

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

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

CCS Income Trust  
24<sup>th</sup> Floor, 530 – 8<sup>th</sup> Avenue SW  
Calgary, Alberta T2P 3S8

**2. Date of Material Change:**

June 29, 2007

**3. News Release:**

CCS Income Trust ("**CCS**" or the "**Trust**") issued a news release through Canada NewsWire on June 29, 2007 with respect to a material change. A copy of that news release is attached to this material change report as Schedule "A".

**4. Summary of Material Change:**

On June 29, 2007, CCS announced that it had entered into a definitive agreement for a going private transaction with an investor group led by Mr. David Werklund, the Founder, President and Chief Executive Officer of CCS, and which includes CAI Partners, Goldman Sachs Partners, Kelso & Company, Vestar Capital Partners, Her Majesty the Queen in Right of the Province of Alberta as represented by the Minister of Finance (Alberta Investment Management), British Columbia Investment Management Corporation and O.S.S. Capital Management L.P (collectively, the "**Investor Group**") to acquire all of the assets of the Trust for a consideration of CDN\$46.00 per unit or equivalent per exchangeable share (other than Mr. Werklund who will accept CDN\$45.50 per unit or exchangeable share equivalent).

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

On June 29, 2007, CCS announced that it had entered into a definitive agreement (available on SEDAR) for a going private transaction with the Investor Group.

Through a series of transactions, a company controlled by the Investor Group will acquire all the assets of CCS and each securityholder of CCS will receive CDN\$46.00 per trust unit or the equivalent amount per exchangeable share based on the applicable exchange ratio (other than Mr. Werklund, who has agreed to accept CDN\$45.50 for each trust unit sold by him for cash).

Non-resident unitholders of the Trust may elect to have their trust units directly acquired for cash by the acquisition vehicle.

The transaction has been unanimously approved by the board of directors of CCS Inc. (with interested and non-independent directors abstaining) following receipt of the unanimous recommendation of an Independent Committee of directors of CCS Inc.

The Independent Committee was advised jointly by Raymond James Ltd., as an independent financial advisor, and FirstEnergy Capital Corp., as an independent financial advisor and which, in addition, was engaged to provide a formal valuation of the trust units and exchangeable shares. The Independent Committee has received verbal fairness opinions from each of Raymond James Ltd. and FirstEnergy Capital Corp. that the consideration which the holders of trust units and

exchangeable shares will receive under the transaction is fair, from a financial point of view, to such holders (other than Mr. Werklund and any other "related parties", "interested parties" and "joint actors"). Copies of the Raymond James Ltd. and the FirstEnergy Capital Corp. fairness opinions and FirstEnergy Capital Corp. formal valuation will be included in the management information circular that will be mailed to CCS unitholders and exchangeable shareholders for a special joint meeting of unitholders and exchangeable shareholders to approve the proposed transaction.

To be implemented, the proposed transaction will require approval by:

- (a) two-thirds of the votes of the holders of trust units and exchangeable shares (voting through special voting rights);
- (b) two-thirds of the votes of the holders of exchangeable shares of CCS Inc.; and
- (c) a simple majority of votes cast by holders of trust units and exchangeable shares (voting together with the trust units), other than Mr. Werklund, Mr. Vivian and any other "related parties", "interested parties" and "joint actors".

Mr. Werklund, Mr. Gordon Vivian and O.S.S. Capital Management L.P. have agreed to vote all of their exchangeable shares and trust units (as applicable), representing in aggregate 95.14% and 12.42% (27.07% when Mr. Werklund and Mr. Vivian's exchangeable shares are voted together with the trust units), respectively, of the issued and outstanding exchangeable shares and trust units to approve the proposed transaction. The transaction is subject to certain required regulatory approvals in both Canada and the United States, including pursuant to the *Investment Canada Act* (Canada), the *Competition Act* (Canada), the *Foreign Ownership of Land Regulations* (Alberta) and the *Hart-Scott-Rodino Antitrust Improvements Act of 1976* (US), and satisfaction of other closing conditions.

The Trust has agreed not to initiate any inquiries or proposals from any third party regarding an acquisition proposal involving the Trust but has retained the ability to facilitate a competing proposal not initiated by it which the board of directors believes may lead to a superior proposal. The Trust must provide the Investor Group with notice of any such competing proposal together with the general nature of the proposal but not the identity of the party making the proposal or the value of the competing proposal. The agreement does not provide the Investor Group with a right to match but does provide the Investor Group with the right to propose amendments to the terms of the proposed transaction during a three business day period following notice of a competing proposal.

The agreement contains a mutual break fee of 2% of the total equity value of the proposed transaction which is payable by one party to the other under certain circumstances if the proposed transaction is not completed.

Registered holders of trust units have been given a contractual right to dissent in respect of the proposed transaction. As well, registered holders of exchangeable shares will be entitled to dissent under the *Business Corporations Act* (Alberta) in respect of the proposed transaction.

The Trust has been advised that the Investor Group has arranged commitment letters for the debt and equity necessary to fully finance the proposed transaction, which letters are conditional upon, among other things, no material adverse change occurring in CCS prior to closing.

