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January 8, 2009

Ms. Reneé Jenkins
Secretary
Public Utilities Commission of Ohio
180 E. Broad Street
Columbus, OH 43215-3793

Re: Case No. 02-1828-GA-CRS
Commerce Energy, Inc. dba Commerce Energy of Ohio, Inc.
Notice of Material Change

Dear Ms. Jenkins:

Pursuant to Rule 4901:1-27-10 of the Ohio Administrative Code, Commerce Energy, Inc. dba Commerce Energy of Ohio ("Commerce Energy") is notifying the Commission of a material change due to a change in ownership.

Effective on December 11, 2008, in connection with a Section 9-620 of the Uniform Commercial Code transaction, Commerce Energy is now owned by Commerce Gas and Electric Corporation a wholly owned subsidiary of Universal Energy Group, Ltd. The shares of Commerce Energy were acquired by Universal Energy Group Ltd. from Commerce Energy Group, Inc., on December 11, 2008. In addition, the list of regulatory contacts has been updated.

Attached to this letter is:

a) An updated list of regulatory contacts for Commerce Energy that updates Exhibit A-5 of the August 14, 2008 Renewal Certificate Application in Case No. 02-1828-GA-CRS.

b) A copy of form 8-K/A for the Commerce Energy Group Inc. – EGR filed on December 15, 2008 as an amendment to a previously filed form 8-K filed with the Securities and Exchange Commission. This updates Exhibit C-2 which was filed on August 14, 2008 as part of the renewal certificate application is Case No. 02-1828-GA-CRS.

c) A document entitled "Annual Information Form Universal Energy Group for the Year Ended September 30, 2008" consisting of approximately 83 pages. This document updates Exhibit C-1 of the August 14, 2008 Renewal Certificate Application filed in Case No. 02-1828-GA-CRS.

Pursuant to Rule 4901:1-27-10(A)(1) of the Ohio Administrative Code, a copy of this filing is being served on attorneys for Columbia Gas of Ohio, Inc. and Dominion East Ohio, the two natural gas companies in whose service territory Commerce Energy serves customers.

Please feel free to call me with any questions.

Sincerely yours,

M. Howard Petricoff

MHP/jab

Enclosures

cc: Edith Binford
Counsel for Columbia Gas of Ohio, Inc.
Counsel for Dominion East Ohio

Updated Exhibit A-5
Commerce Energy, Inc.
dba Commerce Energy of Ohio, Inc.
Case No. 02-1828-GA-CRS

Jonathan Drummond
Universal Energy Corporation
Senior Director, Customer Care and Regulatory Affairs
25 Sheppard Ave. West Suite 1700
Toronto, Ontario Canada M2N 6S6
Telephone: (416) 673-4780 or 1-877-672-5500 ext# 317
Fax: 1-866-393-6835
e-mail: jdrummond@universalenergy.ca

Vanessa Anesetti-Parra
Universal Energy Corporation
Manger, Compliance
25 Sheppard Ave. West Suite 1700
Toronto, Ontario Canada M2N 6S6
Telephone: (416) 673-4781 or 1-877-672-5500 ext# 324
Fax: (416) 352-1999
e-mail: vanesetti@universalenergy.ca

Jordan Small
Universal Energy Corporation
Manager, Regulatory Affairs
25 Sheppard Ave. West Suite 1700
Toronto, Ontario Canada M2N 6S6
Telephone: (416) 673-1162 ext# 314 or 1-877-672-5500 ext# 314
Fax: 1-866-393-6835
e-mail: jsmall@universalenergy.ca

Inger Goodman
Supervisor, Regulatory Compliance and Consumer Affairs
Commerce Energy, Inc.
600 Anton Blvd., Suite 2000
Costa Mesa, CA 92626
Telephone: (714) 259-2508
Fax: (714) 481-6589
e-mail: igoodman@commerceenergy.com

Updated Exhibit C-2
Commerce Energy, Inc.
dba Commerce Energy of Ohio, Inc.
Case No. 02-1828-GA-CRS

FORM 8-K/A

COMMERCE ENERGY GROUP INC - EGR

Filed: December 15, 2008 (period: December 11, 2008)

Amendment to a previously filed 8-K

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 11, 2008

COMMERCE ENERGY GROUP, INC.

(Exact Name of registrant as specified in its charter)

Delaware	**001-32239**	**20-0501090**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

600 Anton Blvd., Suite 2000 **Costa Mesa, California**	**92626**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(714) 259-2500**

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☒ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2 (b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Explanatory Note

This Form 8-K/A (Amendment No. 1) amends and restates the Form 8-K previously filed by Commerce Energy Group, Inc. with the Securities and Exchange Commission on December 12, 2008 (the "Original Form 8-K") by repositioning the pro forma financial information referenced in Item 9.01(b) hereof to the end of this Form 8-K/A (Amendment No. 1) as pages F-1 through F-3. This same information had been inadvertently placed behind the press release that was filed as Exhibit 99.7 to the Original Form 8-K. No other changes are being made to the Original Form 8-K.

Item 1.01. Entry into a Material Definitive Agreement

As Commerce Energy Group, Inc. (the "Company") has previously disclosed in its filings with the Securities and Exchange Commission ("SEC"): (i) the Company entered into a Note and Warrant Purchase Agreement dated as of August 21, 2008 (as amended, the "Purchase Agreement") with AP Finance, LLC, a Delaware limited liability company ("AP Finance"), whereby AP Finance agreed to purchase one or more secured promissory notes from the Company and Commerce Energy, Inc., a California corporation and wholly owned subsidiary of the Company ("Commerce"); (ii) pursuant to the terms and conditions of the Purchase Agreement, on August 21, 2008 and August 22, 2008, the Company and Commerce issued to AP Finance two Senior Secured Convertible Promissory Notes in the principal amounts of $20,931,579 and $2,225,410.98, respectively (the "Notes"); (iii) pursuant to the terms of the Security Agreement dated August 21, 2008 among the Company, Commerce and AP Finance (the "Security Agreement"), the Company's and Commerce's obligations under the Purchase Agreement and the Notes are secured by substantially all of the assets of the Company and Commerce, including, but not limited to, all of the Company's shares of stock in Commerce; (iv) AP Finance's security interest in substantially all of the assets of the Company and Commerce is subordinated to the senior security interest the Company and Commerce granted in favor of Wachovia Capital Finance Corporation (Western) ("Wachovia") pursuant to the Loan and Security Agreement dated as of June 8, 2006 among the Company, Commerce and Wachovia (as amended, the "Credit Facility"); (v) on October 27, 2008, the Company and Commerce issued to AP Finance a Discretionary Line of Credit Demand Note (the "Demand Note") in the principal amount of $6.0 million pursuant to the Purchase Agreement; and (vi) the Notes, the Credit Facility and the Demand Note all mature on December 22, 2008 (if, in the case of the Demand Note, not demanded sooner).

On December 11, 2008, AP Finance and Commerce Gas and Electric Corp., a Delaware corporation and wholly owned subsidiary of Universal Energy Group Ltd. ("CG&E"), notified the Company in writing that: (i) AP Finance had sold its interest in the Notes to CG&E; (ii) Wachovia had assigned all of its and the other lenders' interests under the Credit Facility to AP Finance and CG&E; and (iii) AP Finance and CG&E made a demand under the Demand Note and notified us that a default exists under the Purchase Agreement and the Security Agreement, for which as a result an event of default exists under the Purchase Agreement, the Notes, the Demand Note and the Credit Facility, making all of the Company's and Commerce's obligations under the Purchase Agreement, the Notes, the Demand Note, the Security Agreement and the Credit Facility (the "Secured Debt") immediately due and payable.

On December 11, 2008, AP Finance and CG&E proposed, under Section 9-620 of the Uniform Commercial Code (the "UCC") as in effect in the State of New York, to accept all shares of common stock in Commerce and certain other securities held by the Company in satisfaction of the Company's liabilities and obligations with respect to the Secured Debt pursuant to the terms and conditions of the Acceptance Agreement, as defined below (the "Consensual Foreclosure").

The Company had the right not to consent to, and thereby delay, the Consensual Foreclosure. The Company recognized, however, that this delay would likely not prevent a foreclosure. To induce the Company to accept the Consensual Foreclosure, AP Finance and CG&E agreed to allow Commerce to pay a dividend to the Company in the aggregate amount of $3.1 million and to confirm it would satisfy certain liabilities. The Company's board of directors determined that, as a result of the proposed Consensual Foreclosure and the dividend to be paid to the Company by Commerce, the Company would be able to assure that trade creditors would be paid by Commerce in the ordinary course of business and the Company would be able to make a cash distribution to its shareholders in the aggregate amount of $2,614,780, after providing for all known or reasonably foreseeable obligations of the Company. This distribution was comprised of a dividend on shares of the Company's common stock in the amount of $0.084 per share and a redemption of all of the outstanding rights under the Company's Shareholders Rights Agreement dated July 1, 2004 at a price of $0.001 per right. The record date for the dividend was set at December 11, 2008.

After careful consideration, the Company's board of directors determined that the Consensual Foreclosure is fair and in the best interests of the Company and its shareholders. In reaching its determination, the Company's board of directors considered, among other factors: (i) the Company's inability, in light of the global credit crisis and the losses that the Company has faced during the fiscal year ended July 31, 2008, to secure replacement financing to repay or refinance the Secured Debt in a manner that the Company and its business could sustain or to enter into another strategic transaction that would have allowed the Company and Commerce to continue operations; (iii) the inability of the Company to obtain debtor-in-possession financing necessary for a bankruptcy and the likelihood that such a bankruptcy would not result in value for the stockholders; (iv) the likelihood that an involuntary foreclosure or a voluntary or involuntary liquidation would not result in money being returned to the Company's shareholders; (vi) the ability of the Company to make a distribution to its stockholders of $2,614,780 as a result of the Consensual Foreclosure; (vii) the ability of Commerce to continue in business as a subsidiary of CG&E, which would benefit its suppliers, customers and employees; and (viii) the board of directors' receipt of an opinion of The Mentor Group, financial advisor to the Company, that the Consensual Foreclosure is fair, from a financial point of view, to the Company and its shareholders. Therefore, on December 11, 2008, the Company consented to the Consensual Foreclosure pursuant to the terms and conditions of an acceptance agreement dated as of December 11, 2008 among the Company, AP Finance and CG&E (the "Acceptance Agreement").

Pursuant to the terms and conditions of the Acceptance Agreement, AP Finance and CG&E have: (i) consented to Commerce having paid the Company a $3.1 million dividend immediately prior to the delivery of the Acceptance Agreement; (ii) consented to Commerce's assumption of certain liabilities and obligations of the Company identified in an assumption letter dated December 11, 2008 between the Company and Commerce (the "Assumption Letter"), including, but not limited to, all liabilities and obligations of the Company under the employment agreements between the Company and its executive officers (including any severance obligations thereunder); (iii) agreed to indemnify the Company and its officers, directors, employees, agents and representatives from liabilities arising from any breach by Commerce of its obligations under the Assumption Letter; (iv) released the Company from any and all liabilities and obligations with respect to the Secured Debt; and (v) cancelled all warrants to acquire shares of common stock of the Company held by AP Finance.

As a result of the consummation of the Consensual Foreclosure, the Company ceased all operations and Commerce now operates as a subsidiary of CG&E. The Company intends to call and hold a special meeting of its shareholders, at which the Company's shareholders will be asked to consider and approve the dissolution of the Company.

There are no material relationships, other than with respect to the Purchase Agreement, the Notes, the Demand Note, the Credit Facility and the Amendments to the Employment Agreements between the Company and Messrs. Craig, Fallquist, Mitchell, Bomgardner and Yi which have been assumed by Commerce and are discussed in Item 5.02(e) herein, between the Company and its directors, officers (or any associate of any such director or officer) or affiliates, on the one side, and AP Finance or CG&E and their respective directors, officers (or any associate of any such directors or officers) or affiliates, on the other side. The information set forth under Item 5.02(e) of this Current Report on Form 8-K is hereby incorporated into this Item 1.01.

The foregoing description of the Acceptance Agreement and the Assumption Letter are qualified in their entirety by the full texts of the Acceptance Agreement and the Assumption Letter, copies of which are filed as Exhibits 99.1 and 99.2, respectively, to this Current Report on Form 8-K.

Item 1.02 Termination of a Material Definitive Agreement

The Information set forth under Item 1.01 of this Current Report on Form 8-K is hereby incorporated by reference into this Item 1.02.

Under the terms of the Acceptance Agreement, all of the Company's obligations under the Purchase Agreement, the Notes, the Demand Note, the Security Agreement, the Credit Facility, and the warrants previously issued to AP Finance terminated on December 11, 2008.

Additionally, on December 11, 2008, Jesup & Lamont Incorporated ("Jesup"), Bill Corbett ("Corbett") and the Lee E. Mikles Revocable Trust ("Mikles") agreed to the cancellation of warrants exercisable for an aggregate of 875,000 shares of the Company's common stock issued by the Company to Jesup, Corbett and Mikles for services rendered in connection with the sale of the Notes.

Effective December 11, 2008, the Board of Directors of the Company authorized the redemption of all of the outstanding Rights under the Company's Shareholders Rights Agreement dated July 1, 2004 (the "Rights Plan") at a redemption price of $0.001 per right. The result of this redemption is to effectively terminate the Rights Plan. In connection with the contemplated dissolution of the Company, the Company's board of directors also terminated the Amended and Restated 2005 Employee Stock Purchase Plan, effective upon the consummation of the Consensual Foreclosure, and the Commonwealth Energy Corporation 1999 Equity Incentive Plan, as amended, and the Amended and Restated Commerce Energy Group, Inc. 2006 Stock Incentive Plan, effective upon the dissolution of the Company.

There are no material relationships, other than with respect to the cancelled warrants, between the Company and its directors, officers (or any associate of any such director or officer) or affiliates, on the one side, and Jesup, Corbett and Mikles and their respective affiliates, on the other side.

Item 2.01. Completion of Acquisition or Disposition of Assets

The Information set forth under Item 1.01 of this Current Report on Form 8-K is hereby incorporated by reference into this Item 2.01.

On December 11, 2008, in connection with the completion of the Consensual Foreclosure described in Item 1.01 of this Current Report on Form 8-K and pursuant to the terms and conditions of the Acceptance Agreement, the Company accepted the foreclosure of all its interest in the common stock in Commerce, and certain other securities, and agreed to the agreements of AP Finance and CG&E contained in the Acceptance Agreement, including the satisfaction of the Company's liabilities and obligations with respect to the Secured Debt under Section 9-620 of the UCC as in effect in the State of New York.

As a result of the consummation of the Consensual Foreclosure, the Company has ceased all operations and the Company intends to call and hold a special meeting of its shareholders at which the Company's shareholders will be asked to consider and approve the dissolution of the Company.

There are no material relationships, other than with respect to the Acceptance Agreement, the Secured Debt and the cancelled warrants, between the Company and its directors, officers (or any associate of any such director or officer) or affiliates, on the one side, and AP Finance or CG&E and their respective directors, officers (or any associate of any such directors or officers) or affiliates, on the other side.

The foregoing description of the Acceptance Agreement is qualified in its entirety by the full text of the Acceptance Agreement, a copy of which is filed as Exhibit 99.1 to this Current Report on Form 8-K.

Item 2.04 Triggering Events That Accelerate or Increase a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement

(a) The Information set forth under Item 1.01 of this Current Report on Form 8-K is hereby incorporated by reference into this Item 2.04.

On December 11, 2008, AP Finance and CG&E made a demand under the Demand Note and notified us that a default exists under the Purchase Agreement and the Security Agreement, for which as a result an event of default exists under the Purchase Agreement, the Notes, the Demand Note and the Credit Facility, making all of the Company's and Commerce's obligations under the Purchase Agreement, the Notes, the Demand Note, the Security Agreement and the Credit Facility (the "Secured Debt") immediately due and payable in the aggregate amount of $28,743,144.

On December 11, 2008, AP Finance and CG&E proposed, under Section 9-620 of the UCC as in effect in the State of New York, to accept all shares of stock in Commerce and certain other securities held by the Company in satisfaction of the Company's liabilities and obligations with respect to the Secured Debt pursuant to the terms and conditions of the Acceptance Agreement (the "Consensual Foreclosure").

The Company had the right not to consent to, and thereby delay, the Consensual Foreclosure. The Company recognized, however, that this delay would likely not prevent a foreclosure. To induce the Company to accept the Consensual Foreclosure, AP Finance and CG&E agreed to allow Commerce to pay a dividend to the Company in the aggregate amount of $3.1 million. The Company's board of directors determined that, as a result of the proposed Consensual Foreclosure and the dividend to be paid to the Company by Commerce, the Company would be able to make a distribution to its shareholders in the amount of $2,614,780, after providing for all known or reasonably foreseeable obligations of the Company.

Item 3.01 Notice of Delisting or Failure to Satisfy a Continued Listing Rule or Standard; Transfer of Listing

(d) In connection with the Consensual Foreclosure, the Company's board of directors determined to initiate the withdrawal of the Company's shares from the NYSE Alternext US, previously known as the American Stock Exchange (the "Exchange"). The Company is in the process of submitting a letter to the Exchange requesting the withdrawal of its shares of common stock from the Exchange. The Company also intends to file a Form 25 with the Securities and Exchange Commission regarding its withdrawal from the Exchange. The Company has ceased all operations and intends to call and hold a special meeting to seek stockholder approval to dissolve the Company. The Company also will not be in compliance with Section 1003 (a)(i) and Section 1003 (c)(i) of the Exchange's continued listing standards.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

(b) On December 11, 2008, Gregory L. Craig resigned as Chief Executive Officer and as a director of the Company and a director of Commerce. Mr. Craig's resignation as a director of the Company and as a director of Commerce was effective upon the consummation of the Consensual Foreclosure. Mr. Craig's resignation as Chief Executive Officer of the Company shall become effective immediately following the filing of the Company's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2008 with the SEC.

Also on December 11, 2008: Michael J. Fallquist resigned as Chief Operating Officer of the Company and as a director of Commerce; John H. Bomgardner, II resigned as Senior Vice President and General Counsel of the Company; and David Yi resigned as Chief Risk Officer of the Company. The resignations of Messrs. Fallquist, Bomgardner and Yi were effective upon the consummation of the Consensual Foreclosure. Following the effectiveness of Mr. Craig's resignation, Mr. Mitchell, as Chief Financial Officer and Secretary of the Company, will be the sole remaining officer of the Company. So long as Mr. Mitchell is employed by Commerce, Mr. Mitchell shall not receive separate compensation for his services as Chief Financial Officer and Secretary of the Company. If Mr. Mitchell is no longer employed by Commerce, however, Mr. Mitchell shall receive from the Company cash compensation equal to $275 per hour for hours actually worked in connection with his role as the Company's Chief Financial Officer and Secretary.

In addition, on December 11, 2008, Charles E. Bayless, Gary J. Hessenauer, Mark S. Juergensen, Dennis R. Leibel and Robert C. Perkins resigned as directors of the Company, effective upon the consummation of the Consensual Foreclosure. Mr. Juergensen also resigned as a director of Commerce effective upon the consummation of the Consensual Foreclosure. Rohn E. Crabtree, an independent Class I director of the Company remains the sole director of the Company, the sole member of the Audit Committee and was named Chairman of the Board. It is the intention of Mr. Crabtree to serve through the winding up stage of the Company. The Company's board of directors determined that Mr. Crabtree shall receive a cash retainer of $8,000 per quarter for his continued service as a director, a member of the Audit Committee and Chairman of the Board, which cash retainer shall be in lieu of any and all other compensation (cash or otherwise) to which Mr. Crabtree would have been entitled under the Company's compensation policies applicable to non-employee directors.

(e) On December 11, 2008, the Company entered into amendments (collectively, the "Employment Agreement Amendments") to the following employment agreements between the Company and its executive officers after being approved by the Compensation Committee of the Company's Board of Directors (collectively, the "Employment Agreements"): the employment agreement dated as of February 20, 2008 between the Company and Gregory L. Craig; the employment agreement dated as of March 10, 2008 between the Company and Michael J. Fallquist; the employment letter agreement dated as of July 10, 2008 between the Company and C. Douglas

Mitchell; and the employment letter agreement dated as of July 18, 2008 between the Company and John H. Bomgardner, II.

