEML and the assumption of all DEML's debt as well as the NGW Purchase result in the total cost of both transactions being in aggregate approximately \$912 million.

Upon completion of the Sale Transaction, it is proposed that Direct Energy will be terminated and all assets (cash) net of liabilities, will be distributed to Unitholders. All consideration shall be held in escrow until such time as the Fund and wholly-owned GMIF are terminated. The distribution amount is expected to be \$28.00 in cash per trust unit (together with \$0.25 in payment of the August 2000 distribution). The Fund has obtained orders from the Court of Queen's Bench of Alberta establishing a claims process in order to provide for certainty in respect of the identification of creditors and the amounts of their claims and to provide a procedure for dealing with disputed claims, in the event disputed claims arise.

The Sale Transaction is conditional upon, among other things, the receipt of all necessary regulatory approvals prior to the closing time, the approval of 66 2/3% of Unitholders who vote at the special meeting of Unitholders, which is scheduled for August 18, 2000. The Sale Transaction is also conditional on the concurrent closing of the NGW Purchase.

This Sale Transaction has received unanimous the approval of Direct Energy's board of trustees and DEML's board of directors, who have unanimously recommended that the Unitholders vote in favour of the Sale Transaction. National Bank Financial Inc. is advising the DEML board of directors and the trustees of Direct Energy and has provided an opinion to the trustees and the board that the Sale Transaction is fair to Direct Energy's unitholders, from a financial point of view.

Direct Energy has agreed to pay 3742245 a non-completion fee of \$40 million in certain circumstances and a reimbursement fee of \$5 million in the event that the sale is not completed for certain other reasons. Direct Energy has also agreed to certain non-solicitation provisions regarding acquisition proposals, however, Direct Energy may respond to a *bona fide* superior acquisition proposal, subject to complying with certain conditions.

6. **Reliance on Confidentiality Provision:**

Not Applicable

7. **Omitted Information:**

Not Applicable

8. **Senior Officer:**

For further information, please contact Gary J. Drummond, Louis R. Dufresne, or R. Bradley Hurtubise at the above-mentioned address or at (403) 266-6393.

9. **Statement of Senior Officer:**

The foregoing accurately discloses the material change referred to in this report.

DATED July 14, 2000.

*(Signed)* "R. Owen Mitchell"

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R. Owen Mitchell  
Trustee  
Direct Energy

cc: The Toronto Stock Exchange

**SCHEDULE "A"**  
**Purchase Agreement**