Mr. Werklund will be President and Chief Executive Officer and will remain involved in all aspects of the business and operations of the going forward company, which will continue to carry on business under the name "CCS Inc.". Mr. Werklund will contribute, directly or indirectly, approximately 60% of his entire equity interest in the Trust and CCS Inc. for securities of the acquisition vehicle and will sell the remaining 40% of his equity interest in the Trust pursuant to the transaction. This reinvestment has a value of approximately CDN\$500 million based on the transaction price. Mr. Gordon Vivian, an officer of CCS Inc., will also contribute approximately 70% of his equity interest in the Trust and CCS Inc. for securities of the acquisition vehicle and will sell the remaining 30% of his equity investment in the Trust pursuant to the transaction. Following completion of the transaction, Mr. Werklund will be the single largest shareholder of the acquisition vehicle holding an approximate 27.5% equity interest, with the balance owned primarily by the other members of the Investor Group.

Upon successful completion of the transaction, Mr. Naveen Dargan, a current director of CCS Inc. (who recused himself from the Independent Committee and from voting on the transaction as a director) is entitled to receive a success fee from Mr. Werklund in the amount of CDN\$4 million in consideration for acting as Mr. Werklund's financial advisor with respect to the proposed transaction. Mr. Dargan has also agreed to serve as a director of the going forward company.

**6. Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102:**

Not applicable.

**7. Omitted Information:**

Not applicable.

**8. Executive Officer:**

Any inquiries with respect to this material change report or the proposed transaction described in this material change report should be made to:

Marshall L. McRae  
 Chief Financial Officer  
 CCS Income Trust  
 24<sup>th</sup> Floor, 530 – 8<sup>th</sup> Avenue SW  
 Calgary, Alberta T2P 3S8  
 Tel: (403) 231-1103  
 Fax: (403) 261-5612

**9. Date of Report:**

July 6, 2007

**CCS INCOME TRUST, by its Manager, CCS INC.**

(signed) "Blaine Melnyk"  
 Blaine Melnyk  
 General Counsel and Corporate Secretary

**SCHEDULE "A"**

**NEWS RELEASE**



**NEWS RELEASE**

**CCS INCOME TRUST TO BE ACQUIRED BY CEO-LED INVESTOR  
GROUP FOR APPROXIMATELY \$3.5 BILLION**

**CCS SECURITYHOLDERS TO RECEIVE \$46.00 PER UNIT**

**NOT FOR DISTRIBUTION TO UNITED STATES NEWSWIRE SERVICES OR FOR  
DISSEMINATION IN THE UNITED STATES**

**Calgary, Alberta; June 29, 2007** – CCS Income Trust (TSX: CCR.UN) ("CCS" or the "Trust") is pleased to announce that it has entered a definitive agreement for a going private transaction with an investor group led by Mr. David Werklund, the Founder, President and Chief Executive Officer of CCS, and which includes CAI Capital Partners, Goldman Sachs Capital Partners, Kelso & Company, Vestar Capital Partners, British Columbia Investment Management Corporation and O.S.S. Capital Management L.P.

Through a series of transactions, a company controlled by the investor group will acquire all the assets of CCS and each securityholder of CCS will receive \$46.00 per trust unit or the equivalent amount per exchangeable share based on the applicable exchange ratio (other than Mr. Werklund, who has agreed to accept \$45.50 for each trust unit sold by him). Non-resident unitholders of the Trust may elect to have their trust units directly acquired for cash by the acquisition vehicle.

The consideration to be received by CCS securityholders represents a 21.4% premium to the June 28, 2007 closing price of the trust units on the Toronto Stock Exchange. The transaction has been approved unanimously by the board of directors of CCS (with interested and non-independent directors abstaining) following receipt of the unanimous recommendation of an Independent Committee of directors of CCS Inc.

"This transaction provides significant value and liquidity to our unitholders, as well as continuity and opportunity for all of our employees," said Mr. Werklund. "CCS will continue to be a people-first organization with a sharp focus on customer service, performance excellence and innovative thinking."

The Independent Committee was advised jointly by Raymond James Ltd., as an independent financial advisor, and FirstEnergy Capital Corp., as an independent financial advisor and which, in addition, was engaged to provide a formal valuation of the trust units and exchangeable shares. The Independent Committee has received verbal fairness opinions from each of Raymond James Ltd. and FirstEnergy Capital Corp. that the consideration which the holders of trust units and exchangeable shares will receive under the transaction is fair, from a financial point of view, to such holders (other than Mr. Werklund and

any other "related parties", "interested parties" and "joint actors"). Copies of the Raymond James Ltd. and the FirstEnergy Capital Corp. fairness opinions and FirstEnergy Capital Corp. formal valuation, factors considered by the Independent Committee and the CCS Board and other relevant background information will be included in the management information circular that will be mailed to CCS unitholders and exchangeable shareholders for a special meeting of unitholders and exchangeable shareholders (anticipated to be held in early September 2007) to approve the proposed transaction.