Among other things, the Employment Agreement Amendments, which became effective immediately prior to the consummation of the Consensual Foreclosure described in Item 1.01 of this Current Report on Form 8-K: (i) assign the Employment Agreements and all liabilities and obligations of the Company thereunder, including but not limited to liabilities relating to severance, to Commerce; (ii) fix the term of employment with Commerce for the respective executives at one month following the consummation of the Consensual Foreclosure; (iii) provide for severance in an amount equal to eight months of salary continuation and eight months reimbursement of insurance premiums relating to continued health coverage; and (iv) except in the case of Mr. Mitchell, whose 66,667 remaining shares of unvested restricted stock vested in full upon the consummation of the Consensual Foreclosure, terminate any further vesting of stock options or shares of restricted stock previously granted to the respective executives. The Employment Agreement Amendments deleted the existing termination provisions in the Employment Agreements including the Change in Control provisions and replaced them with the provisions noted above.

Copies of the Employment Agreement Amendments for Messrs. Craig, Fallquist, Bomgardner and Mitchell are attached hereto as Exhibits 99.3, 99.4, 99.5 and 99.6, respectively.

Additionally, effective December 11, 2008, the Compensation Committee of the Company's Board of Directors approved a retention agreement between the Company and David Yi, an officer, but not a named executive officer, of the Company (the "Retention Agreement") dated as of December 8, 2008. The Retention Agreement, which became effective immediately prior to the consummation of the Consensual Foreclosure, provides that Mr. Yi shall be entitled to a bonus of $50,000 if he remains employed by Commerce and satisfies certain conditions during the 120 days immediately following the Consensual Foreclosure.

The Employment Agreements, as amended by the Employment Agreement Amendments, and the Retention Agreement were assigned to, and assumed by, Commerce in connection with the Consensual Foreclosure.

Item 7.01 Regulation FD Disclosure

On December 11, 2008, the Company issued a press release announcing that the Consensual Foreclosure was completed, describing the other transactions related thereto, disclosing the declaration of a cash dividend and the redemption of the rights issued pursuant to the Rights Agreement and also disclosing other actions disclosed in this Current Report on Form 8-K. A copy of the press release dated December 11, 2008 is being furnished as Exhibit 99.7 to this Current Report on Form 8-K.

Item 8.01. Other Events

On December 11, 2008, the Company's board of directors declared a dividend of $0.084 per share on shares of the Company's common stock payable to holders of record as of the close of business on December 11, 2008. Additionally, on December 11, 2008, the Company took action to redeem all outstanding rights under the Rights Agreement dated as of July 1, 2004 between the Company and Computershare Trust Company, as rights agent. The Company has delivered the aggregate amount of the distribution to its payment agent with irrevocable instructions to make distributions to the Company's shareholders as soon as practical. The distribution is expected to be made to shareholders during the week of December 15, 2008.

Item 9.01. Financial Statements and Exhibits

(b) Pro Forma Financial Information

The pro forma financial information related to the disposition described in Item 2.01 above is included for the fiscal year ended July 31, 2008, and furnished with this Current Report on Form 8-K on pages F-1 through F-3 herein. The information being furnished pursuant to this Item 9.01(b) and set forth on pages F-1 through F-3 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

(d) Exhibits

Exhibit No.	Description
99.1	Acceptance Agreement dated as of December 11, 2008 among Commerce Energy Group, Inc., AP Finance, LLC and Commerce Gas and Electric Corp.
99.2	Assumption Letter dated as of December 11, 2008 between Commerce Energy Group, Inc. and Commerce Energy, Inc.
99.3	Amendment to Employment Agreement dated December 11, 2008 between Commerce Energy Group, Inc. and Gregory L. Craig.
99.4	Amendment to Employment Agreement dated December 11, 2008 between Commerce Energy Group, Inc. and Michael J. Fallquist.
99.5	Amendment to Employment Letter Agreement dated December 11, 2008 between Commerce Energy, Inc. and C. Douglas Mitchell.
99.6	Amendment to Employment Letter Agreement dated December 11, 2008 between Commerce Energy, Inc. and John H. Bomgardner.
99.7	Press Release of Commerce Energy Group, Inc. dated December 11, 2008

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Commerce Energy Group, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMMERCE ENERGY GROUP, INC.
a Delaware corporation

Date: December 12, 2008

By: /s/ C. DOUGLAS MITCHELL
C. Douglas Mitchell
Chief Financial Officer

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As is described further in this Current Report on Form 8-K, on December 11, 2008, Commerce Energy Group, Inc. (the "Company") consented to a consensual foreclosure under Section 9-620 of the Uniform Commercial Code as in effect in the State of New York, pursuant to which the holders of the Company's secured debt agreed to accept all shares of stock in Commerce Energy, Inc. ("Commerce") and certain other securities held by the Company in satisfaction of the Company's liabilities and obligations with respect to its secured debt (the "Consensual Foreclosure").

In connection with the Consensual Foreclosure, Commerce paid a dividend to the Company in the aggregate amount of $3.1 million and agreed to assume certain liabilities and obligations of the Company. Also in connection with the Consensual Foreclosure, the Company approved a distribution to its shareholders in the aggregate amount of $2,614,780. The distribution was comprised of a dividend on shares of the Company's common stock in the amount of $0.084 per share and a redemption of all of the outstanding rights under the Company's Shareholders Rights Agreement dated July 1, 2004 at a price of $0.001 per right.

As a result of the Consensual Foreclosure, the Company ceased all operations and the Company intends to call and hold a special meeting of the Company's shareholders, at which the Company's shareholders will be asked to consider and approve the dissolution of the Company.

The following unaudited pro forma condensed consolidated balance sheet for the year ended July 31, 2008 is presented as if the Consensual Foreclosure had been consummated on August 1, 2007, the first day of the fiscal year ended July 31, 2008. No statement of operations is presented because the Company ceased all operations in connection with the consummation of the Consensual Foreclosure. The adjustments set forth in the "Pro Forma Adjustments" column are described in the Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements.

The unaudited pro forma condensed consolidated balance sheet for the year ended July 31, 2008 is provided for illustrative purposes only and is not necessarily indicative of what the financial position of the Company would actually have been had the Consensual Foreclosure occurred on the respective date indicated, nor do they represent a forecast of the financial position as of any future date.

All information contained herein is derived from and should be read in conjunction with the historical consolidated financial statements of the Company as of and for the year ended July 31, 2008, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on November 13, 2008.

Index to Unaudited Pro Forma Condensed Consolidated Financial Statements

COMMERCE ENERGY GROUP, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
(in thousands)

	As reported July 31, 2008	Pro Forma Adjustments	Footnote	Pro Forma July 31, 2008
ASSETS				
Current assets:				
Cash and cash equivalents	$ 5,042	$ (1,942)	1	$ 3,100
Accounts receivable, net	82,416	(82,416)		0
Natural gas inventory	7,717	(7,717)		0
Prepaid expenses and other current assets	13,269	(13,269)		0
Total current assets	**$ 108,444**	**$ (105,344)**		**$ 3,100**
Deposits	1,600	(1,600)	2	0
Property and equipment, net	8,009	(8,009)	2	0
Goodwill	0	0	2	0
Other intangible assets	3,976	(3,976)	2	0
Total assets	**$ 122,029**	**$ (118,929)**		**$ 3,100**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Energy and accounts payable	$ 58,500	$ (58,500)	2	$ 0
Dividend and redemption payable	2,615	3		2,615
Short term borrowings and accrued liabilities	23,657	(23,172)	2	485
Total current liabilities	**$ 82,157**	**$ (79,057)**		**$ 3,100**
Stockholders' equity:				
Common stock $0.001 par value, 150,000 authorized, 30,875 shares issued and outstanding at April 30, 2008	61,919	(61,919)	2	0
Other comprehensive loss	(996)	996	2	0
Retained earnings (accumulated deficit)	(21,051)	21,051	2	0
Total stockholders' equity	**39,872**	**(39,872)**		**0**
Total liabilities and stockholders' equity	**$ 122,029**	**$ (118,929)**		**$ 3,100**

1. Basis of Pro Forma Presentation

The unaudited pro forma condensed consolidated balance sheet as of year ended July 31, 2008 is based on the historical financial statements of the Company, after giving effect to the Consensual Foreclosure.

The unaudited pro forma condensed consolidated balance sheet as of July 31, 2008 presents the financial position of the Company assuming the Consensual Foreclosure had been completed on August 1, 2007.

The unaudited pro forma condensed consolidated statement of operations is not included because the Company ceased all operations in connection with the Consummation of the Consensual Foreclosure and no further operations are contemplated. The pro forma adjustments and assumptions are based on estimates, evaluations and other data currently available and, in the Company's opinion, provide a reasonable basis for the fair presentation of the estimated effects directly attributable to the Consensual Foreclosure and the other transaction related thereto.

The unaudited pro forma condensed consolidated balance sheet as of July 31, 2008 is provided for illustrative purposes only and *is not* necessarily indicative of what the financial position of the Company would actually have been had the Consensual Foreclosure occurred on the respective date indicated, nor do they represent a forecast of the financial position as of any future date.

All information contained herein should be read in conjunction the following historical consolidated financial statements of the Company the year ended July 31, 2008, included in the Company's Annual Report on Form 10-K filed with the SEC on November 13, 2008.

2. Pro Forma Adjustments

The following pro forma adjustments are included in the unaudited pro forma condensed balance sheet as of July 31, 2008.

(1) To reflect the $3.1 million dividend paid by Commerce to the Company in connection with the Consensual Foreclosure.

(2) To reflect the Consensual Foreclosure.

(3) To reflect the declaration of the dividend on shares of the Company's common stock and the redemption of the rights in connection with the Consensual Foreclosure.

EXHIBIT INDEX

Exhibit No.	Description
99.1	Acceptance Agreement dated as of December 11, 2008 among Commerce Energy Group, Inc., AP Finance, LLC and Commerce Gas and Electric Corp.
99.2	Assumption Letter dated as of December 11, 2008 between Commerce Energy Group, Inc. and Commerce Energy, Inc.
99.3	Amendment to Employment Agreement dated December 11, 2008 between Commerce Energy Group, Inc. and Gregory L. Craig.
99.4	Amendment to Employment Agreement dated December 11, 2008 between Commerce Energy Group, Inc. and Michael J. Fallquist.
99.5	Amendment to Employment Letter Agreement dated December 11, 2008 between Commerce Energy, Inc. and C. Douglas Mitchell.
99.6	Amendment to Employment Letter Agreement dated December 11, 2008 between Commerce Energy, Inc. and John H. Bomgardner.
99.7	Press Release of Commerce Energy Group, Inc. dated December 11, 2008

Exhibit 99.1

Commerce Energy Group, Inc.
600 Anton Boulevard
Suite 2000
Costa Mesa, CA 92626

AP Finance, LLC
152 West 57th Street, 54th Floor
New York, New York

Commerce Gas and Electric Corp.
25 Sheppard Avenue West
Suite 1605
Toronto, ON M2N 6S6

Universal Energy Group Ltd.
25 Sheppard Avenue West
Suite 1605
Toronto, ON M2N 6S6

Re: Acceptance Agreement

We have received the notice of default from and proposal from AP Finance, LLC ("APF") and Commerce Gas and Electric Corp. ("CGE" and, together with APF, collectively, the "Holders") to accept collateral in full satisfaction of the obligations it secures dated December 10, 2008, given pursuant to Section 9-620 of the Uniform Commercial Code as in effect in the State of New York (the "Section 9-620 Proposal") pursuant to the Note and Warrant Purchase Agreement dated August 21, 2008 (the "NPA") and the Security Agreement of the same date (together with all agreements and documents executed by us in favor of APF in connection with the NPA, other than the Warrant (as defined therein), collectively, the "Note Purchase Documents"). You have confirmed to us that, immediately prior to the effectiveness of this Agreement, APF will have sold and assigned to CGE, and CGE will have accepted and assumed, all of APF's remaining right, title and interest in and to, and obligations under, the Note Purchase Documents. You have also confirmed to us that Wachovia Capital Finance Corporation (Western) ("Wachovia") has assigned to APF and CGE all of its rights, title and interest in the Loan and Security Agreement dated as of June 8, 2006, by and among Commerce Energy, Inc., Commerce Energy Group, Inc., Wachovia, as agent, Wachovia and Wells Fargo Foothill, LLC (together with the other Financing Agreements, as defined therein, collectively, the "Wachovia Agreements"). We acknowledge (on our own behalf and on behalf of Commerce Energy, Inc.) that (a) events of default have occurred and are continuing under the terms of the Note Purchase Documents, (b) as a result thereof, the Holders are entitled to exercise all of their rights, options and remedies available under the Note Purchase Documents, and otherwise available at law or in equity, and (c) prior to giving effect to the transactions contemplated by the Section 9-620 Proposal, all of the indebtedness and other obligations under the Note Purchase Documents are unconditionally owing by us and Commerce Energy, Inc., on a joint and several basis, without offset, defense or counterclaim of any kind, nature and description whatsoever. Pursuant to Section 9-620 of the Uniform Commercial Code as in effect in New York we hereby consent to CGE's acceptance of the following collateral in full satisfaction of the obligations under the Note Purchase Documents: (1) 100% of the shares of stock in Commerce Energy, Inc., and (2) all shares of stock of Power Efficiency Corporation owned by us (collectively, the "Subject Collateral"), provided that CGE and/or APF, as applicable, confirm by executing this Acceptance Agreement that, upon the effectiveness of this Agreement:

- CGE consents to Commerce Energy, Inc. having paid us a $3.1 million dividend prior to the delivery of this Acceptance Agreement and CGE agrees to indemnify the directors and officers of Commerce Energy, Inc. and their agents and representatives who assist in paying the dividend against any losses, claims, causes of action, liability, damage or expense arising in connection with such dividends.

- CGE consents to the assumption by Commerce Energy, Inc. of certain of our agreements and its agreement to pay certain other liabilities or obligations, as identified in a letter dated today (the "Assumption Letter"). CGE agrees to (i) cause Commerce Energy, Inc. to perform all of its obligations thereunder; and (ii) indemnify us, our officers, directors, employees, agents and representatives from any loss, claim, cause of action, liability, damage or expense arising from any breach by Commerce Energy, Inc. of the terms of the Assumption Letter.

- CGE releases Commerce Energy Group, Inc. from any and all liabilities or obligations under the Note Purchase Documents effective upon the delivery and acceptance of this Acceptance Agreement and the vesting in CGE of all our rights to the Subject Collateral and agree to look solely to Commerce Energy, Inc., for such amounts.

- Each of CGE and APF releases Commerce Energy Group, Inc. from any and all liabilities or obligations under the Wachovia Agreements effective upon the delivery and acceptance of this Acceptance Agreement and the vesting in CGE of all our rights to the Subject Collateral and agree to look solely to Commerce Energy, Inc., for such amounts.

- The Warrant to acquire our common stock held by APF is cancelled.

In addition, when this Acceptance Agreement becomes effective, in addition to our acknowledgement above that such effectiveness vests in CGE all our rights to the Subject Collateral, we hereby confirm to CGE and APF that:

1. General Release. Commerce Energy Group, Inc. hereby fully, completely, absolutely and unconditionally releases, discharges and holds harmless each of APF, CGE, Universal Energy Group Ltd. and Commerce Energy, Inc. and any successor to them, and each of their past and present managers, members, officers, directors, shareholders, employees, agents, attorneys, affiliates and assigns, whether acting in their representative or individual capacities, from any and all claims, causes of action, rights and actions of any kind or nature whatsoever, either at law or in equity, including without limitation all

claims in any way arising out of or relating to the Note Purchase Documents, the Subject Collateral or this foreclosure except for obligations arising from this Acceptance or the Assumption Letter.

2. **Unknown Claims**. It is Commerce Energy Group, Inc.'s intention to fully, finally and forever settle, release and resolve all claims against you or your affiliates, regardless of whether known or unknown, foreseen or unforeseen, suspected or unsuspected, vested or contingent, accrued or unaccrued except for obligations arising from this Acceptance or the Assumption Letter. The releases given herein shall be and remain in effect to their full extent, notwithstanding the discovery or existence of any additional or different facts. We knowingly and voluntarily waive the provisions of California Civil Code section 1542, which provides: "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

3. **Representation and Warranty**. We represent and warrant to APF and CGE that there are no secured parties or lienholders that are entitled to receive a copy of the Section 9-620 Proposal pursuant to Section 9-621(a)(2) or (3) of the Uniform Commercial Code.

4. **Further Deliveries**. We will immediately deliver to CGE, the following:

   (a) evidence acceptable to CGE that the board of directors of Commerce Energy Group, Inc., by allocating a portion of the dividend it is paying to its stockholders for such purpose and giving appropriate notice, has redeemed in full all outstanding Rights, as defined in and pursuant to the terms of the rights agreement dated as of July 1, 2004, as amended, between Commerce Energy Group, Inc. and Computershare Trust Company, as agent; and

   (b) certificates of the Chief Executive Officer of Commerce Energy Group, Inc. as to certain factual matters.

   In addition, we confirm that we have received evidence of agreements to cancel warrants held by Jesup & Lamont, Incorporated, Bill Corbett and the Lee E. Mikles Revocable Trust Dated March 26, 1996.

5. **Severability**. If any provision of this Acceptance Agreement is invalid or unenforceable for any reason, then such provision shall be deemed automatically adjusted to the minimum extent necessary to conform to the requirements for validity and, as so adjusted, shall be deemed a provision of this Acceptance Agreement as though originally included herein. In the event that the provision invalidated is of such a nature that it cannot be so adjusted, the provision shall be deemed deleted from this Acceptance Agreement as though the provision had never been included herein. In either case, the remaining provisions of this Acceptance Agreement shall remain in effect.

6. **Counterparts**. This Acceptance Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Acceptance Agreement by signing any such counterpart. Delivery by facsimile or electronic transmission shall bind the parties.

7. Entire Agreement. This Acceptance Agreement constitutes the entire agreement between the parties hereto, and supersedes and replaces all prior and contemporaneous negotiations, representations and understandings, whether written or oral. No party has relied upon any promise or agreement not expressly set forth herein. No modification or waiver of any of the terms hereof shall be effective unless in writing, signed by the party to be charged with such modification or waiver.

8. Effectiveness. This Acceptance Agreement shall be effective upon the execution and delivery thereof by all signatories listed below. The transactions contemplated by the Section 9-620 Proposal shall be deemed to have been consummated upon the Effectiveness of this Acceptance Agreement.

9. APF. Except for the obligation to cancel the Warrant as set forth above, APF shall have no obligations under this Acceptance Agreement.

10. Wachovia Agreements. Notwithstanding any provision of the Assignment, Acceptance, Resignation and Consent Agreement, dated as of the date hereof, among APF, CGE, Wachovia Capital Finance Corporation (Western), Wells Fargo Foothill, LLC, Commerce Energy, Inc. and Commerce Energy Group, Inc., no obligations under this Acceptance Agreement or the Assumption Letter are released by the Wachovia Assignment. For sake of clarity, the parties acknowledge that the transactions contemplated by the Section 9-620 Proposal shall not affect the indebtedness or other obligations of Commerce Energy, Inc. under the Wachovia Agreements, which indebtedness and other obligations are unconditionally owing by Commerce Energy, Inc. without offset, defense or counterclaim of any kind, nature and description whatsoever.

[Signature page follows]

COMMERCE ENERGY GROUP, INC.

By: /s/ GREGORY L. CRAIG
Gregory L. Craig
Chairman and Chief Executive Officer

Confirmed, agreed and accepted this 11th day of December, 2008.

UNIVERSAL ENERGY GROUP LTD.

By:	/s/ Michael Silver	/s/ Shawn Dym
Name:	Michael Silver	Shawn Dym
Title:	General Counsel and Corp. Secy	Senior V.P.

COMMERCE GAS AND ELECTRIC CORP.

By:	/s/ Michael Silver	/s/ Shawn Dym
Name:	Michael Silver	Shawn Dym
Title:	General Counsel and Corp. Secy	Senior V.P.

AP FINANCE, LLC

By: /s/ David Levy
Name: David Levy
Title:

COMMERCE ENERGY, INC.

By: /s/ C. Douglas Mitchell
Name: C. Douglas Mitchell
Title: CFO

COMMERCE ENERGY, INC.
600 Anton Boulevard
Suite 2000
Costa Mesa, CA 92626

Commerce Energy Group, Inc.
600 Anton Boulevard
Suite 200
Costa Mesa, CA 92626

Ladies and Gentlemen:

You and our secured lenders (being AP Finance, LLC and Commerce Gas and Electric Corp.) have notified us that a default exists under the Note and Warrant Purchase Agreement dated August 21, 2008 and the Security Agreement of the same date between us and AP Finance, LLC (as amended and assigned, the "**Secured Debt**"). You have confirmed to us that, immediately prior to the effectiveness of this Agreement, AP Finance, LLC will have sold and assigned to Commerce Gas and Electric Corp., and Commerce Gas and Electric Corp. will have accepted and assumed, all of AP Finance, LLC's remaining right, title and interest in and to, and obligations under, the Secured Debt. We understand that the secured lenders have proposed to accept: (1) 100% of the shares of stock in us, and (2) all shares of stock of Power Efficiency Corporation owned by you, which are pledged as collateral for the Secured Debt, in satisfaction of that debt (the "**Debt Satisfaction Transaction**"). We would benefit significantly from the satisfaction of the Secured Debt, and to induce you to accept the proposal from our secured lenders we agree with you as follows:

1. We will pay to you today a dividend of $3,100,000 which you agree to hold in trust until you accept the proposal and promptly return if you do not confirm your written acceptance of the proposal to AP Finance, LLC and Commerce Gas and Electric Corp. on or prior to 5:00 p.m. PST, December 12, 2008.

2. We confirm that, with respect to all contracts on which you and we are jointly liable, or with respect to which you have guaranteed our obligations, including all those which are set out as items 7 through 13 on Schedule A, we will fully perform. We will pay and perform all of our accounts, trade payables or other matters arising from the operation of the business of Commerce Energy, Inc. (regardless of by whom such claim is payable), all contracts of Commerce Energy Group, Inc. listed on Schedule A to this letter, and contracts of Commerce Energy Group, Inc. related to the business and operations of Commerce Energy, Inc. not listed involving aggregate payments or other consideration payable or receivable by or to Commerce Energy Group, Inc. thereunder over the term of each such contract of less than $100,000 per contract. We will indemnify you and your directors, officers, employees, representatives and agents against any loss, claim, cause of action, liability, damage or expense based on or arising from our failure to perform any of such obligations or agreements or from claims made against you because you were our

shareholder, excluding claims based on or arising from federal or state securities laws, environmental laws, or income tax laws.

3. We will make available to your accountants all records and reasonable assistance needed to file federal and state income tax returns for your fiscal year ended July 31, 2008 and for the period ending on the date your stockholders approve dissolution or dissolution otherwise occurs, provided such dissolution occurs in 2009. You agree that we may review and comment upon such returns before they are filed. We agree that any liability on such returns attributable to our operations is our responsibility, but you and we confirm that our tax advisors have determined no state or federal income tax is currently due or anticipated to be due.

4. We hereby assume responsibility for the sponsorship and administration of your employee benefit plans which cover our employees, except for the Commonwealth Energy Corporation 1999 Equity Incentive Plan, the Commerce Energy Group, Inc. 2006 Stock Incentive Plan, and the Commerce Energy Group, Inc. Amended and Restated 2005 Employee Stock Purchase Plan, which you will terminate. You and we will cooperate to obtain any required consents of third parties as soon as practicable. To the extent that the consent of a third party is required in respect of an employee benefit plan, such assumption hereunder will not be effective until such consent is obtained, but we will nonetheless pay any amounts for which you would be responsible for such plan. We will pay all costs to document such transfer of responsibility (including costs in respect of appropriate plan amendments to remove you as sponsor or fiduciary). It is acknowledged that it is our mutual intent that such assumptions hereunder take place effective as of today, to the extent permitted by the applicable plans and the providers thereof.

5. We hereby assume all liability for that certain Lease dated as of July, 2006 between SP IV Millennium Center, L.P. and Commerce Energy Group, Inc. for Suite 950-East, at Urban Towers-East, 222 West Las Colinas Boulevard, Irving, Texas as amended by Amendment No. 1 dated as of September 12, 2007, and you hereby assign to us all rights and benefits thereunder (including, without limitation, all rights to any refund or return of deposits or like amounts thereunder), and we will indemnify you and your directors, officers, employees, representatives and agents for any loss, claim, cause of action, liability, damage or expense based on or arising from such lease.

6. We hereby assume all responsibility for the defense of the proceedings identified on Schedule B to this Agreement and all related claims and will indemnify you and hold you and your directors, officers, employees, representatives and agents harmless from and against any loss, claim, cause of action, liability, damage or expense arising in connection with such matter. You will provide us with all requested cooperation and assistance in connection with our conduct of the defense of such proceedings as we may from time to time require.

7. We will assume the amended employment agreements with the individuals referred to on Schedule C to this letter on such terms as are mutually acceptable to us and such individuals as described in items 1, 2, 4 and 5 of Schedule A.

8. We will pay $218,000 of the premiums for a six year extension of policies No. 610-61-40 (D&O), ELU105497-08 (D&O Excess), HS-0303-2136-070608 (Side A) and 00-667-19-79 (EPLI) issued by American Insurance Group or one of its subsidiaries (it being acknowledged that you will pay the balance of the premiums owing in respect of such policies).

9. We will store your corporate records and make them available to your officers, representatives or agents for the purpose of winding up your corporate affairs provided that we shall have no duty except to exercise reasonable care. After December 31, 2012 we shall have the right to destroy these records unless you or your representatives have requested delivery of the records to them at their expense.

10. We will permit Mr. Douglas Mitchell as part, but not all, of his employment by us while it continues pursuant to his amended employment agreement, to administer the orderly winding up of your business and will provide him reasonable administrative and office support (irrespective of the length of time his employment with us continues) for a period of three (3) months following the Debt Satisfaction Transaction.

11. We agree to execute and deliver such assignment and assumption agreements or other instruments, and take such other actions, as you may reasonably request to further document, confirm or carry out the provisions of this Agreement.

[SIGNATURE PAGE FOLLOWS]

COMMERCE ENERGY, INC.,
a California corporation

By: /s/ C. Douglas Mitchell
Name: C. Douglas Mitchell
Title: CFO

Accepted, agreed and confirmed this 11th day of December, 2008.

COMMERCE ENERGY GROUP, INC.,
a Delaware corporation

By: /s/ C. Douglas Mitchell
Name: C. Douglas Mitchell
Title: CFO

Exhibit 99.3

AMENDMENT TO EMPLOYMENT AGREEMENT

This Amendment (this "Amendment") to the Employment Agreement (the "Agreement") dated as of February 20, 2008 by and between Gregory L. Craig (the "Executive") and Commerce Energy Group, Inc. ("CEGI"), on behalf of itself and any and all of its subsidiaries, is made and entered into by the Executive, CEGI and Commerce Energy, Inc. ("CEI") and shall become effective, if at all, as of immediately prior to the consummation of the Consensual Foreclosure (as defined below). Capitalized terms not defined in this Amendment shall have the meaning set forth in the Agreement.

RECITALS

WHEREAS, the parties hereto wish to amend certain provisions of the Agreement effective as of immediately prior to the Consensual Foreclosure, if at all.

NOW, THEREFORE, for $100 to be paid by CEI to Executive and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Effectiveness

This Amendment shall become effective, if at all, immediately prior to the consummation of the consensual foreclosure under Section 9-620 of the Uniform Commercial Code as in effect in New York, pursuant to which CEGI consents to the acceptance by AP Finance, LLC and Commerce Gas and Electric Corp., a Delaware corporation and a subsidiary of Universal Energy Group Ltd., (collectively, the "Lenders") of certain collateral in satisfaction of certain indebtedness owed to the Lenders (the "Consensual Foreclosure"). This Amendment shall not take effect if the Consensual Foreclosure does not occur.

2. Assignment

Upon the effectiveness of this Amendment, (A) the Agreement, as amended by this Amendment, and all liabilities and obligations of CEGI and its subsidiaries (other than CEI) thereunder, shall be assigned to CEI (the "Assignment"), (B) CEI accepts the Assignment and agrees to assume and be bound by, and fulfill its obligations under, the Agreement, as amended by this Amendment, (C) subject to the terms and conditions of the Agreement, as amended by this Amendment, Executive shall be employed by CEI, (D) all references to "Commerce Energy Group, Inc." in the Agreement shall be replaced with "Commerce Energy, Inc.," and (E) the Executive consents to the Assignment and hereby agrees that upon its effectiveness CEGI shall have no liability associated with the Agreement or this Amendment.

Neither the Consensual Foreclosure nor the assignment of the Agreement to CEI, shall entitle the Executive to payments except as identified in this Amendment.

Subject to the earlier effectiveness of this Amendment, Executive hereby resigns as an officer and employee of CEGI effective immediately following the filing of CEGI's quarterly report on

Form 10-Q for the quarterly period ended October 31, 2008 with the Securities and Exchange Commission (the "CEGI Resignation Time"). Additionally, Executive hereby resigns as a director of CEGI and as a director of each of its subsidiaries, including, but not limited to, CEI, effective upon the effectiveness of this Amendment. Executive hereby resigns as an officer of CEI effective upon the conclusion of the Holdover Period (as defined below). Between the effectiveness of this Amendment and the CEGI Resignation Time, Executive shall not be entitled to any compensation or benefits from CEGI and shall only be entitled to the compensation and benefits provided by CEI under the Agreement, as amended by this Amendment.

3. Term

Executive shall be employed by CEI for a period of thirty (30) days following the effectiveness of this Amendment (the "Holdover Period"). If CEI terminates the employment of Executive or does not require his services during the Holdover Period, it shall nonetheless pay Executive's compensation and benefits for the full Holdover Period and shall pay the amounts due under Section 6 of this Amendment.

4. Executive's Duties

During the Holdover Period, the Executive's authority, duties or responsibilities may be reduced or eliminated. Such reductions or eliminations shall not be a basis for the Executive to assert that CEI breached the Agreement nor shall they be a basis for the Executive to resign.

5. Release

As of the date the Executive signs this Amendment, the Executive, to the fullest extent permitted by law, releases CEGI, and each of its related entities (other than CEI) and their respective directors, officers, employees, representatives and agents from any and all known and unknown claims and liabilities, other than those arising under the Age Discrimination in Employment Act, except for claims against CEGI for applicable rights of indemnification.

6. Severance Payment

After the Holdover Period, the Executive shall continue to receive his Base Salary, payable monthly, for a period of eight (8) months, less necessary withholdings and authorized deductions. CEI will also pay the cost of Executive's continued health care insurance coverage under COBRA, payable monthly, for a period of eight (8) months, provided Executive elects such continued coverage, or will pay Executive the cash equivalent of such premiums. The Executive shall receive no other compensation or benefits under the Agreement or this Amendment following the end of the Holdover Period; *provided, however*, that, at the end of the Holdover Period, Executive shall also be paid for (i) all earned but unpaid compensation (including accrued but unpaid vacation) through the effective date of termination, and (ii) reimbursement of expenses properly incurred on behalf of CEI.

7. Stock Options and Restricted Stock

No stock options or shares of restricted stock granted to Executive shall vest after the effectiveness of this Amendment.

8. Termination

Section 5 of the Agreement is deleted in its entirety.

9. Proprietary Information Obligations

Section 6 of the Agreement continues in full force and effect with regard to CEGI, CEI, and any and all of its affiliates.

10. Release

In order to receive any severance benefits or payments provided for under Section 6 of this Amendment, the Executive must execute and deliver to CEI a valid Waiver and Release Agreement in a form substantially similar to the release attached as Exhibit C to the Agreement (with appropriate modifications to reflect the provisions of this Amendment and otherwise ensure compliance with the current state of the law). No severance benefits or payments shall be paid under Section 6 of this Amendment unless and until the Executive has executed such Waiver and Release Agreement within the time period specified by CEI in the Waiver and Release Agreement (which shall not be more than 7 days after such agreement is tendered to the Executive unless otherwise required by law), and the period within which the Executive may revoke his or her Waiver and Release Agreement has expired without revocation. The Waiver and Release Agreement will release all claims the Executive might have against CEGI or CEI under the Agreement or this Amendment, except claims against CEI for amounts payable under Section 6 of this Amendment and claims against CEI or CEGI for applicable rights of indemnification.

The Executive may revoke his signed Waiver and Release Agreement within seven (7) days (or such other period provided by law) after his signing the Waiver and Release Agreement. Any such revocation must be made in writing and must be received by CEI within such seven (7) day (or such other) period. If the Executive timely revokes his Waiver and Release Agreement, he shall not be eligible to receive any severance benefits or payments under Section 6 of this Amendment. Notwithstanding the foregoing, if the expiration of the revocation period described above could occur in a calendar year later than the calendar year in which the Waiver and Release Agreement is tendered to the Executive for execution, then in no event will benefits or payments under the Agreement or this Amendment that are conditioned upon the effectiveness of the Waiver and Release Agreement be paid prior to the beginning of such later calendar year.

11. Modifications and Conflicts

Except as expressly provided for herein, all the terms and conditions of the Agreement remain in full force and effect; *provided, however*, that in the event of a conflict between the provisions of the Agreement and the provisions of this Amendment, the provisions of this Amendment shall control.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have duly executed this Amendment on the date(s) indicated below.

EXECUTIVE

/s/ GREGORY L. CRAIG
Gregory L. Craig

COMMERCE ENERGY GROUP, INC.

By: /s/ C. Douglas Mitchell
Name: C. Douglas Mitchell
Title: CFO

COMMERCE ENERGY, INC.

By: /s/ C. Douglas Mitchell
Name: C. Douglas Mitchell
Title CFO

Exhibit 99.4

AMENDMENT TO EMPLOYMENT AGREEMENT

This Amendment (this "Amendment") to the Employment Agreement (the "Agreement") dated as of March 10, 2008 by and between Michael J. Fallquist (the "Executive") and Commerce Energy Group, Inc. ("CEGI"), on behalf of itself and any and all of its subsidiaries, is made and entered into by the Executive, CEGI and Commerce Energy, Inc. ("CEI") and shall become effective, if at all, as of immediately prior to the consummation of the Consensual Foreclosure (as defined below). Capitalized terms not defined in this Amendment shall have the meaning set forth in the Agreement.

RECITALS

WHEREAS, the parties hereto wish to amend certain provisions of the Agreement effective as of immediately prior to the Consensual Foreclosure, if at all.

NOW, THEREFORE, for $100 to be paid by CEI to Executive and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Effectiveness

This Amendment shall become effective, if at all, immediately prior to the consummation of the consensual foreclosure under Section 9-620 of the Uniform Commercial Code as in effect in New York, pursuant to which CEGI consents to the acceptance by AP Finance, LLC and Commerce Gas and Electric Corp., a Delaware corporation and a subsidiary of Universal Energy Group Ltd., (collectively, the "Lenders") of certain collateral in satisfaction of certain indebtedness owed to the Lenders (the "Consensual Foreclosure"). This Amendment shall not take effect if the Consensual Foreclosure does not occur.

2. Assignment

Upon the effectiveness of this Amendment, (A) the Agreement, as amended by this Amendment, and all liabilities and obligations of CEGI and its subsidiaries (other than CEI) thereunder, shall be assigned to CEI (the "Assignment"), (B) CEI accepts the Assignment and agrees to assume and be bound by, and fulfill its obligations under, the Agreement, as amended by this Amendment, (C) subject to the terms and conditions of the Agreement, as amended by this Amendment, Executive shall be employed by CEI, (D) all references to "Commerce Energy Group, Inc." in the Agreement shall be replaced with "Commerce Energy, Inc.," and (E) the Executive consents to the Assignment and hereby agrees that upon its effectiveness CEGI shall have no liability associated with the Agreement or this Amendment.

Neither the Consensual Foreclosure nor the assignment of the Agreement to CEI, shall entitle the Executive to payments except as identified in this Amendment.

Executive hereby resigns as an officer and employee of CEGI and as a director of all of its subsidiaries, including, but not limited to, CEI, effective upon the effectiveness of this

Amendment. Executive hereby resigns as an officer of CEI effective upon the conclusion of the Holdover Period (as defined below).

3. Term

Executive shall be employed by CEI for a period of thirty (30) days following the effectiveness of this Amendment (the "Holdover Period"). If CEI terminates the employment of Executive or does not require his services during the Holdover Period, it shall nonetheless pay Executive's compensation and benefits for the full Holdover Period and shall pay the amounts due under Section 6 of this Amendment.

4. Executive's Duties

During the Holdover Period, the Executive's authority, duties or responsibilities may be reduced or eliminated. Such reductions or eliminations shall not be a basis for the Executive to assert that CEI breached the Agreement nor shall they be a basis for the Executive to resign.

5. Release

As of the date the Executive signs this Amendment, the Executive, to the fullest extent permitted by law, releases CEGI, and each of its related entities (other than CEI) and their respective directors, officers, employees, representatives and agents from any and all known and unknown claims and liabilities, other than those arising under the Age Discrimination in Employment Act, except for claims against CEGI for applicable rights of indemnification.

6. Severance Payment

After the Holdover Period, the Executive shall continue to receive his Base Salary, payable monthly, for a period of eight (8) months, less necessary withholdings and authorized deductions. CEI will also pay the cost of Executive's continued health care insurance coverage under COBRA, payable monthly, for a period of eight (8) months, provided Executive elects such continued coverage, or will pay Executive the cash equivalent of such premiums. The Executive shall receive no other compensation or benefits under the Agreement or this Amendment following the end of the Holdover Period; *provided, however*, that, at the end of the Holdover Period, Executive shall also be paid for (i) all earned but unpaid compensation (including accrued but unpaid vacation) through the effective date of termination, and (ii) reimbursement of expenses properly incurred on behalf of CEI.

7. Stock Options and Restricted Stock

No stock options or shares of restricted stock granted to Executive shall vest after the effectiveness of this Amendment.

8. Termination

Section 5 of the Agreement is deleted in its entirety.

9. Proprietary Information Obligations

Section 6 of the Agreement continues in full force and effect with regard to CEGI, CEI, and any and all of its affiliates.

10. Release

In order to receive any severance benefits or payments provided for under Section 6 of this Amendment, the Executive must execute and deliver to CEI a valid Waiver and Release Agreement in a form substantially similar to the release attached as Exhibit C to the Agreement (with appropriate modifications to reflect the provisions of this Amendment and otherwise ensure compliance with the current state of the law). No severance benefits or payments shall be paid under Section 6 of this Amendment unless and until the Executive has executed such Waiver and Release Agreement within the time period specified by CEI in the Waiver and Release Agreement (which shall not be more than 7 days after such agreement is tendered to the Executive unless otherwise required by law), and the period within which the Executive may revoke his Waiver and Release Agreement has expired without revocation. The Waiver and Release Agreement will release all claims the Executive might have against CEGI or CEI under the Agreement or this Amendment, except claims against CEI for amounts payable under Section 6 of this Amendment and claims against CEI or CEGI for applicable rights of indemnification.

The Executive may revoke his signed Waiver and Release Agreement within seven (7) days (or such other period provided by law) after his signing the Waiver and Release Agreement. Any such revocation must be made in writing and must be received by CEI within such seven (7) day (or such other) period. If the Executive timely revokes his Waiver and Release Agreement, he shall not be eligible to receive any severance benefits or payments under Section 6 of this Amendment. Notwithstanding the foregoing, if the expiration of the revocation period described above could occur in a calendar year later than the calendar year in which the Waiver and Release Agreement is tendered to the Executive for execution, then in no event will benefits or payments under the Agreement or this Amendment that are conditioned upon the effectiveness of the Waiver and Release Agreement be paid prior to the beginning of such later calendar year.

11. Modifications and Conflicts

Except as expressly provided for herein, all the terms and conditions of the Agreement remain in full force and effect; *provided, however*, that in the event of a conflict between the provisions of the Agreement and the provisions of this Amendment, the provisions of this Amendment shall control.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have duly executed this Amendment on the date(s) indicated below.

EXECUTIVE

/s/ MICHAEL J. FALLQUIST
Michael J. Fallquist

COMMERCE ENERGY GROUP, INC.