To be implemented, the proposed transaction will require approval by two-thirds of the votes of the holders of trust units and exchangeable shares (voting through special voting rights), and two-thirds of the votes of the holders of exchangeable shares of CCS Inc. Mr. Werklund, Mr. Gordon Vivian and O.S.S. Capital Management L.P. have agreed to vote all of their exchangeable shares and trust units (as applicable) representing in aggregate 95.14% and 12.40%, respectively, of the issued and outstanding exchangeable shares and trust units to approve the proposed transaction. The transaction will also require approval by a simple majority of votes cast by holders of trust units and exchangeable shares (voting together with the trust units), other than Mr. Werklund, Mr. Vivian and any other "related parties", "interested parties" and "joint actors". The transaction is subject to certain required regulatory approvals in both Canada and the United States and satisfaction of other customary closing conditions. The Trust has agreed not to initiate any inquiries or proposals from any third party regarding an acquisition proposal involving the Trust but has retained the ability to facilitate a competing proposal not initiated by it which the board of directors believes may lead to a superior proposal. The agreement contains a mutual break fee of 2% of the total equity value of the proposed transaction which is payable under certain circumstances if the proposed transaction is not completed.

CCS unitholders will continue to receive distributions for all months ending prior to the month in which closing of the transaction occurs and a pro rata share of the distribution for the month in which closing of the transaction occurs.

Mr. Werklund will be President and Chief Executive Officer and will remain involved in all aspects of the business and operations of the going forward company. Mr. Werklund will contribute, directly or indirectly, approximately 60% of his entire equity interest in the Trust and CCS Inc. for securities of the acquisition vehicle and will sell the remaining 40% of his equity interest in the Trust pursuant to the transaction. This reinvestment has a value of approximately \$500 million based on the current transaction price. Following completion of the transaction, Mr. Werklund will be the single largest shareholder of the acquisition vehicle which will continue to carry on business under the name "CCS Inc." and be majority owned by Canadian residents. Mr. Gordon Vivian, an officer of CCS Inc., will also contribute approximately 70% of his equity interest in the Trust and CCS Inc. for securities of the acquisition vehicle and will sell the remaining 30% of his equity investment in the Trust pursuant to the transaction.

It is anticipated that the transaction, if approved by the CCS securityholders, will be completed in the fourth quarter of 2007.

### **Advisors**

Mr. Naveen Dargan, a current director of CCS (who recused himself from the Independent Committee and from voting on the transaction) is acting as financial advisor to Mr. Werklund. Mr. Dargan has also agreed to serve as a director of the newly formed company.

Goldman Sachs is acting as financial advisor to the investor group (other than Mr. Werklund).

Burnet, Duckworth & Palmer LLP is acting as legal counsel to Messrs. Werklund and Dargan and Felesky Flynn LLP is acting as tax counsel to Mr. Werklund. Stikeman Elliott LLP and Debevoise & Plimpton LLP are acting as legal counsel to the other members of the investor group.

Raymond James Ltd. and FirstEnergy Capital Corp. are acting as independent financial advisors to the Independent Committee. Macleod Dixon LLP and Paul, Weiss, Rifkind, Wharton and Garrison LLP are acting as independent legal counsel to the Independent Committee.

### **About CCS Income Trust**

CCS Income Trust is a recognized industry leader providing integrated and environmentally responsible services to upstream and downstream oil and gas companies in Canada and the U.S. Headquartered in Calgary, Alberta, CCS has almost 3,000 employees and provides a diverse number of services across four divisions. CCS Midstream Services provides oilfield waste treatment, recovery and disposal through a network of facilities across western Canada and in the United States. CCS Energy Marketing provides crude oil and condensate marketing services. HAZCO Environmental Services offers integrated remediation, waste management and decommissioning solutions including the operation of engineered landfills throughout Canada. Concord Well Servicing manages well completions, workovers and abandonments with a fleet of 140 rigs. Additional integrated services include NORM management, regulatory compliance expertise, inactive well management, well and pipeline abandonments, oilfield equipment rental, metals recycling and geotechnical and environmental drilling.

### **For additional information contact:**

#### **Investors**

David Werklund  
President and Chief Executive Officer  
CCS Income Trust  
Phone: (403) 233-7565

Marshall McRae  
Chief Financial Officer  
CCS Income Trust  
Phone: (403) 231-1103

#### **Media**

David Ryan  
Longview Communications  
Phone: (604) 562-5895

Shauna Lowry  
Corporate Communications Manager  
Phone: (403) 231-1127

### **Forward-looking statements**

This news release contains "forward-looking statements" within the meaning of applicable securities laws relating to the proposal to take the Trust private, including statements regarding the terms and conditions of the proposed transaction, and receipt of distributions of the Trust. Readers are cautioned not to place undue reliance on forward-looking statements. Actual results and developments may differ materially from those contemplated by these statements depending on, among other things, the risks that the parties will not proceed with a transaction, that the ultimate terms of the transaction will differ from those that currently are contemplated, and that the transaction will not be successfully completed for any reason (including the failure to obtain the required approvals or clearances from regulatory authorities). The statements in this news release are made as of the date of this release. We undertake no obligation to comment on analyses, expectations or statements made by third parties in respect of the Trust, its financial or operating results or its securities