By: /s/ Gregory L. Craig
Name: Gregory L. Craig
Title: Chairman and CEO

COMMERCE ENERGY, INC.

By: /s/ Gregory L. Craig
Name: Gregory L. Craig
Title Chairman and CEO

Exhibit 99.5

AMENDMENT TO EMPLOYMENT AGREEMENT

This Amendment (this "Amendment") to the employment letter agreement (the "Agreement") dated as of July 10, 2008 by and between C. Douglas Mitchell (the "Executive"), and Commerce Energy Group, Inc. ("CEGI"), on behalf of itself and any and all of its subsidiaries, is made and entered into by the Executive, CEGI and Commerce Energy, Inc. ("CEI") and shall become effective, if at all, as of immediately prior to the consummation of the Consensual Foreclosure (as defined below). Capitalized terms not defined in this Amendment shall have the meaning set forth in the Agreement.

RECITALS

WHEREAS, the parties hereto wish to amend certain provisions of the Agreement effective as of immediately prior to the Consensual Foreclosure, if at all.

NOW, THEREFORE, for $100 to be paid by CEI to Executive and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Effectiveness

This Amendment shall become effective, if at all, immediately prior to the consummation of the consensual foreclosure under Section 9-620 of the Uniform Commercial Code as in effect in New York, pursuant to which CEGI consents to the acceptance by AP Finance, LLC and Commerce Gas and Electric Corp., a Delaware corporation and a subsidiary of Universal Energy Group Ltd., (collectively, the "Lenders") of certain collateral in satisfaction of certain indebtedness owed to the Lenders (the "Consensual Foreclosure"). This Amendment shall not take effect if the Consensual Foreclosure does not occur.

2. Assignment

Upon the effectiveness of this Amendment, (A) the Agreement, as amended by this Amendment, and all liabilities and obligations of CEGI and its subsidiaries (other than CEI) thereunder, shall be assigned to CEI (the "Assignment"), (B) CEI accepts the Assignment and agrees to assume and be bound by, and fulfill its obligations under, the Agreement, as amended by this Amendment, (C) subject to the terms and conditions of the Agreement, as amended by this Amendment, Executive shall be employed by CEI, (D) all references to "Commerce Energy Group, Inc." in the Agreement shall be replaced with "Commerce Energy, Inc.," and (E) the Executive consents to the Assignment and hereby agrees that upon its effectiveness CEGI shall have no liability associated with the Agreement or this Amendment.

Neither the Consensual Foreclosure nor the assignment of the Agreement to CEI, shall entitle the Executive to payments except as identified in this Amendment.

Executive hereby resigns as an officer of CEI effective upon the conclusion of the Holdover Period (as defined below).

3. Term

Executive shall be employed by CEI for a period of thirty (30) days following the effectiveness of this Amendment (the "Holdover Period"). If CEI terminates the employment of Executive or does not require his services during the Holdover Period, it shall nonetheless pay Executive's compensation and benefits for the full Holdover Period and shall pay the amounts due under Section 6 of this Amendment.

4. Executive's Duties

During the Holdover Period, the Executive's authority, duties or responsibilities may be reduced or eliminated. Such reductions or eliminations shall not be a basis for the Executive to assert that CEI breached the Agreement nor shall they be a basis for the Executive to resign.

5. Release

As of the date the Executive signs this Amendment, the Executive, to the fullest extent permitted by law, releases CEGI, and each of its related entities (other than CEI) and their respective directors, officers, employees, representatives and agents from any and all known and unknown claims and liabilities, other than those arising under the Age Discrimination in Employment Act, except for claims against CEGI for applicable rights of indemnification.

6. Severance Payment

After the Holdover Period, the Executive shall continue to receive his Base Salary, payable monthly, for a period of eight (8) months, less necessary withholdings and authorized deductions. CEI will also pay Executive $1,200 per month for the cost of Executive's continued health care insurance, payable monthly, for a period of eight (8) months. The Executive shall receive no other compensation or benefits under the Agreement or this Amendment following the end of the Holdover Period; *provided, however*, that, at the end of the Holdover Period, Executive shall also be paid for (i) all earned but unpaid compensation (including accrued but unpaid vacation) through the effective date of termination, and (ii) reimbursement of expenses properly incurred on behalf of CEI.

7. Stock Options and Restricted Stock

All unvested shares of restricted stock granted to Executive shall vest in full upon the consummation of the Consensual Foreclosure. No stock options granted to Executive, if any, shall vest after the effectiveness of this Amendment.

8. Termination

The Section of the Agreement entitled "Termination" is hereby deleted in its entirety.

9. Release

In order to receive any severance benefits or payments provided for under Section 6 of this Amendment, the Executive must execute and deliver to CEI a valid Waiver and Release Agreement, in a form substantially similar to the release attached as Exhibit A to the Agreement (with appropriate modifications to reflect the provisions of this Amendment). No severance benefits or payments shall be paid under Section 6 of this Amendment unless and until the Executive has executed such Waiver and Release Agreement within the time period specified by CEI in the Waiver and Release Agreement (which shall not be more than 7 days after such agreement is tendered to the Executive unless otherwise required by law), and the period within which the Executive may revoke his or her Waiver and Release Agreement has expired without revocation. The Waiver and Release Agreement will release all claims the Executive might have against CEGI or CEI under the Agreement or this Amendment, except claims against CEI for amounts payable under Section 6 of this Amendment and claims against CEI or CEGI for applicable rights of indemnification.

The Executive may revoke his signed Waiver and Release Agreement within seven (7) days (or such other period provided by law) after his signing the Waiver and Release Agreement. Any such revocation must be made in writing and must be received by CEI within such seven (7) day (or such other) period. If the Executive timely revokes his Waiver and Release Agreement, he shall not be eligible to receive any severance benefits or payments under Section 6 of this Amendment. Notwithstanding the foregoing, if the expiration of the revocation period described above could occur in a calendar year later than the calendar year in which the Waiver and Release Agreement is tendered to the Executive for execution, then in no event will benefits or payments under the Agreement or this Amendment that are conditioned upon the effectiveness of the Waiver and Release Agreement be paid prior to the beginning of such later calendar year.

10. Modifications and Conflicts

Except as expressly provided for herein, all the terms and conditions of the Agreement remain in full force and effect; *provided, however*, that in the event of a conflict between the provisions of the Agreement and the provisions of this Amendment, the provisions of this Amendment shall control.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have duly executed this Amendment on the date(s) indicated below.

EXECUTIVE

/s/ C. DOUGLAS MITCHELL
C. Douglas Mitchell

COMMERCE ENERGY GROUP, INC.

By: /s/ Gregory L. Craig
Name: Gregory L. Craig
Title: Chairman and CEO

COMMERCE ENERGY, INC.

By: /s/ Gregory L. Craig
Name: Gregory L. Craig
Title Chairman and CEO

Exhibit 99.6

AMENDMENT TO EMPLOYMENT AGREEMENT

This Amendment (this "Amendment") to the employment letter agreement (the "Agreement") dated as of July 18, 2008 by and between John H. Bomgardner, II (the "Executive") and Commerce Energy Group, Inc. ("CEGI"), on behalf of itself and any and all of its subsidiaries, is made and entered into by the Executive, CEGI and Commerce Energy, Inc. ("CEI") and shall become effective, if at all, as of immediately prior to the consummation of the Consensual Foreclosure (as defined below). Capitalized terms not defined in this Amendment shall have the meaning set forth in the Agreement.

RECITALS

WHEREAS, the parties hereto wish to amend certain provisions of the Agreement effective as of immediately prior to the Consensual Foreclosure, if at all.

NOW, THEREFORE, for $100 to be paid by CEI to Executive and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Effectiveness

This Amendment shall become effective, if at all, immediately prior to the consummation of the consensual foreclosure under Section 9-620 of the Uniform Commercial Code as in effect in New York, pursuant to which CEGI consents to the acceptance by AP Finance, LLC and Commerce Gas and Electric Corp., a Delaware corporation and a subsidiary of Universal Energy Group Ltd., (collectively, the "Lenders") of certain collateral in satisfaction of certain indebtedness owed to the Lenders (the "Consensual Foreclosure"). This Amendment shall not take effect if the Consensual Foreclosure does not occur.

2. Assignment

Upon the effectiveness of this Amendment, (A) the Agreement, as amended by this Amendment, and all liabilities and obligations of CEGI and its subsidiaries (other than CEI) thereunder, shall be assigned to CEI (the "Assignment"), (B) CEI accepts the Assignment and agrees to assume and be bound by, and fulfill its obligations under, the Agreement, as amended by this Amendment, (C) subject to the terms and conditions of the Agreement, as amended by this Amendment, Executive shall be employed by CEI, (D) all references to "Commerce Energy Group, Inc." in the Agreement shall be replaced with "Commerce Energy, Inc.," and (E) the Executive consents to the Assignment and hereby agrees that upon its effectiveness CEGI shall have no liability associated with the Agreement or this Amendment.

Neither the Consensual Foreclosure nor the assignment of the Agreement to CEI, shall entitle the Executive to payments except as identified in this Amendment.

Executive hereby resigns as an officer and employee of CEGI, effective upon the effectiveness of this Amendment. Executive hereby resigns as an officer of CEI effective upon the conclusion of the Holdover Period (as defined below).

3. Term

Executive shall be employed by CEI for a period of thirty (30) days following the effectiveness of this Amendment (the "Holdover Period"). If CEI terminates the employment of Executive or does not require his services during the Holdover Period, it shall nonetheless pay Executive's compensation and benefits for the full Holdover Period and shall pay the amounts due under Section 6 of this Amendment.

4. Executive's Duties

During the Holdover Period, the Executive's authority, duties or responsibilities may be reduced or eliminated. Such reductions or eliminations shall not be a basis for the Executive to assert that CEI breached the Agreement nor shall they be a basis for the Executive to resign.

5. Release

As of the date the Executive signs this Amendment, the Executive, to the fullest extent permitted by law, releases CEGI, and each of its related entities (other than CEI) and their respective directors, officers, employees, representatives and agents from any and all known and unknown claims and liabilities, other than those arising under the Age Discrimination in Employment Act, except for claims against CEGI for applicable rights of indemnification.

6. Severance Payment

After the Holdover Period, the Executive shall continue to receive his base salary, payable monthly, for a period of eight (8) months, less necessary withholdings and authorized deductions. CEI will also pay the cost of Executive's continued health care insurance coverage under COBRA, payable monthly, for a period of eight (8) months, provided Executive elects such continued coverage, or will pay Executive the cash equivalent of such premiums. In addition, CEI will forgive any repayment for relocation expenses that might otherwise be owed under the terms of the Agreement. The Executive shall receive no other compensation or benefits under the Agreement or this Amendment following the end of the Holdover Period; *provided, however*, that, at the end of the Holdover Period, Executive shall also be paid for (i) all earned but unpaid compensation (including accrued but unpaid vacation) through the effective date of termination, and (ii) reimbursement of expenses properly incurred on behalf of CEI.

7. Stock Options and Restricted Stock

No stock options or shares of restricted stock granted to Executive shall vest after the effectiveness of this Amendment.

8. Termination

Attachment A and the next to last bullet of the Agreement (which references Attachment A) are deleted in their entirety.

9. Release

In order to receive any severance benefits or payments provided for under Section 6 of this Amendment, the Executive must execute and deliver to CEI a valid separation agreement and general release ("Waiver and Release Agreement") in a form substantially similar to the release attached as Exhibit A to the Agreement (with appropriate modifications to reflect the provisions of Section 6 of this Amendment and otherwise ensure compliance with the current state of the law). No severance benefits or payments shall be paid under Section 6 of this Amendment unless and until the Executive has executed such Waiver and Release Agreement within the time period specified by CEI in the Waiver and Release Agreement (which shall not be more than 7 days after such agreement is tendered to the Executive unless otherwise required by law), and the period within which the Executive may revoke his Waiver and Release Agreement has expired without revocation. The Waiver and Release Agreement will release all claims the Executive might have against CEGI or CEI under the Agreement or this Amendment, except claims against CEI for amounts payable under Section 6 of this Amendment and claims against CEI or CEGI for applicable rights of indemnification.

The Executive may revoke his signed Waiver and Release Agreement within seven (7) days (or such other period provided by law) after his signing the Waiver and Release Agreement. Any such revocation must be made in writing and must be received by CEI within such seven (7) day (or such other) period. If the Executive timely revokes his Waiver and Release Agreement, he shall not be eligible to receive any severance benefits or payments under Section 6 of this Amendment. Notwithstanding the foregoing, if the expiration of the revocation period described above could occur in a calendar year later than the calendar year in which the Waiver and Release Agreement is tendered to the Executive for execution, then in no event will benefits or payments under the Agreement or this Amendment that are conditioned upon the effectiveness of the Waiver and Release Agreement be paid prior to the beginning of such later calendar year.

10. Modifications and Conflicts

Except as expressly provided for herein, all the terms and conditions of the Agreement remain in full force and effect; *provided, however*, that in the event of a conflict between the provisions of the Agreement and the provisions of this Amendment, the provisions of this Amendment shall control.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have duly executed this Amendment on the date(s) indicated below.

EXECUTIVE

/s/ JOHN H. BOMGARDNER, II
John H. Bomgardner, II

COMMERCE ENERGY GROUP, INC.

By: /s/ Gregory L. Craig
Name: Gregory L. Craig
Title: Chairman and CEO

COMMERCE ENERGY, INC.

By: /s/ Gregory L. Craig
Name: Gregory L. Craig
Title Chairman and CEO

Exhibit 99.7

commerce energy

Contacts: **Commerce Energy Group, Inc.**
C. Douglas Mitchell
Chief Financial Officer
714-259-2500

PondelWilkinson Inc.
Robert Jaffe/Roger Pondel
310-279-5980

Commerce Energy Consents to Foreclosure and Declares Dividend

COSTA MESA, CA — December 11, 2008 — Commerce Energy Group, Inc. (AMEX:EGR) announced today that the company accepted a foreclosure by its secured lenders under a procedure under the Uniform Commercial Code on all shares of Commerce Energy, Inc. ("Commerce"), our wholly-owned subsidiary, and certain other securities held by the company, in satisfaction of the company's liabilities and obligations with respect to the company's secured debt. In connection therewith, the company declared a cash dividend of $0.084 per share on shares of the company's common stock to all stockholders of record on December 11, 2008. The company also announced today that the company redeemed all of the rights outstanding under the company's shareholder rights agreement at a price of $0.001 per right.

AP Finance, LLC ("AP Finance") and Commerce Gas and Electric Corp., a wholly-owned subsidiary of Universal Energy Group Ltd. ("CG&E"), the holders of the company's secured debt, notified the company today that a default existed under certain agreements relating to the company's secured debt. AP Finance and CG&E, also proposed today, under Section 9-620 of the Uniform Commercial Code, as in effect in the State of New York, to accept all of the company's stock in Commerce and certain other securities held by the company in satisfaction of the company's liabilities and obligations with respect its secured debt pursuant to the terms and conditions of an acceptance agreement among the company, AP Finance and CG&E (the "Consensual Foreclosure").

The company had a right not to consent to, and thereby delay, the Consensual Foreclosure. However, the company recognized that a delay would likely not prevent a foreclosure and instead chose to accept certain inducements offered by AP Finance and CG&E by consenting to the Consensual Foreclosure and executing and delivering an acceptance agreement today. Pursuant to the terms of the acceptance agreement, AP Finance and CG&E agreed to allow Commerce to pay a dividend to the company in the aggregate amount of $3.1 million. As a result of the Consensual Foreclosure and the dividend to be paid by Commerce to the company, the company's board of directors determined that the company would be able to make a distribution to its shareholders in the aggregate amount of $2,614,780, comprised of a dividend in the amount of $0.084 per share on shares of the company's common stock and a redemption of all of the rights outstanding under the company's shareholder rights agreement at a price of $0.001 per right. The dividend will be payable to shareholders of record as of the close of business on December 11, 2008 and will be paid as soon as practical.

As a result of the Consensual Foreclosure, the company ceased all operations but Commerce will continue to market gas and electricity in its current markets as a subsidiary of CG&E, a wholly-owned subsidiary of Toronto Stock Exchange listed Universal Energy Group Ltd. The company will commence proceedings to wind-up and dissolve as soon as practicable.

Effective on December 11, 2008, in connection with the Consensual Foreclosure, the company determined to initiate the withdrawal of the company's shares from the NYSE Alternext US, previously known as the American Stock Exchange (the "Exchange"). The company is in the process of submitting a letter to the Exchange requesting the withdrawal of its shares of common stock from the Exchange.

About Commerce Energy Group

Commerce Energy Group was a leading independent U.S. electricity and natural gas marketing company. Its formerly-owned, principal operating subsidiary, Commerce Energy, Inc., is licensed by the Federal Energy Regulatory Commission and by state regulatory agencies as an unregulated retail marketer of natural gas and electricity and serves homeowners, commercial and industrial consumers and institutional customers. For more information, visit www.CommerceEnergy.com.

Forward-Looking Statements

This press release contains forward-looking statements that are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995, particularly those statements regarding the effects of the proposed transaction and those preceded by, followed by or that otherwise include the words "believes," "expects," "anticipates," "intends," "estimates," or similar expressions. Forward-looking statements relating to expectations about future results or events are based upon information available to Commerce as of today's date, and Commerce does not assume any obligations to update any of these statements. The forward-looking statements are not guarantees of the future performance of Commerce and actual results may vary materially from the results and expectations discussed.

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Updated Exhibit C-1
Commerce Energy, Inc.
dba Commerce Energy of Ohio, Inc.
Case No. 02-1828-GA-CRS

ANNUAL INFORMATION FORM

UNIVERSAL ENERGY
GROUP

For the Year ended September 30, 2008

December 29, 2008

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FORWARD-LOOKING STATEMENTS

This Annual Information Form contains "forward-looking statements". Statements other than statements of historical fact contained in this Annual Information Form may be forward-looking statements, including, without limitation, management's expectations, intentions and beliefs concerning the retail electricity industry, the retail natural gas industry and the ethanol industry, the competitive landscape in these industries and the general economy, statements regarding the future financial position or results of the Company, business strategies, proposed acquisitions, growth opportunities, budgets, litigation, projected costs and plans and objectives of or involving the Company. Wherever possible, words such as "may", "would", "could", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate", "aim", "endeavour", "project", "continue" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, those listed in the "Risk Factors" section of this Annual Information Form. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this Annual Information Form. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this Annual Information Form are based upon what management currently believes to be reasonable assumptions, we cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements. The forward-looking statements contained in this Annual Information Form are expressly qualified in their entirety by this cautionary statement. These forward-looking statements are made as of the date of this Annual Information Form and the Company does not intend to, nor does it assume any obligation to, update or revise these forward-looking statements to reflect new events or circumstances except as expressly required by applicable securities law.

NON-GAAP FINANCIAL MEASURES

This Annual Information Form makes reference to certain non-GAAP measures, namely Operational Revenue and Operational Margin, to assist in assessing Universal's financial performance. Non-GAAP measures do not have standard meanings prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers.

Universal recognizes revenue based on customer consumption, but delivers natural gas, and is paid by the LDCs on an equal monthly basis. In addition, Universal uses financial swaps to fix its operating margins in its electricity business. These swap payments are not considered a cost of sales for accounting purposes although Universal treats them as such for business planning purposes. Accordingly, Universal uses the concepts of "Operational Revenue" and "Operational Margin" to adjust for the differences between revenue recognition and delivery/payment that exist in its natural gas business and for the effect of the financial swaps used in its electricity business.

Operational Revenue and Operational Margin are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Universal's method of calculating Operational Revenue and Operational Margin may differ from the methods used by other issuers and, accordingly, Universal's Operational Revenue and Operational Margin may not be comparable to similar measures presented by other issuers. Investors are cautioned that Operational Revenue and Operational Margin should not be construed as alternatives to revenue or gross margin determined in accordance with GAAP as indicators of Universal's performance or to cash flows from operating activities as measures of Universal's liquidity and cash flows. The Company believes that these are useful measures as they allow Universal to assess its ongoing business and are indicators of Universal's ability to invest in its businesses and continue operations. Universal calculates Operational Revenue and Operational Margin as follows:

Operational Revenue. For natural gas, Operational Revenue is revenue adjusted upward by the dollar amount of "gas delivered in excess of consumption" (natural gas that has been delivered by Universal to LDCs in excess of customer consumption) and adjusted downward by the dollar amount of "gas under delivered" (natural gas that has been consumed by Universal's customers in excess of that delivered by Universal to the LDCs). For electricity, Operational Revenue is revenue without adjustment.

Operational Margin. For natural gas, Operational Margin is gross margin adjusted upward for the excess of "deferred revenue" over "gas delivered in excess of consumption" or adjusted downward for the excess of "unbilled revenues" over "gas under delivered". For electricity, Operational Margin is gross margin adjusted upward for "swap receipts" and downward for "swap payments", which are not included in cost of sales for accounting purposes.

CERTAIN INFORMATION

General

Our website is located at www.universalenergygroup.ca the content of which is expressly not incorporated by reference into this Annual Information Form.

In this Annual Information Form, instead of quantifying customers in terms of the number of customers that have entered into energy contracts with Energy Retailers, customers are often quantified in terms of RCEs. An RCE is a residential customer equivalent, which is a unit of measurement equivalent to 10,000 kWh of electricity on an annual basis or 2,815 m^3 of natural gas on an annual basis, which quantities management believes represent the approximate amounts of electricity and natural gas used annually by a typical residential customer. This Annual Information Form quantifies customers using this unit of measurement because it is common to do so in the electricity and natural gas marketing industry. However, for various reasons, in certain markets there is not sufficient data available to quantify customers in terms of RCEs. Therefore, in this Annual Information Form, unless otherwise stated (i) Ontario electricity customers have been quantified in terms of the number of residential, small to mid-size commercial and small industrial customers instead of in terms of RCEs, and (ii) British Columbia natural gas customers have been quantified in terms of the number of residential and commercial customers instead of in terms of RCEs.

Trademarks

"Energy One", "Giving You The Power To Save", "Universal Energy" and "Wholesale Energy" are registered trademarks of Universal in Canada. Universal has applications pending in Canada to register the trademarks "Fight Back Against High Energy Prices" and "Price Protection Plus" . Universal has applications pending in the United States to register the trademarks "Blend and Extend", "Fight Back Against High Energy Prices", "Giving You the Power to Save", "Price Protection Plus" and "Universal Gas & Electric".. TGF has applications pending in Canada to register the trademarks "Powered by Wheat" and "Grow with Us". This Annual Information Form also contains company names, product names, trade names, trademarks and service marks of other organizations, each of which is the property of its respective owner.

Currency

Unless otherwise indicated, references herein to "$" or "dollars" are to Canadian dollars. All references to "US$" refer to United States dollars.

GLOSSARY OF TERMS

In this Annual Information Form, the following terms have the meanings set forth below, unless otherwise indicated. Words importing the singular include the plural and vice versa and words importing any gender include all genders:

"**Acquisitions**" means the acquisition by the Company from the Existing Shareholders of the issued and outstanding shares of each of Universal and TGF, all as more particularly described under "General Development of the Business – Three Year History".

"**Acquisition Agreements**" means the purchase and sale agreement or agreements between the Company and the Existing Shareholders relating to the Acquisitions.

"**affiliate**" has the meaning given to it in Section 1.2 of National Instrument 45-106 – *Prospectus and Registration Exemptions* promulgated under the *Securities Act* (Ontario).

"**AGS**" means alternative gas supplier, as defined by the MPSC.

"**associate**" has the meaning ascribed thereto in the Securities Act (Ontario).

"**Audit Committee**" means the audit committee of the Board of Directors.

"**BCUC**" means the British Columbia Utilities Commission, a regulatory body which regulates, among other things, the distribution and marketing of electricity and natural gas in the Province of British Columbia.

"**Belle Plaine Facility**" means the ethanol facility and related infrastructure and facilities that TGF is constructing in the rural municipality of Pense No. 160 near Belle Plaine, Saskatchewan.

"**Board of Directors**" or "**Board**" means the board of directors of the Company.

"**BC Natural Gas Licence**" means the Gas Marketer Licence issued by the BCUC to Universal authorizing Universal to serve as a natural gas marketer in the Province of British Columbia as renewed, amended or replaced from time to time.

"**CBCA**" means the Canada Business Corporations Act, as amended, including the regulations thereunder.

"**CEI**" means "Commerce Energy, Inc.

"**Commerce**" means Commerce Gas and Electric Corp. a corporation incorporated under the laws of the state of Delaware.

"**Commerce Acquisition**" means the acquisition by the Company of all of the shares of CEI, which carries on a gas and electricity marketing business. in the United States.

"**Commodity Agreements**" means the Gas Purchase Agreement, the Electricity Swap Agreement and the Universal U.S. Gas Purchase Agreement.

"**Common Shares**" means the common shares of the Company.

"**Company**", "**we**", "**us**" and "**our**", unless the context otherwise requires, each mean Universal Energy Group Ltd. and its consolidated subsidiaries (including Universal, NEC, TGF and Commerce).

"**Compensation and Governance Committee**" means the compensation, nominating and governance committee of the Board of Directors.

"**Contractor**" means EllisDon/VCM In Joint Venture, an unincorporated joint venture and TGF's contractor under the EPC Contract.

"Convertible Debenture Trustee" means Computershare Trust Company of Canada, as trustee under the Debenture Indenture.

"Convertible Debentures" means the $90,000,000 aggregate principal amount of 6.00% convertible unsecured subordinated debentures issued by the Company on October 2, 2007. See "Capital Structure – Convertible Debentures".

"Debenture Indenture" means the trust indenture dated October 2, 2007, between the Company and Computershare Trust Company of Canada , as trustee. See "Capital Structure – Convertible Debentures".

"Delta-T" means Delta-T Corporation, TGF's ethanol process technology provider.

"Distributors" means, collectively, the corporate marketing consultants of Universal who manage Universal's Independent Contractors pursuant to the Marketing Agreements.

"Electricity Contracts" means Universal's long term contracts for a customer's electricity supply requirements at a fixed price (subject to the application of balancing charges).

"Electricity Swap Agreement" means the electricity swap master agreement, as amended from time to time, between Universal and Sempra pursuant to which Universal has engaged Sempra to act as Universal's exclusive supplier of Electricity Swaps on the terms and conditions set forth therein.

"Electricity Swaps" means any swap, contract for differences, option or other similar transaction in respect of electricity.

"EllisDon" means EllisDon Inc., one of TGF's joint venture contractors.

"Enbridge" means Enbridge Gas Distribution Inc., an Ontario LDC.

"Enbridge Gas Distribution Franchise Area" means the geographic area in the Province of Ontario within which Enbridge Gas Distribution Inc. is franchised as an LDC to service its customers and distribute natural gas.

"Energy Contracts" means Gas Contracts and Electricity Contracts.

"Energy Retailers" means agents/brokers/marketers such as Universal. Energy Retailers are market aggregators, meaning that they aggregate downstream customers into groups.

"EPC Contract" means the EPC construction contract dated as of September 29, 2006 between TGF, the Contractor and EllisDon, pursuant to which TGF retained the Contractor for the design, engineering, procurement, construction and commissioning of TGF's Belle Plaine Facility.

"Escrow Agreement" means the escrow agreement dated February 2, 2007, between the Existing Shareholders, the Company and Computershare Investor Services Inc., in its capacity as escrow trustee.

"Existing Shareholders" means the Universal Existing Shareholders and the TGF Existing Securityholders.

"GAAP" means accounting principles generally accepted in Canada.

"Gas Contracts" means Universal's long-term contracts for a customer's natural gas supply requirements at a fixed price (subject to the application of balancing charges for certain classes of customers).

"Gas Purchase Agreement" means the natural gas purchase and sale agreement, as amended from time to time, between Universal and Sempra pursuant to which Universal has engaged Sempra to act as Universal's exclusive supplier of natural gas on the terms and conditions set forth therein.

"Gas Supplier" means a person who is a natural gas producer or a natural gas supply aggregator.

"GJ" means gigajoules (one billion joules). A joule is a measurement of energy, with one gigajoule being equal to 0.95 million British thermal units or approximately 26.53 m^3 of natural gas.

"Grain Supply Agreement" means the grain supply agreement made effective December 5, 2006 between TGF and SWP.

"HOEP" means the final hourly market clearing price for electricity as posted on the IESO website at www.ieso.ca.

"IESO" means the Independent Electricity System Operator (formerly the Independent Electricity Market Operator) established under the *Electricity Act*, 1998 (Ontario), or other successor or replacement entity, public or private, administering transmission reliability and control of the electricity grid in the province of Ontario.

"Independent Contractor" means a person who serves in the capacity of an independent contractor to solicit contracts for the supply of electricity and/or natural gas on behalf of Universal.

"IPO Closing" means the closing of the IPO Offering.

"IPO Closing Date" means February 2, 2007, the closing date of the IPO Offering.

"IPO Offering" means the Company's initial public offering of 13,068,183 Common Shares completed on February 2, 2007 as to 11,363,637 Common Shares and on February 7, 2007 as to 1,704,546 Common Shares.

"IPO Offering Price" means $11.00 per Common Share, the price at which the Common Shares were sold pursuant to the IPO Offering.

"kWh" means a kilowatt hour, the standard commercial unit of electricity energy, with one kilowatt hour being the amount of energy consumed by ten 100 watt light bulbs burning for one hour.

"Large Volume User" means an electricity consumer who consumes more than 250,000 kWh of electricity per year, or a natural gas consumer who consumes more than 50,000 m^3 of natural gas per year.

"LDC" means local distribution company, the electricity or natural gas distributor for a geographic franchise area.

"Licence Agreement" means the licence of technology agreement dated October 22, 2006 between Delta-T and TGF pursuant to which Delta-T granted TGF the right to use Delta-T's technology for the purposes of constructing, building and the ongoing operation of TGF's Belle Plaine Facility and the repair, maintenance, optimization and enhancement of the Belle Plaine Facility.

"m^3" means a cubic metre. One m3 of natural gas is equal to approximately 0.03769 GJs.

"Marketing Agreements" means the marketing agreements dated effective January 1, 2007 between Universal and each of the Distributors.

"Mcf" means thousand cubic feet.

"Michigan Natural Gas Licence" means the Licence issued by the MPSC to Universal authorizing Universal to serve as an Alternative Gas Supplier in the State of Michigan, as renewed, amended or replaced from time to time.

"MMBtu" means million British thermal units.

"MPSC" means the Michigan Public Service Commission, a regulatory body that regulates, among other things, the distribution and marketing of electricity and natural gas in the State of Michigan.

"MTBE" means methyl tertiary butyl ether.

"MWh" means megawatt hour.

"**NEC**" means National Energy Corporation, a corporation incorporated under the laws of the Province of Ontario.

"**NHS**" means "National Home Services", the name under which NEC carries on the primary business of marketing residential water heater contracts in Ontario.

"**OBCA**" means the *Business Corporations Act* (Ontario), as amended, including the regulations thereunder.

"**OEB**" means the Ontario Energy Board, a regulatory body which regulates, among other things, the distribution and marketing of electricity and natural gas in the Province of Ontario.

"**Ontario Electricity Licence**" means Electricity Retailer Licence No. ER-2005-0261 issued by the OEB to Universal on May 26, 2005 authorizing Universal to serve as an electricity marketer in the Province of Ontario until May 25, 2010.

"**Ontario Natural Gas Licence**" means the Licence issued by the OEB to Universal authorizing Universal to serve as a natural gas marketer in the Province of Ontario, as renewed, amended or replaced from time to time.

"**Operational Revenue**" means (i) for natural gas, revenue adjusted upward by the dollar amount of "gas delivered in excess of consumption" (natural gas that has been delivered by Universal to LDCs in excess of customer consumption) and adjusted downward by the dollar amount of "gas under-delivered" (natural gas that has been consumed by Universal's customers in excess of that delivered by Universal to the LDCs), and (ii) for electricity, revenue without adjustment. See "Non-GAAP Financial Measures".

"**Operational Margin**" means (i) for natural gas, gross margin adjusted upward for the excess of "deferred revenue" over "gas delivered in excess of consumption" or adjusted downward for the excess of "unbilled revenues" over "gas under-delivered", and (ii) for electricity, gross margin adjusted upward for "swap receipts" or adjusted downward for "swap payments", which are not included in cost of sales for accounting purposes. See "Non-GAAP Financial Measures".

"**OPG**" means Ontario Power Generation Inc.

"**PJ**" means petajoules.

"**Promoters**" means, collectively, Gary J. Drummond and Mark L. Silver.

"**RCE**" means a residential customer equivalent, which is a unit of measurement equivalent to 10,000 kWh of electricity on an annual basis or *2,815* m^3 *(or 106 GJs)* of natural gas on an annual basis, which quantities management believes to represent the approximate amounts of electricity and natural gas used annually by a typical residential customer.

"**Renewal**" means the renewal of an existing customer's contract upon expiration of such contract.

"**RFA**" means the Renewable Fuels Association, the national trade association for the U.S. ethanol industry.

"**RFS**" means the U.S. renewable fuels standard, which was adopted as part of the *Energy Policy Act of 2005*.

"**Risk Management Committee**" means the risk management committee of the Board of Directors.

"**RPP**" means the Regulated Price Plan developed by the OEB for specific classes of customers who purchase their electricity supply from Ontario electric LDCs.

"**Sempra**" means RBS Sempra Commodities., Universal's exclusive supplier of natural gas and Electricity Swaps and Universal U.S.'s exclusive supplier of natural gas.

"**subsidiary**" has the meaning set out in the *Securities Act* (Ontario), and includes a partnership or other entity.

"**SWP**" means Saskatchewan Wheat Pool Inc.

"**TGF**" means Terra Grain Fuels Inc., the corporation formed on the amalgamation of Grain Fuels Holdings Inc. and Terra Grain Fuels Inc. on the IPO Closing Date.

"**TGF Credit Facility**" means the term sheet dated July 21, 2006 between TGF and its lead lender, on behalf of a syndicate of Canadian lenders, for a credit facility. See "Principal Agreements – Principal Agreements of TGF – TGF Credit Facility".

"**TGF Debenture Purchase Agreement**" means the agreement dated August 25, 2006 among TGF and the TGF Debentureholders. See "Principal Agreements – Principal Agreements of TGF – TGF Debenture Purchase Agreement".

"**TGF Debentureholders**" means the purchasers of the TGF Debentures.

"**TGF Debentures**" means the $40 million aggregate principal amount of 10.5% subordinated secured debentures of TGF.

"**TGF Existing Securityholders**" means the holders of the issued and outstanding shares of TGF on February 2, 2007 immediately prior to the completion of the Acquisitions.

"**TGF Management Shareholders**" means Gary Drummond, Tim LaFrance and Mark Silver (and entities that were shareholders of TGF immediately prior to the completion of the Acquisitions and over which such individuals directly or indirectly exercise control or direction) and Sempra.

"**TGF Non-Management Shareholders**" means all shareholders of TGF immediately prior to the completion of the Acquisitions other than the TGF Management Shareholders.

"**TSX**" means the Toronto Stock Exchange.

"**UEC Distributors**" means UEC Distributors Group Ltd., a corporation incorporated under the laws of the Province of Ontario that is a shareholder of Universal.

"**Union Gas Franchise Area**" means the geographic area within the Province of Ontario within which Union Gas Limited is franchised as an LDC to service its customers and distribute natural gas.

"**Universal**" means Universal Energy Corporation, a corporation incorporated under the laws of the Province of Ontario, and where the context requires, includes its wholly-owned subsidiary Universal U.S.

"**Universal Existing Shareholders**" means the holders of the issued and outstanding shares of Universal on February 2, 2007 immediately prior to the completion of the Acquisitions.

"**Universal U.S.**" means Universal Gas & Electric Corporation, a company incorporated under the laws of the State of Delaware and a wholly-owned subsidiary of Universal and, where appropriate includes the wholly-owned subsidiaries of Universal Gas & Electric Corporation, all of which companies have been incorporated under the laws of the state of Delaware.

"**Universal U.S. Gas Purchase Agreement**" means the natural gas purchase and sale agreement, as amended from time to time, between Universal U.S. and Sempra pursuant to which Universal U.S. has engaged Sempra to act as Universal U.S.'s exclusive supplier of natural gas on the terms and conditions set forth therein.

"**VCM**" means VCM Contractors & Engineers Ltd., one of TGF's joint venture contractors.

"**WACOG**" means, for any period, the weighted average cost of gas for such period, which is generally derived by weighting the natural gas volumes by the natural gas prices paid under specific natural gas contracts by an LDC to produce one average price for a natural gas supply portfolio.

CORPORATE STRUCTURE

The Company

The Company was incorporated under the CBCA as "Universal Energy Group Ltd." on November 1, 2006. The Company was formed to participate in the retail electricity and natural gas industries and the ethanol industry. Following the IPO Closing, the Company acquired all of the issued and outstanding shares of Universal and TGF.

The head office of the Company is located at Suite 1700, 25 Sheppard Avenue West, Toronto, Ontario M2N 6S6. The registered office of the Company is located at Suite 1600, 25 Sheppard Avenue West, Toronto, Ontario M2N 6S6.

The Company had as at September 30 2008 ten wholly-owned subsidiaries as shown on the chart at page 11. Commerce was incorporated in December, 2008 and acquired all of the shares of CEI on December 11, 2008, The acquisition of CEI is described under the heading "General Development of the Business--History".

Universal

Universal is incorporated under the OBCA. Universal currently sells: (i) electricity and natural gas in Ontario to residential, small to mid size commercial and small industrial customers; (ii) natural gas in British Columbia to residential, small to mid size commercial and small industrial customers; and (iii) through Universal U.S., natural gas in Michigan to residential, small to mid size commercial and small industrial customers.

UG & E Holdings Inc.

UG & E Holdings Inc. is a company incorporated under the laws of the state of Delaware and is a wholly-owned subsidiary of the Company. UG & E Holdings Inc. in turn owns all of the shares of Wholesale Energy Illinois Inc., Wholesale Energy New York Inc. and UG & E Texas Inc. which are or will carry on the business of selling natural gas and/or electricity in Illinois, New York and Texas, respectively.

Universal U.S.

Universal U.S. is a company incorporated under the laws of the State of Delaware and currently sells natural gas in the state of Michigan and electricity and natural gas in the state of New York.

TGF

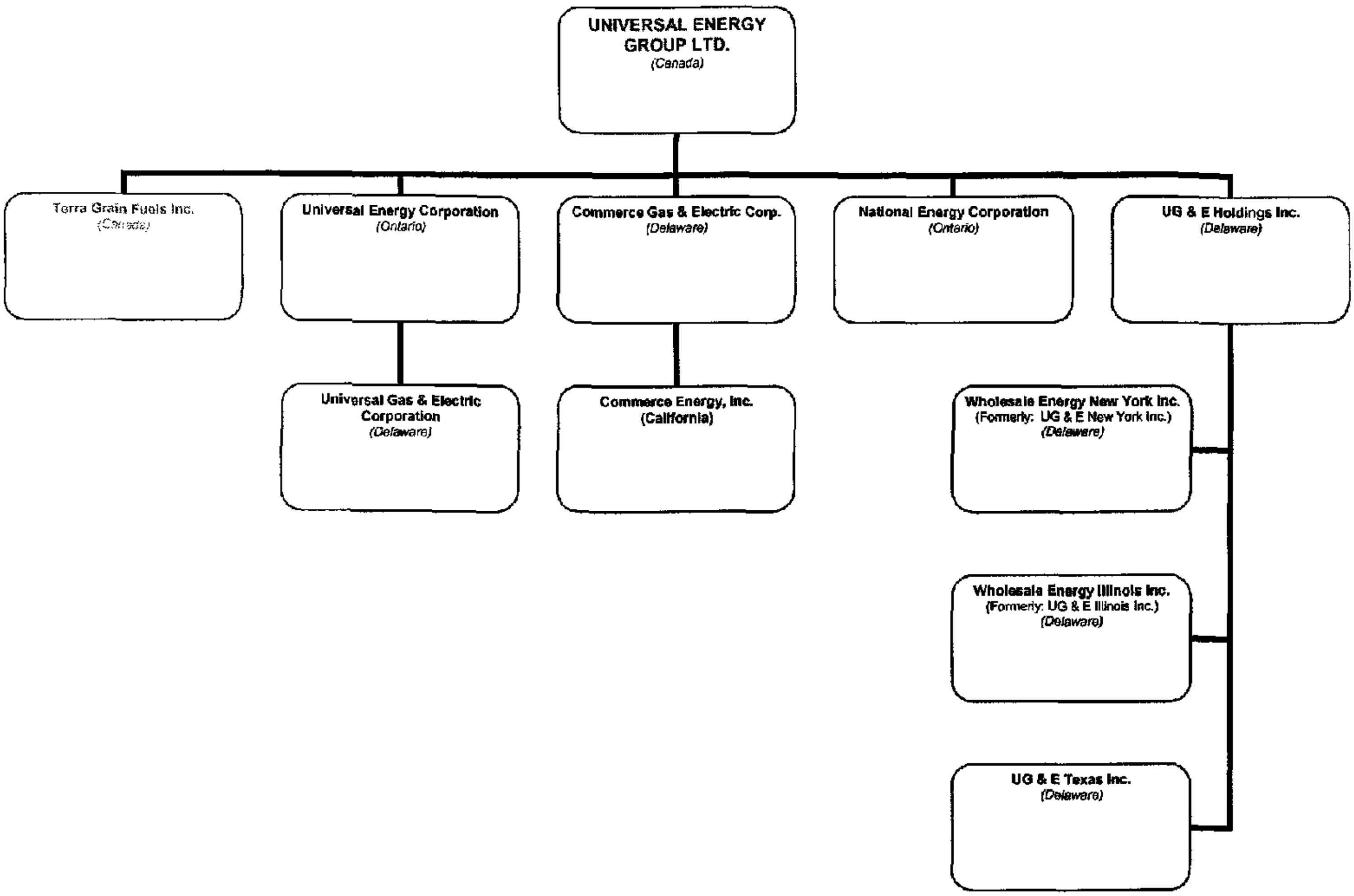
TGF is incorporated under the CBCA. TGF has completed the construction of its 150 million litre ethanol plant located in the rural municipality of Pense No. 160 near Belle Plaine, Saskatchewan.

NEC

NEC is incorporated under the OBCA and is a wholly-owned subsidiary of Universal. NEC currently markets water heater rental contracts in Ontario to residential customers.

Intercorporate Relationship

The following chart illustrates the structure of the Company and its subsidiaries.



GENERAL DEVELOPMENT OF THE BUSINESS

History

The Company was incorporated on November 1, 2006, to participate in the retail electricity and natural gas industries and the ethanol industry.

On February 2, 2007, the Company completed its initial public offering of 13,068,183 Common Shares at a price of $11.00 per share for gross proceeds of $143.75 million, including 1,704,546 Common Shares issued on February 7, 2007 on exercise of the underwriters' over-allotment option. Also on February 2, 2007, following closing of the initial public offering, the Company purchased all of the issued and outstanding shares and promissory notes of TGF for cash of $37.8 million and 7,889,545 Common Shares and all of the issued and outstanding shares of Universal for cash of $73.4 million and 15,314,999 Common Shares.

On October 2, 2007, the Company completed the public offering of Convertible Debentures. See "Capital Structure – Convertible Debentures".

On December 11, 2008, the Company, through its wholly owned subsidiary, Commerce, acquired all of the issued and outstanding shares of CEI, the operating subsidiary of Commerce Energy Group, Inc., for approximately US$26 million. Commerce also assumed certain letter of credit obligations related to the existing natural gas and electricity supply arrangements required to serve the CEI customer base. These obligations will unwind as current suppliers are replaced with new natural gas and electricity supply and credit arrangements. Through this acquisition, the Company has acquired over 90,000 residential, commercial and industrial customers located in the U.S. in energy deregulated states. On an RCE equivalent basis, CEI serves approximately 170,000 RCEs, including an industrial portfolio, with a combination of fixed term and month-to-month energy contracts.

See also "Business of Universal", "Business of TGF" and "Business of NEC".

OVERVIEW OF THE ELECTRICITY INDUSTRY

General Market Overview of the Electricity Industry

The North American electricity industry primarily consists of the following entities in each jurisdiction: power generating companies; electricity transmission companies; an independent systems operator (an **"IESO"**) (in jurisdictions where the power generation and transmission functions are separated); local electricity distribution or utility companies (**"LDCs"**); and, in deregulated markets, wholesale aggregators and Energy Retailers.

Power-generating entities range from large government owned entities to small private facilities. Transmission companies, which consist of government owned entities and private companies (often monopolies), connect the power generators to the LDCs and Large Volume Users through large scale grid systems (generally within each jurisdiction) that transmit high voltage electricity. In jurisdictions where the power generation and power transmission functions are separated, an IESO often manages the electricity supply and operates the wholesale electricity market. IESOs direct the flow of electricity over the high voltage grid transmission lines and the transmission companies are responsible for the safety, operation and maintenance of those lines. Each electricity LDC accepts the transmission of electricity scheduled by the IESOs or other wholesale suppliers on behalf of all of its customers. These customers either pay the LDC the wholesale price for their electricity, or pay a fixed or capped price for their electricity that is determined by local laws. Fixed or capped prices are typically adjusted periodically to reflect the true cost of generating the electricity consumed. LDCs are almost always regulated monopolies. Where the participants in the industry have monopoly or near monopoly status, regulatory agencies usually regulate tariffs for the generation, transmission, delivery and administration costs charged by those participants. In some jurisdictions, governments (or government agencies) still regulate electricity commodity prices even though a monopoly does not exist.

The Direct Purchase Electricity Market

In a jurisdiction with a deregulated retail electricity market (i.e., the wholesale and retail price for electricity as a commodity for consumption is no longer fully determined by regulation), electricity consumers usually have the option of signing a contract with an Energy Retailer to pay for electricity at unregulated prices. Energy Retailers offer a variety of fixed, floating or blended prices for different periods of time. LDCs continue to supply electricity to customers who sign a contract with an Energy Retailer to purchase electricity. However, the LDC will charge the Energy Retailer for the actual amount of electricity consumed by the customer multiplied by the variable rate charged by the LDC, and the LDC will invoice the customer for the actual amount of electricity consumed by the customer multiplied by the Energy Retailer's fixed price under its electricity contract. Energy Retailers generally enter into financial swap contracts to secure long term Operational Margins with reasonable certainty as if they were purchasing electricity directly at a fixed rate.

Direct purchase customers can be divided into the following segments: (i) the medium and large industrial and commercial customers (which Universal does not presently supply); and (ii) the residential, small to mid-size commercial and small industrial customers (the segment in which Universal is currently active). In contrast to larger volume industrial end users for whom annual costs of electricity can be millions of dollars, management believes (based on its recent experience in the Ontario market) that the annual electricity commodity cost to an average residential customer (who management considers to consume approximately 10,000 kWh of electricity annually) is much less, generally less than $600 annually. As a result, electricity supply does not represent a major purchase decision for a residential customer. However, the combined demand of a large number of these small volume customers economically justifies Energy Retailers entering into direct purchase contracts with such customers.

Energy Retailers operate in the direct purchase electricity market by providing fixed, floating, blended price or price protected electricity contracts to residential, commercial and industrial customers for varying periods of time. By providing price protection under electricity contracts for a fixed period of time (generally up to five years), customers reduce their exposure to changes in electricity commodity prices. Wholesale electricity prices have been very volatile over the past few years. A key to the success of this product is the attractiveness to customers of price protection for their electricity supply costs. The percentage of the electricity supply that has a fixed price may vary depending on the Energy Retailer's product offering. Similar to fixed rate mortgages, which provide interest rate certainty, these contracts allow customers to fix the price of substantially all of the electricity consumption portion of their electricity bills for the term of the contract. In contrast, the electricity LDCs typically offer electricity at prices that may fluctuate more widely from time to time as wholesale prices change.

Energy Retailers deliver electricity to their customers through the electricity LDCs, who still charge the customers for delivery and other costs. Typically, the LDCs collect all of the monies payable by electricity consumers, including the payments due to Energy Retailers for the commodity portion of the consumer's electricity bill. Even in jurisdictions where there is electricity commodity price deregulation, regulators typically regulate: the fees paid to transmission companies and LDCs to transmit and deliver electricity; and the activities of Energy Retailers, including the terms of their contracts and their business practices. Electricity deregulation is a relatively recent phenomenon in North America. The extent of deregulation and the rules under which Energy Retailers must operate, including the consumer protection elements of the regulatory regime (such as the ability to prematurely terminate long term contracts) varies from jurisdiction to jurisdiction. Some jurisdictions, although de-regulated, are not as attractive as others to Energy Retailers.

Specific Markets

Universal currently operates as an electricity Energy Retailer in the residential, small to mid-size commercial and small industrial markets in Ontario and is considering the possibility of expanding into other de-regulated markets in North America.

Ontario

Ontario permitted Energy Retailers to commence delivery of electricity to small volume customers, including residential customers, in May of 2000. However, in 2002, electricity rates were frozen by the Ontario government. Penetration rates for direct purchase customers have declined in Ontario since 2002 as a result of the province's rate freeze, which caused Energy Retailers to suspend their operations until the RPP was implemented in

April 2005. When the RPP was introduced in Ontario effective April 1, 2005 and consumers were again exposed to electricity price increases, significant penetration opportunities in the Ontario electricity market became available. Management estimates that OPG supplies approximately 70% of the Ontario wholesale electricity market at capped prices. The OEB is authorized to set payments to be made to OPG with respect to the outputs of certain of OPG's generation facilities. On November 30, 2006, the OEB issued a report summarizing, among other things, the regulatory methodology that the OEB has selected to determine payment amounts for the prescribed OPG assets. Management believes that the application of this methodology should lead the OEB to increase the required rate of return on the prescribed OPG assets, and that this should lead to an increase in the RPP, and therefore increased electricity prices for consumers. In its bi-annual update of electricity commodity prices, on October 15, 2008, the OEB announced that the RPP effective for November 1, 2008 will have an upward price effect as a result of anticipated increased payments to OPG for electricity generated by nuclear and large hydro plants.

In Ontario, as of August 26, 2008, approximately 668,000 residential, small to mid-size commercial and small industrial electricity customers (or approximately 15% of the 4.6 million electricity customers in these segments of the Ontario electricity market) received their electricity under long-term contracts with Energy Retailers.

OVERVIEW OF THE NATURAL GAS INDUSTRY

General Market Overview of the Natural Gas Industry

The North American natural gas industry includes: natural gas producers; pipeline companies; storage operators; supply aggregators and traders; natural gas LDCs; and, in deregulated markets, Energy Retailers. Natural gas producers are primarily located in western Canada and the Gulf of Mexico region. Natural gas is shipped through local gathering pipeline systems and continental pipelines from producing regions to downstream markets across North America. The tolls charged by pipeline companies for the transportation of natural gas through their pipeline systems are regulated by government agencies and are passed through to the customers of the LDCs as the transportation component of their natural gas bill.

Natural gas producers sell natural gas to large end users such as power generators (for conversion into other uses) and LDCs, Energy Retailers and others (for direct consumption). Supply aggregators also play a wholesale market role between producers and end users. Supply aggregators may also provide various other services, including natural gas storage services, backstopping services and operational services.

Natural gas LDCs, commonly known as gas utilities, sell and distribute natural gas in their franchise areas through their own distribution networks pursuant to a variety of upstream and downstream transmission pipeline, storage and distribution agreements. LDCs manage natural gas flows and are responsible for operational considerations and system expansions under their regulated mandate to deliver natural gas. The LDCs' distribution rates are regulated by provincial and state regulators.

The Direct Purchase Natural Gas Market

In a jurisdiction with a deregulated retail natural gas market (i.e., the wholesale and retail price for natural gas as a commodity for consumption is no longer fully determined by regulation), natural gas consumers usually have the option of signing a contract with an Energy Retailer to pay for natural gas at unregulated prices. Energy Retailers offer a variety of fixed, floating, price protected or blended prices for different contractual time periods. These retailers purchase natural gas in the market and through contracts with natural gas producers and/or wholesale aggregators. Under arrangements entered into between the Energy Retailers and their customers, the LDCs remain responsible for the distribution of the natural gas from the citygate (e.g., the interconnect of the national or regional pipeline and the LDC's local distribution network) to the customer's residence or place of business. The LDCs are also typically responsible for billing the customers for all three components of their natural gas bill, being the transportation, distribution and commodity costs.

The direct purchase natural gas consumer market is segmented in much the same manner as the direct purchase electricity consumer market. Many Energy Retailers operate in the same segments, selling both electricity and natural gas to the same consumers in jurisdictions where they are permitted to sell both products. Universal sells natural gas to the residential, small to mid-size commercial and small industrial market segments of this industry. In contrast to larger volume industrial end users for whom annual costs of natural gas can be millions of dollars, management believes (based on its recent experience in the Ontario market) that the annual natural gas commodity cost for an average residential customer (who management considers to consume approximately 2,815 m3 of natural gas annually) is generally less than $1,000 annually.

Energy Retailers operate in the direct purchase natural gas market by providing fixed, floating, blended price or price protected natural gas contracts to residential, commercial and industrial customers for varying periods of time. By providing price protection under natural gas contracts for a fixed period of time (generally up to five years), customers reduce their exposure to changes in natural gas commodity prices, which have been particularly volatile over the past few years. A key to the success of this product is the attractiveness to customers of price protection for their natural gas supply costs. The percentage of the natural gas supply that has a fixed price may vary depending on the Energy Retailer's product offering. In contrast, LDCs typically offer natural gas at market prices that fluctuate from time to time, often monthly.

The direct purchase natural gas market has generally been de-regulated in a number of North American jurisdictions for a longer period of time than electricity deregulation has been in place. The extent of deregulation and the rules under which Energy Retailers operate, including the consumer protection elements of the regulatory regime (such as the ability to prematurely terminate long term contracts), varies from jurisdiction to jurisdiction. Some jurisdictions, although deregulated, are not as attractive as others to Energy Retailers.

Specific Markets

Universal currently operates as a natural gas Energy Retailer in the residential, small to mid-size commercial and small industrial market in Ontario, British Columbia, and Michigan. In addition, Universal is currently evaluating the possibility of expanding into other de-regulated natural gas markets in North America.

Ontario

Since the deregulation of the market in the late 1980s, the Ontario natural gas market has become relatively mature. As at December 31, 2007, residential, small to mid size commercial and small industrial natural gas consumers representing in excess of 3.8 million natural gas RCEs (or approximately 58% of the 6.5 million natural gas RCEs in that segment of the Ontario natural gas market) received their natural gas under long term contracts with Energy Retailers. Despite the maturity of this market, management believes that a substantial amount of natural gas RCEs become available to Energy Retailers each year as a result of: (i) the addition of new customers to the natural gas market as a result of new housing starts and/or increases in the number of small to mid-size commercial and small industrial businesses in operation; and (ii) customers' existing energy contracts with Energy Retailers expiring at the end of their terms.

Michigan

Michigan has permitted Energy Retailers to operate in the large industrial segment of the natural gas market since the early 1980s, and in the small to mid-size commercial and small industrial segments of the market since 2001. Universal has been an active Energy Retailer since March 2006. As of September 30, 2008, 309,000 residential natural gas RCEs were under long term contracts with Energy Retailers in Michigan representing 9% of 3.4 million total residential RCEs in the Michigan market.

British Columbia

British Columbia produces the second largest volume of natural gas in Canada and its residents are collectively the third largest consumers of natural gas in Canada. British Columbia has two natural gas utilities, Terasen Gas Inc. and Pacific Northern Gas Ltd. The BCUC has approved a natural gas unbundling program for residential customers of Terasen Gas Inc. As of May 2007 in excess of 700,000 residential customers in British Columbia were able to choose their natural gas supplier. Opportunities also exist to acquire commercial natural gas customers. As of December 2008, approximately 17% of 810,000 natural gas customers have entered into direct purchase agreements with Energy Retailers.

BUSINESS OF UNIVERSAL

General Overview of Universal

Universal's business currently involves (i) the sale of electricity and natural gas in Ontario to residential, small to mid-size commercial and small industrial customers, (ii) natural gas in British Columbia to residential, *small to mid size commercial and small industrial customers; (iii)* the sale of natural gas in Michigan to small to mid-size commercial and small industrial customers; and (iv) the sale of natural gas and electricity in New York to small to mid-size commercial and small industrial customers.

Universal's customers purchase electricity and natural gas under long term, non-terminable (except in limited circumstances) Energy Contracts, typically for a term of five years (see "Key Regulatory Provisions – Customer Contract Terminations").

It is Universal's general policy to match the estimated energy requirements of its customers by purchasing, in the case of natural gas, offsetting volumes of natural gas and, in the case of electricity, entering into offsetting financial swap contracts (Electricity Swaps) with Sempra at fixed prices for the term of its customers' Energy Contracts. Universal derives its Operational Margin from the difference between the price it pays for Electricity Swaps and natural gas supply from Sempra and the price it charges to its customers.

History of Universal

Universal was incorporated in November 2004. The OEB issued Universal its Ontario Natural Gas Licence in February 2005 and Universal began test marketing natural gas in Ontario in that month. The OEB issued Universal its Ontario Electricity Licence in May 2005 and Universal began marketing electricity in Ontario in September 2005. Universal entered into the original Gas Purchase Agreement and the original Electricity Swap Agreement in July 2005. In December 2005, the Michigan Natural Gas Licence was issued to Universal U.S. by the MPSC authorizing Universal to serve as an Alternative Gas Supplier in the State of Michigan. Universal began marketing natural gas in Michigan in March 2006. The BCUC issued Universal its BC Natural Gas Licence in November, 2006 and Universal began to market natural gas in BC in May, 2007.

Customer Base

As at September 30, 2008, Universal had approximately 164,495 residential, small to mid-size commercial and small industrial customers under Electricity Contracts in Canada, representing approximately 214,411 RCEs.

As at September 30, 2008, Universal had approximately 96,395 residential, small to mid-size commercial and small industrial customers under Gas Contracts in Canada, representing approximately 111,772 RCEs.

As at September 30, 2008, Universal had approximately 97,032 residential, small to mid-size commercial and small industrial customers under Gas Contracts in Michigan, representing approximately 122,722 RCEs

Of the approximately 448,905 RCEs that Universal had at September 30, 2008, approximately 72% were derived from Energy Contracts with residential customers and approximately 28% were derived from Energy Contracts with small to mid-size commercial and small industrial customers. In Canada, residential customers represent approximately 74% of Universal's total customer base.

Energy Contracts

Universal's Energy Contracts are primarily for a fixed term of five years, with existing Energy Contracts having an average remaining life of approximately 3.69 years as at September 30, 2008. Universal is able to secure its Operational Margins per RCE with reasonable certainty by purchasing energy in large quantities at a fixed price in the case of natural gas, or through financial swaps, in the case of electricity, and selling energy at a higher fixed price to customers, under fixed price or price protection Energy Contracts. See "– Electricity and Natural Gas Supply". For the year ended September 30, 2008, Universal achieved Operational Margins of approximately $189 per RCE in the Ontario natural gas market segment, $182 per RCE in the Ontario electricity market segment, and $168 per RCE in the Michigan natural gas market segment. Energy Contracts are non-terminable in accordance with their terms (except in limited circumstances) and provide for significant termination charges in the event that a customer attempts to avoid its obligations under the contract without a legal basis for doing so. See "– Customer Contracts – Contract Attrition". However, management has established a system for subsequently reconfirming all Energy Contracts through a telephone reconfirmation process, which provides all customers (whether required by law in the customer's jurisdiction of residence or not) with an opportunity to withdraw their application to purchase electricity or natural gas from Universal before an Energy Contract becomes effective. Management believes that this process helps minimize the number of customers that attempt to avoid their obligations under their Energy Contracts. Universal records all interactions with customers in connection with the reconfirmation of Energy Contracts.

Management Information System

Universal has developed a sophisticated management information system which enables Universal to provide its Independent Contractors with current pricing, promotion and incentive information, as well as information respecting their compensation. In addition, the system provides management with real-time access to information respecting the confirmation of customer Energy Contracts and customer acquisition levels. The system also has the ability to electronically record each meaningful customer telephone interaction.

Universal's information system also helps management forecast new customer enrolments and their energy requirements. Appropriate forecasting helps Universal match all of its new customers' estimated average energy requirements without unduly exposing itself to the "spot" market. Universal's existing operational infrastructure provides considerable scale and scope. Universal's energy purchasing, sales force development and information technology functions are integrated and scalable, allowing Universal to efficiently acquire and supply customers in new markets as it expands its operations without significant capital cost.

Business and Growth Strategies

Within its existing operational infrastructure, opportunities are available to grow Universal's customer base, revenues and aggregate Operational Margin by conducting focused marketing campaigns to sign up additional customers in its existing residential, small to mid-size commercial and small industrial markets of Ontario and Michigan and by pursuing expansion opportunities in other de-regulated markets in North America. When evaluating the merits of expanding into a new market, management considers a number of relevant factors including, but not limited to, the following: the nature of the retail electricity and natural gas regulatory regime in the market; the rate of Energy Retailer penetration in the market; the availability of wholesale energy supply in the market; whether the LDCs in the market provide billing and collection services; the enforceability of Energy Contracts in the market; and, the degree of customer education that will be required to succeed in the market.

Customer Contracts

Almost all of Universal's existing Energy Contracts are for an initial five year term, after which time they are eligible for renewal. See "– Contract Renewals" below. Universal's Energy Contracts are also non-terminable by their terms, except in certain limited circumstances. See "– Contract Attrition" below.

Ontario Electricity Contracts

Universal's Electricity Contracts offer customers price protection based on the estimated or actual historical consumption of such customers. As actual usage varies, customers are likely to experience a balancing charge or credit during each billing period due to fluctuations in their electricity requirements (as compared to their historical usage) that is not covered by fixed pricing. For residential customers, this adjustment is limited to plus or minus 10% per year of the fixed price such customers have agreed to pay to Universal during any contract year prior to any discounts or rebates. In contrast, LDCs such as Toronto Hydro and Hydro One are required by regulation to charge the RPP price to their default supply customers, which is currently set every six months. By charging their default supply customers the RPP price, the LDCs are passing through the actual cost they incur in buying the electricity on behalf of their customers. Although Universal's customers purchase their electricity supply from Universal, the LDC is still mandated to distribute the electricity. Universal, using its "Bill Ready" system, advises the LDC of the amount of the commodity charge to be billed to the customer. The LDCs provide billing and collection services, including the collection and remittance to Universal of the commodity portion of each customer's account for a small monthly fee. In Ontario, each LDC assumes 100% of the credit (receivable) risk associated with default in payment by customers for electricity that has been delivered to them. Rebates, if any, from OPG are assigned to Universal, however Universal is required to credit these rebates to the customer account or provide a direct cash rebate to the customer within one year of receipt.

The electricity commodity charge appears as a separate line item on the electricity bills sent by the LDCs to Universal's customers identifying the name of Universal and its toll free customer service number. The LDCs collect the electricity charges and other charges on behalf of Universal for an administration fee per customer (which is currently $0.30 per month.. The LDC pays Universal's revenue entitlement directly to a blocked account daily, from which Sempra deducts the costs of the Electricity Swaps that Universal has contracted for under the Electricity Swap Agreement. The difference, Universal's Operating Margin, is remitted to Universal monthly by Sempra.

Ontario, British Columbia and Michigan Gas Contracts

Universal's natural gas customers are charged a fixed price for the full term of their contracts as opposed to the variable WACOG price that the LDCs, such as Union Gas and Enbridge Gas Distribution, are required by regulation to charge. By charging their customers WACOG, the LDCs are simply passing through the actual cost they incur in buying natural gas on behalf of their customers. The Ontario LDCs adjust their respective WACOGs each quarter and the Michigan LDCs adjust their WACOGs each month, thus exposing customers to volatile natural gas commodity prices. Although Universal's customers purchase their natural gas supply from Universal, the LDCs are still mandated, on a regulated basis, to distribute the natural gas. All of the LDCs in whose franchise areas Universal sells energy provide billing and collection services, including the collection and remittance to Universal of the commodity portion of each customer's account for a small monthly fee. In Ontario and British Columbia, each LDC (except for Union Gas) assumes 100% of the credit (receivable) risk associated with default in payment by customers for gas that has been delivered to them. Union Gas guarantees all receivables except for the receivables attributable to Large Volume Users whose annual consumption is in excess of 700,000 m3. In Michigan, each LDC assumes 100% of the credit (receivable) risk associated with default in payment by customers for gas that has been delivered to them in the market segments in which Universal is currently active. Universal's monthly remittance from the Michigan LDCs is the lesser of 110% of the LDC's Gas Cost Recovery factor (**"GCR"**) (essentially the LDCs regulated price for natural gas) and Universal's contracted selling price to its customers. In the event that Universal's contracted selling price is greater than 110% of the GCR a holdback account for the differential will be maintained for Universal by the LDC. Universal will receive a refund of the amount accumulated in the holdback account, without interest, to the end of the most recently completed program year.

The natural gas commodity charge appears as a separate line item on the natural gas bills sent by the LDCs to Universal's customers identifying the name of Universal and its toll free customer service number. The LDCs collect the natural gas commodity charges and other charges on behalf of Universal for a monthly administration fee per residential customer (which is currently $1.54 in the Union Gas Franchise Area and $1.35 in the Enbridge Gas Distribution Franchise Area). For larger volume small to mid-size commercial and small industrial customers, the monthly fees in the Enbridge Gas Distribution Franchise Area range between $1.12 and $5.00 per customer per month.. The Michigan gas utilities charge a collection services fee of U.S. $0.30 per month per customer. The LDC pays Universal's revenue entitlement directly to a blocked account monthly, from which Sempra deducts the costs of the natural gas that Universal has contracted to purchase. The difference, Universal's Operational Margin, is remitted to Universal monthly by Sempra, along with any proceeds relating to the sale of excess natural gas.

Customer Attrition

Universal's Energy Contracts are by their terms non-terminable except in certain limited circumstances, such as when a residential or small commercial customer relocates to a jurisdiction that Universal does not serve or when a customer dies. See "– Key Regulatory Provisions – Customer Contract Terminations". In addition to losing Energy Contracts due to circumstances such as customer relocation to areas not served by Universal and death, Universal loses some Energy Contracts when customers cease to comply with their obligations under their Energy Contracts. However, Universal's policy is to enforce the early termination charge provisions of its Energy Contracts when a customer attempts to avoid its obligations, other than in circumstances permitted by an Energy Contract (e.g., customer relocation to areas not served by Universal, foreclosure, or death). For internal planning purposes, management assumes that Universal will lose approximately 12% of the total number of its Energy Contracts in the

Canadian market and 20% in the United States gas market on an annual basis, although it has experienced overall Energy Contract attrition rates of approximately 15.5% over the past year

For a detailed analysis of customer attrition please see the Company's Management Discussion and Analysis for the year ended September 30, 2008, "Gas and Electricity Marketing Division - Customer Aggregation" which is incorporated herein by reference.

Customer Contract Renewals

Legislation and regulations relating to the renewal of consumer contracts affect the percentage of existing customers whose Energy Contracts are renewed at the end of their initial term. See "Key Regulatory Provisions – Customer Contract Renewals" for information respecting the ability of Energy Retailers to renew Energy Contracts.

Marketing and Sales Force

Universal's customers are solicited primarily on a door-to-door basis by Independent Contractors who are trained by the Distributors using training methods and materials approved by Universal. The Independent Contractors are paid a commission based on successful customer enrolments. Universal's current marketing program involves the explanation to potential customers of the regulatory environment and the benefits of the purchase of electricity and natural gas pursuant to Energy Contracts. The Independent Contractors complete the sales contract with the customer at the point of sale. Contracts are then processed through Universal (including subsequent reconfirmation of the Energy Contracts) and the LDC in the franchise territory where the customer is located.

The number of Independent Contractors fluctuates on a seasonal basis and additional Independent Contractors will be required as Universal expands into new markets. Although Universal's Independent Contractors generally have a high turnover rate, Universal has a relatively stable core group of Independent Contractors who are responsible for sourcing a substantial portion of Universal's new Energy Contracts.

Universal's Independent Contractors are managed by the Distributors pursuant to Marketing Agreements with Universal. Pursuant to the Marketing Agreements, each of the Distributors has agreed to provide marketing services to Universal and its affiliates. Each Marketing Agreement is for an initial term of four years and is renewable for one year terms thereafter with the agreement of the parties. The Distributors are compensated by Universal in amounts and on terms that are competitive within the industry having regard to each Distributor's responsibilities and performance. Universal reserves the right to accept or reject any customer that does not meet its credit or usage requirements. Under the Marketing Agreements, the Distributors are responsible for (among other things) recruiting, hiring, training and managing the Independent Contractors and Universal is responsible for (among other things) providing the Distributors with payroll services, paying commissions and bonuses, printing marketing materials and administering and enforcing codes of conduct.

The principals of the key Distributors own approximately 13.5% of the Common Shares in the aggregate, which shares are subject to escrow. See "Escrow of Securities". The Marketing Agreements contain confidentiality, non-competition and non-solicitation covenants during the term thereof and for varying periods thereafter, which extend to both the Distributors and the principal of each of the Distributors.

Universal utilizes marketing campaigns to attract new customers. The Operational Margins from a new customer begin to be realized when electricity or natural gas begins to flow to the customer. In both Ontario and Michigan, this generally occurs within three months after sign up due to administrative procedures carried out by the LDCs. The cost for obtaining a new residential customer and related expenses currently include, among other things, commissions payable to the Independent Contractors, salaries paid to the marketing and customer service departments which support the Independent Contractors, salaries paid to customer service representatives who verify the customer contracts, the cost of printing contracts, bonus awards, advertising costs and the costs of promotional materials.

Customer Service Centre

Universal operates a call centre where it employs approximately 170 telephone representatives in four areas of focus: inside sales, verification, reaffirmation quality assurance and retention group. The customer service department is located at Universal's head office and answers inquiries seven days a week. Most customer service and inside sales representatives have industry experience and have been trained in respect of the energy market and the regulatory framework.

Electricity and Natural Gas Supply

Subject to certain limited exceptions, it is Universal's general policy to match the estimated electricity and natural gas requirements of its customers by purchasing, in the case of natural gas, the offsetting volumes of natural gas from Sempra at fixed prices and, in the case of electricity, entering into offsetting financial swap contracts with Sempra, in each case in advance of obtaining customers, rather than relying on electricity and natural gas "spot" markets. In order to do this, energy supply for prospective customers is generally purchased by Universal in four to eight week blocks based on management's estimate of the number of new customers that will be acquired during the ensuing four weeks of marketing and management's estimate of the average energy consumption of these customers. Management considers various information in order to make these estimates, including: Universal's historical customer acquisition rates; the types of customers that Universal is targeting in the ensuing four week marketing period; and the historical consumption of electricity and natural gas by its customers as evidenced by the records of the applicable LDCs. Universal's management information system assists management in making these estimates. Management believes that by using the information obtained from these sources it is able to predict with a reasonable degree of accuracy the number of customers that Universal will be able to sign to Energy Contracts during the ensuing four week marketing period and the energy requirements of those customers during the terms of their Energy Contracts.

As a result of adhering to this policy, the amount of energy that Universal is obligated to supply to its customers during the term of its Energy Contracts that it has not contracted to purchase is small compared to the aggregate volume of natural gas that it purchases and the aggregate notional volume of electricity covered by swaps that it contracts for. Universal must manage the variance between actual customer usage and the estimate of usage it has made when establishing its supply arrangements. The requirement for Universal to match its current and near term forecast customers' estimated electricity and natural gas requirements by entering into supply or financial contracts to purchase (physically or economically) the offsetting volumes is (subject to certain limited exceptions) also required by the Commodity Agreements. Universal has implemented various procedures and safeguards to ensure that its matching policy and its covenants in its agreements with Sempra are complied with. For instance, the aggregate amount of energy used by Universal's customers is monitored on a weekly basis. This allows Universal to determine if it has enough contracted energy supply to meet its estimated contracted delivery obligations to its customers during the terms of their Energy Contracts. In addition, Universal's risk management group monitors Universal's electricity and natural gas matching positions each business day. Universal's matching positions are reported by the risk management group to senior management weekly. Universal also reports its matching positions to Sempra weekly.

Universal currently has 100% of its natural gas purchase and Electricity Swap arrangements with Sempra. Universal purchases natural gas and enters into Electricity Swaps in large volumes and is therefore able to secure long term fixed price supply contracts. In addition to obtaining competitive prices under its contracts with Sempra, Universal obtains credit from Sempra and certain value added services, such as supply management and risk management services.

As at September 30, 2008, Universal had customer demand of approximately 65,498 GJs of natural gas per day and approximately 241 megawatts of electricity per hour. Higher aggregate demand is anticipated in the near future as Universal grows its customer base. Management believes that it can continue to access electricity and natural gas supplies at favourable prices. Universal has never failed to deliver any electricity or natural gas to its customers since it commenced operations.

Balancing

Universal purchases natural gas to meet its estimated supply obligations to its customers based upon, among other things, the types of customers being supplied and the historical amount of natural gas consumed by its customers, as evidenced by the records of the applicable LDCs. The LDCs continue to deliver electricity to Universal's customers and Universal financially fixes the price of that supply through the Electricity Swap Agreement with Sempra. See "– Electricity and Natural Gas Supply" above. However, depending on several factors, including weather, Universal's customers may use more or less electricity and natural gas than the volume purchased by Universal for their supply. Like other Energy Retailers, Universal has implemented balancing procedures that it follows when the amount of energy consumed by Universal's customers is higher or lower than the amount of energy estimated by Universal to be consumed by its customers.

Balancing Charges and Credits

An Energy Retailer can enter into energy contracts with its customers that allow the energy retailer to invoice its customers for balancing charges (or give its customers balancing credits) when the amount of energy used by its customers is greater than (or is less than) the amount of energy that the Energy Retailer had estimated its customers would use.

With respect to its residential and small commercial electricity customers in Ontario, Universal has implemented a practice not to invoice such customers for balancing charges (or issue credits) that exceed 10% of the aggregate amount of the commodity portion of their electricity bill on an annual basis prior to any discounts or rebates. Any excess balancing charges (or credits) will be carried forward and applied to a customer's electricity bill in subsequent years. Universal will bear the cost (or enjoy the benefit) of any aggregate balancing charges (or unapplied credits) in excess of this 10% threshold at the end of the contract term. With respect to its commercial and small industrial electricity customers in Ontario, Universal's practice is to invoice its customers for the full amount of all balancing charges (or issue credits).

Universal does not invoice its Ontario residential or small commercial natural gas customers balancing charges (or issue credits). Universal bears the cost (or enjoys the benefit) of any balancing costs (or credits), which have been nominal to date. However, Universal's contracts with its other commercial and small industrial natural gas customers provide that after each year of the contract term Universal can apply balancing charges (or credits) by adjusting the natural gas price in the subsequent year. In British Columbia, the LDCs currently accept the risk of balancing charges in respect of all customer categories.

Ontario Electricity Balancing

Electricity LDCs are responsible for the flow of electricity to end users, including Universal's customers. In contrast to natural gas, there is never a physical imbalance of supply between Universal and the LDC because Universal does not physically supply electricity. However, Universal will never be perfectly hedged because actual customer usage varies from estimated customer usage. Universal has therefore developed a balancing mechanism to address this issue. At the end of a customer's billing cycle, the LDC will charge Universal for the actual amount of electricity consumed by the customer multiplied by the variable rate charged by the LDC, and will invoice the customer for the actual amount of electricity consumed by the customer multiplied by Universal's fixed price under its Electricity Contract. Universal aggregates its electricity customers into groups of customers in similar market segments (each a "**customer electricity balancing pool**"). Under the customer's Electricity Contract with Universal, balancing charges (or credits) will apply to a customer if the customer electricity balancing pool to which the customer is assigned has consumed a quantity of electricity that differs from the quantity of electricity forecast to be consumed by that customer electricity balancing pool. Universal's balancing charges are billed (or credited) to its customers each billing period approximately three to four months in arrears in the manner described above under "– Balancing Charges and Credits".

Ontario Natural Gas Balancing

Natural gas LDCs are responsible for the flow of natural gas to end users, including Universal's customers. Universal aggregates its natural gas customers into groups of customers with similar pricing structures or similar flow dates (each a "**customer gas pool**"). LDCs permit Energy Retailers to deliver natural gas at a constant average daily level throughout the year. For instance, if a customer gas pool is estimated to consume, on average, 3,650 GJs of natural gas per year, the LDCs will permit Universal to smooth its natural gas delivery obligation by supplying 10 GJs per day to the LDC in respect of that customer gas pool. Each customer's natural gas consumption is then allocated to the customer gas pool to which the customer is assigned and the amount of natural gas credited to this customer gas pool is reduced as the customers in the customer gas pool consume it. At the end of the relevant period, all of the natural gas supplied by Universal in respect of the customer gas pool must equal all of the natural gas consumed by the customer gas pool. In order to achieve this, Universal must use certain balancing procedures.

In Ontario, Universal utilizes the services of Enbridge Gas Distribution and Union Gas to satisfy the transportation, delivery, metering and billing requirements of its natural gas customers. Although each of the utilities provides certain services and information upon which Universal relies, Universal is responsible for managing imbalances between the amount of natural gas it has purchased (based on its estimates of customer consumption) and the actual amount of natural gas that its customers consume.

Enbridge Gas Distribution Inc.

Under Universal's arrangements with Enbridge, the amount of natural gas required to be delivered on a daily basis in order to deliver the amount of natural gas estimated to be consumed annually by customers in the relevant customer gas pool (the "**DCQ**") is established using the amount of natural gas consumed in the past 12 months. However, Universal has the ability to adjust the DCQ 30 days prior to the date that it begins delivering natural gas in respect of a customer gas pool. Enbridge provides Universal with variance reports each month in respect of the customer gas pool's natural gas consumption in the previous month. This report provides critical information, such as how forecast aggregate natural gas consumption for the customer gas pool compares to actual aggregate natural gas consumption by the customer gas pool. The aggregate imbalance between the forecast natural gas consumption quantity and the actual natural gas consumption quantity can then be calculated. The imbalance in the pool of natural gas allocated to each particular customer gas pool is reviewed at regular intervals and must be within stipulated parameters. Universal is generally required to rectify imbalances on a pool's anniversary date (which varies from pool to pool). If imbalances are not within stipulated parameters at the requisite times, Universal may be required to pay certain penalties, which in some cases can be significant. Universal rectifies imbalances using the balancing procedures described below.

- *Load Balancing Suspension.* If customer consumption levels are less than forecast customer consumption levels, Universal may suspend the delivery of the contracted supply quantity. If Universal suspends the delivery of natural gas, it can: (i) divert the natural gas during the applicable delivery month from the applicable Enbridge customer gas pool to another Universal market (that is either served by Enbridge or by another utility) where the actual amount of customer consumption has exceeded the amount of forecast customer consumption; (ii) sell the suspended natural gas into the spot market for the delivery month; or (iii) sell the suspended natural gas to Enbridge at Enbridge's prevailing WACOG for the delivery month. Universal's management prefers the first alternative because Universal has more control over the timing of implementing this balancing procedure and it allows Universal to more closely maintain its Operational Margins.

- *Make-ups.* If customer consumption levels exceed forecast customer consumption levels, Universal may be required to deliver additional volumes of natural gas. Universal can satisfy its obligation to deliver additional natural gas volumes by doing one or more of the following: (i) diverting natural gas during the delivery month from another Universal market (either served by Enbridge or by another utility) where customer consumption was less than the forecast customer consumption; (ii) purchase the additional natural gas volumes in the spot market for the delivery month; or (iii) purchase the additional natural gas volumes from Enbridge at its prevailing WACOG for the delivery month. Universal's management prefers the first alternative because Universal has more control over the timing of implementing this balancing procedure and it allows Universal to more closely maintain its Operational Margins.

Union Gas

Under Universal's arrangements with Union Gas, the DCQ is established 30 to 45 days prior to the delivery of natural gas to the customer gas pool. However, Union Gas also weather normalizes the DCQ. Universal is not permitted to participate in the DCQ calculation. Union Gas provides Universal with a variance report each month in respect of the amount of natural gas consumed by each customer gas pool in the previous month. Union Gas establishes the imbalance between actual natural gas consumed by Universal's customers as compared to the forecast natural gas consumed by such customers and then calculates the year to date imbalance and the projected contract year-end imbalance. Universal is generally required to rectify imbalances three times a year and must be within stipulated parameters on an annual basis. If imbalances are not within stipulated parameters at the requisite times, Universal may be required to pay certain penalties, which in some cases can be significant. Universal rectifies imbalances using the balancing procedures described below.

- *Load Balancing Suspension.* If customer consumption levels are less than forecast customer consumption levels, Universal may suspend delivery of the contracted natural gas supply quantity. In this situation, Universal has the same three alternatives described above under "Enbridge Gas Distribution Inc. – Load Balancing Suspension".

- *Make-ups*: If customer consumption levels exceed forecast customer consumption levels, Universal may be required to deliver additional volumes of natural gas. In this situation, Universal has the same three alternatives described above under "Enbridge Gas Distribution Inc. – Make-ups".

Michigan Natural Gas Balancing

Natural gas balancing procedures in the Michigan market are conducted in substantially the same manner that natural gas balancing procedures are conducted in the Ontario market with Enbridge. A material difference is that customer gas pools are generally balanced on the pool's annual anniversary date in Ontario (which varies from pool to pool), whereas all customer gas pools are balanced on an annual basis on April 1 of each year in Michigan.

Key Regulatory Provisions

The following is a summary of the principal regulatory provisions that affect Universal and other Energy Retailers operating in Ontario, Michigan, British Columbia. For a general overview of the regulatory regime applicable to Universal's operations, see "Overview of the Electricity Industry" and "Overview of the Natural Gas Industry".

Customer Contracts

Consumer rights protection legislation in Ontario and British Columbia limits the term of energy contracts for residential and small commercial customers to five years. This legislation does not apply to other commercial and industrial customers. There is no comparable legislation in Michigan. However, it is Universal's current policy not to offer energy contracts for terms in excess of five years to any of its customers. Energy Retailers product offerings are generally quite similar. One notable exception to this similarity is that energy contracts offered by Energy Retailers operating in the U.S. are generally for much shorter terms (typically between one month and one year) than energy contracts offered by Energy Retailers in Canada.

The form and terms of Energy Contracts are highly regulated in Ontario. Forms of Energy Contracts must comply with regulations prescribed under the *Ontario Energy Board Act*, 1998. Energy Contracts must also contain specified disclosures and terms. Energy Retailers in the electricity and natural gas markets must also comply with the Code of Conduct for Gas Marketers and the Electricity Retailer Code of Conduct, each of which has been issued by the OEB. The Codes of Conduct set minimum standards to which licensed Energy Retailers must adhere, including the regulation of door-to-door sales activities. Failure to adhere to the Codes of Conduct can result, in addition to other penalties, in the suspension or revocation of the Energy Retailer's licence to sell electricity or natural gas, as the case may be. Energy Retailers in British Columbia and Michigan are subject to similar requirements with respect to residential and small commercial customers.

Customer Contract Terminations

Energy Retailers are permitted to enter into non-terminable contracts with all categories of customers in each of Ontario, British Columbia and Michigan. This means that the contract cannot be terminated by the customer unless it pays the early termination fee stipulated by the contract. However, it is Universal's policy that Ontario residential and small commercial customers may terminate their Energy Contracts without penalty if the customer moves out of province, moves to a location where the customer would not have an energy account (e.g., an apartment or condominium), moves to a location that Universal does not service, loses his/her residence to foreclosure or dies. Universal currently intends to extend the same policy to residential customers in British Columbia. Other commercial and industrial customers can only terminate their Energy Contracts if they pay the applicable early termination fee.

Customer Contract Reaffirmation; "Cooling-Off Periods"

In Ontario, electricity and natural gas residential or small commercial customers are provided with a 10 day "cooling-off" period and must reaffirm their agreement with the Energy Retailer not earlier than 10 days, and not later than 60 days, after entering into a contract with the Energy Retailer. There are no reaffirmation requirements for other commercial and industrial customers in Ontario. In British Columbia, the LDC will be required to send a confirmation letter to residential and small commercial customers within two days of enrolment of the customer by the Energy Retailer. The customer has 10 days following receipt of the confirmation letter from the LDC (e.g., a "cooling-off" period) to cancel the contract. In British Columbia all natural gas choice customers must verify their agreement with the retailer via a recorded conversation, pursuant to BCUC guidelines. In Michigan, residential and commercial customers are provided with a 30 day "cooling-off" period after entering into a contract with an Energy Retailer during which they may cancel the contract. There are no reaffirmation requirements in Michigan. for any category of customers. However, it is Universal's practice to reconfirm Energy Contracts entered into with all of its customers notwithstanding that it is not required by applicable laws.

Customer Contract Renewals

In Ontario, residential and small commercial customer contracts may only be renewed by providing notice of the renewal to the customer not less than 60 days and not more than 120 days prior to the expiry of the contract. A contract renewal for a period of more than one year requires a customer's written approval (including by signature, electronic communication or recorded verbal communication). A renewal of one year or less can be effected by default provided the customer is given notice thereof prior to the renewal, and on his or her first utility bill the renewal price is stated, together with a statement that the customer has 35 days to cancel the contract following the receipt of such invoice. There are no regulations governing the price at which contracts can be renewed. In addition, there are no regulatory requirements governing contract renewals for other commercial and industrial customers in Ontario. Regulations in British Columbia provide for contract renewals on notice of not more than 120 days and not less than 90 days prior to expiry of the contract for all classes of customers. The customer has 30 days after receipt of written notice from the Energy Retailer to select renewal terms or cancel the contract.

There are no regulatory requirements governing contract renewals for customers in Michigan. However, Universal's current policy is that it will not seek to automatically renew its Gas Contracts with its commercial and industrial customers in Michigan for a term of greater than one year or for more than one month with respect to residential and small commercial customers. Universal will only renew its Gas Contracts with its commercial and industrial customers in Michigan for a term of greater than one year if it receives the customer's written approval to do so.

The OEB staff has announced its view that the provisions in the *Ontario Consumer Protection Act*, 2002 (**"CPA"**) (amended June 30, 2005) supersede those found in the *Ontario Energy Board Act*, 1998 (OEBA) with the effect that contracts of one year or less cannot be automatically renewed. Based on a contrary opinion from its legal counsel, Universal is challenging the OEB staffs' position.

Customer Switching; "Contest Period"

A "Contest Period" refers to procedures that govern an attempt by an Energy Retailer to enrol a customer already receiving service from an incumbent Energy Retailer. Under a typical Contest Period, an incumbent Energy Retailer has between 20 to 30 business days to obtain the consent of its customer to cancel the pending enrolment of its customer with a competing Energy Retailer. If the incumbent Energy Retailer does not obtain the consent of its customer to cancel the pending enrolment of its customer with a competing Energy Retailer, the incumbent Energy Retailer would, however, be entitled to enforce the early termination payment provisions of its energy contract.

The OEB has developed a Rule for the natural gas industry entitled the Gas Distribution Access Rule (**"GDAR"**). GDAR was implemented as at June 1, 2007 which among other things, prescribe the relationship between the natural gas LDCs, the Energy Retailers and the customers of the Energy Retailers. The principal effect of GDAR will be to extract the LDCs from the contractual relationships between Energy Retailers and their customers. Under the rules currently in place, an LDC will not accept a customer contract between an Energy Retailer and a customer where that customer has already entered into a contractual arrangement with another Energy Retailer. Under GDAR, the LDCs would be required to process a customer service transfer request and commence a

30 business day Contest Period if the customer has an existing contract with an Energy Retailer. It would then be up to the Energy Retailer with whom that customer has a prior existing contractual relationship to obtain the consent of such customer to cancel the pending enrolment of such customer with a competing Energy Retailer within the 30 business day period.

There are currently no Contest Period regulations in force in British Columbia and Universal is not aware of any attempt by Energy Retailers to persuade natural gas LDCs to implement Contest Periods in British Columbia. However, British Columbia LDCs will only enrol a customer already receiving service from an incumbent Energy Retailer with a different Energy Retailer on the anniversary date of a customer's Energy Contract. This effectively eliminates the ability of a customer to switch from one Energy Retailer to another during the first year of the customer's Energy Contract.

In Michigan, LDCs will switch a customer to a competing Energy Retailer if a customer has entered into an Energy Contract with that competing Energy Retailer.

Changes to Prices

In Ontario and Michigan, Energy Retailers are permitted to adjust the prices charged to customers on a monthly basis. In British Columbia, prices may be adjusted only once a year subsequent to the first year of the Energy Contract. Because Universal enters into fixed price Energy Contracts with its customers, the ability to adjust the prices charged to customers under applicable regulatory requirements is not particularly relevant to Universal, except in connection with initial discount periods that Universal offers customers from time to time. These rules would become more relevant if Universal were to determine in the future to offer its customers an opportunity to adjust the cost of their electricity or natural gas under their Energy Contracts pursuant to a new product offering.

Relationship with Sempra

Sempra is one of North America's largest full-service energy trading companies. Sempra markets and trades physical and financial energy products: crude oil and refined products, natural gas and natural gas liquids, power, coal, emissions and ethanol. Sempra has more than 1,200 customers worldwide. Sempra's customer base includes most of the major oil, gas and power companies in North America, Europe, Asia and South America.

Sempra has been Universal's exclusive supplier of Electricity Swaps and natural gas since inception. Sempra is currently a shareholder of the Company. See "Principal Holders of Common Shares". For information regarding Universal's agreements with Sempra, see "Principal Agreements – Principal Agreements of Universal".

Competition

Universal does not view the LDCs as true competitors because they do not actively seek to obtain and/or retain customers, but rather are suppliers of last resort for customers. Universal also views LDCs as service providers to Universal. The LDCs are currently not permitted to make a profit on the sale of electricity and natural gas to their supply customers. With respect to Energy Retailers supplying residential and small to mid-size commercial customers with natural gas, management believes that Universal's largest competitors in Ontario are Direct Energy Marketing Limited, a wholly owned subsidiary of Centrica plc and Energy Savings Income Fund.

Competition in Universal's target electricity market in Ontario is currently more limited than in the natural gas market in Ontario. While many Energy Retailers entered the electricity market when it was first deregulated in 2000, subsequent to the November 11, 2002 Action Plan, many Energy Retailers operating in Ontario either sold their electricity businesses or terminated marketing electricity. With respect to Energy Retailers supplying residential and small to mid-size commercial customers with electricity, Universal's largest competitors in Ontario are Direct Energy Marketing Limited and Energy Savings Income Fund. Although there are approximately 15 AGS's licensed in Michigan, management believes that it is the only AGS to provide a five year, fixed-price product in the Michigan market. The other AGS' licensed in Michigan offer more short-term, fixed and variable price products to customers.

Energy Source Competition

Management believes that natural gas enjoys advantages over other fossil fuels, including the fact that it is readily available through vast transmission and distribution systems and has significant environmental advantages compared to other fossil fuels. However, the price advantage which natural gas enjoys over these other forms of energy will be diminished if the price of natural gas increases and, to the extent that consumers have the capacity to switch to the use of other forms of energy, such increases in the price of natural gas (relative to the alternatives) could result in other sources of energy providing more significant competition to Universal's natural gas offering. With regard to Universal's customer base, while some of its mid-size industrial and commercial customers may be in a position to select an alternate energy source, this option would normally not be available to its residential, small to mid-size commercial and small industrial customers without significant capital cost. Accordingly, while major industrial users (a market segment not served by Universal), can indeed change from one source of energy to another to take advantage of commodity price differentials, this requires installation of equipment which is generally not economic for residential or small to mid-size commercial and small industrial users.

The alternatives to the use of LDC supplied electricity, such as self-generated solar or geothermal power, require significant capital expenditures and are not widely used in the market segments served by Universal. Management does not anticipate that these or other alternative sources of power will compete with LDC supplied electricity in the near or medium term.

Seasonality

Universal recognizes revenues for natural gas sales based on customer consumption. Natural gas consumption by Universal's customers is typically highest in October through March and lowest in April through September. Electricity consumption is typically highest in January through March and July through September and is lowest in April through June and October through December. As a result, management expects that revenues will typically be highest in the first calendar quarter and lowest in the second calendar quarter. The seasonality of natural gas customers' consumption does not create any variability in cash flows as Universal purchases for delivery to LDCs a pre-determined fixed amount of natural gas per month and receives monthly payment for the delivered amount irrespective of actual customer consumption. The seasonality of customers' electricity consumption creates variability in monthly cash flow because electricity is consumed upon delivery and payments received from LDCs are based on consumption.

Properties

As at September 30, 2008, Universal leased approximately 42,639 square feet of space, of which 21,678 square feet is used for Universal's head office and customer service centre and the balance is used as marketing offices. Universal has entered into the following leases of real property:

Location	Square Feet	Function	Term
25 Sheppard Avenue West Suite 1605 and Suite 1700 Toronto, Ontario	21,678	Head Office	5 year term expiring in July 2011
245 Fairview Mall Drive Suite 203 Toronto, Ontario	6,059	Marketing Office	2 year term expiring in July 2010
245 Fairview Mall Drive Suites 101, 202 Toronto, Ontario	2,889	Marketing Office	2 year term expiring in July 2010
50 Richmond Street East Suite 112 Oshawa, Ontario	3,635	Marketing Office	5 year term expiring in July 2011

Location	Square Feet	Function	Term
Airport Square 1200 W 73rd Avenue Vancouver, British Columbia	3,200	Marketing Office	5 year term expiring May 2012
30555 Southfield Road Suite 440 Southfield, Michigan	2,280	Marketing Office	39 month term expiring April 2009
One Executive Blvd Yonkers, New York	2,898	Marketing Office	5 year term expiring March 2013

Environment

Universal does not take physical custody or control of electricity or natural gas or any facilities used to transport it, and passes title to the natural gas sold to its customers at the same point at which it accepts title from Sempra. Therefore, management is of the view that there is no potential liability to Universal for natural gas leaks or explosions during transmission and distribution.

Employees and Independent Sales Agents

Universal employed 220 persons as at September 30, 2008. Approximately 712 Independent Contractors were engaged at September 30, 2008 in the door-to-door marketing of Energy Contracts.

OVERVIEW OF THE ETHANOL INDUSTRY

Ethanol Industry Overview

Ethanol is a clean-burning, renewable fuel made from agricultural products such as wheat, corn and other grains. Ethanol was first used in early combustion engines, including Henry Ford's Model T. However, during the 1920s, gasoline became the motor fuel of choice, and ethanol became primarily a gasoline additive. In 1979, the U.S. Congress established an ethanol program to stimulate the rural economy and reduce the U.S.'s dependence on imported oil. The production and use of ethanol as a motor fuel in the United States and in Canada has increased continuously since that time.

North America represents a single integrated market for ethanol much the same as it does for oil and natural gas. However, there is some regionalization within this single market due to factors such as the size of the market in some regions, the effect of transportation costs on the market in some regions, and the existence of incentive programs and regulatory mandates that are specific to certain states and provinces.

Primary Uses of Ethanol

Ethanol is primarily used as a gasoline fuel additive to lower the lifecycle emissions of greenhouse gases. The lifecycle emissions from the production and combustion of ethanol are significantly lower than the lifecycle emissions from the production and combustion of gasoline. "Lifecycle emissions" refers to the greenhouse gas emissions related to all processes in the production and consumption of a fuel. In the case of ethanol, it refers to the greenhouse gas emissions resulting from the production of feedstock (typically wheat or corn), the conversion of the feedstock to ethanol, and the combustion of ethanol. Ethanol has also gained wide acceptance as a replacement for the fuel additive methyl tertiary butyl ether (MTBE), which has been banned in certain jurisdictions due to concerns regarding its impact on the environment. As a gasoline blendstock, ethanol functions as an octane enhancer, a clean air additive and a fuel extender.

Greenhouse Gas Emissions Reduction – When ethanol is produced from renewable feedstocks such as wheat or corn, the greenhouse gas emissions are reduced on a full lifecycle basis. The use of renewable fuels such as ethanol in place of fossil fuels represents an effective means of reducing greenhouse gas emissions in the transportation sector.

Octane Enhancer – Pure ethanol possesses an average octane rating of 113 (compared to regular unleaded gasoline's average octane rating of 87). Blending ethanol with gasoline enables refiners to conform lower octane blendstock to gasoline standard, while also expanding the volume of fuel produced. In addition, ethanol is commonly added to finished regular grade gasoline at the wholesale terminal as a means of producing higher octane mid-grade and premium gasoline. Ethanol represents one of the few commercially viable sources of octane enhancement available to refiners.

Clean Air Additive – A clean air additive is a substance that, when added to gasoline, reduces tailpipe emissions and improves air quality characteristics. Ethanol contains 35% oxygen, approximately twice that of MTBE, a historically used oxygenate. The additional oxygen found in ethanol results in more complete combustion of the fuel in the engine cylinder, which reduces tailpipe emissions by as much as 30%. Ethanol, which is non-toxic, water soluble and biodegradable, replaces some of the harmful gasoline components, including benzene.

Fuel Extender – Ethanol extends the volume of gasoline by the amount of ethanol blended with conventional gasoline, thereby reducing the use of crude oil and refined products. Furthermore, ethanol is easily added to gasoline after the refining process, reducing the need for large, capital intensive capacity expansion projects at refineries.

Supply and Demand for Ethanol in North America

Demand

Management believes that the North American ethanol industry will continue to grow as a result of a variety of factors, including government mandated renewable fuel usage and periodic constraints on North American petroleum refining capacity.

U.S. Demand

In the United States, the RFS established minimum nationwide levels of renewable fuels (ethanol, biodiesel or any other liquid fuel produced from biomass or biogas) to be included in gasoline as part of the Energy Policy Act of 2005. The RFS requires an increase from approximately 7.5 billion gallons of renewable fuels usage in 2006 to approximately 10.0 billion gallons in 2009. The RFA expects ethanol to account for the largest share of renewable fuels produced and consumed under the RFS.

Canadian Demand

The provinces of Saskatchewan, Ontario and Manitoba have introduced regulations that will require gasoline sold in their respective provinces to be comprised of between 5% and 10% ethanol. Recently announced programs for Alberta and British Columbia will require an additional 5% ethanol blend commencing early in 2010 in the case of Alberta and on January 1, 2010 in the case of British Columbia. In addition, the Government of Canada announced its intention to introduce a 5% biofuels strategy for Canada, which it expects to be fully implemented by 2010. If implemented as proposed, the program will require gasoline sold in Canada to be comprised of at least 5% biofuel. Overall demand is expected to be approximately 2.6 billion litres annually, commencing in 2010.

Supply

U.S. Supply

According to the RFA, there are approximately 165 ethanol plants operating in the United States (which are predominantly corn based and primarily concentrated in the mid-western region of the United States) capable of producing approximately 10.0 billion gallons of ethanol per year.

Canadian Supply

Canadian ethanol accounted for only 0.5% of world ethanol production in 2005. The ethanol industry in Canada consists of only eight production facilities, all of which are either corn or wheat based. Currently, the top three producers in Canada account for approximately 75% of the ethanol production capacity in Canada.

Management estimates that Canadian ethanol production capacity in 2008 is approximately 1.6 billion litres and that in 2010, the demand for ethanol in Canada will exceed 2.6 billion litres.

North American Ethanol Plants

The location of U.S. ethanol plants has historically been concentrated in the mid-western region of the U.S. where abundant agricultural supplies exist. As a result, early U.S. ethanol sales were dominant in this region. Today, ethanol demand is driven by gasoline demand. As a consequence, ethanol demand is nation-wide.

Corn fed ethanol plants are expected to supply all of the demand for ethanol in eastern Canada, whereas wheat and corn are expected to be the primary supply source for ethanol in western Canada. In addition, there are no regulatory impediments to the sale of ethanol produced in Canada to the U.S. market or to the sale of ethanol produced in the U.S. to the Canadian market.

Ethanol Pricing

Generally, ethanol delivered to customers is priced in accordance with one of the following methods: (i) a negotiated fixed contract price per gallon, (ii) a price per gallon based on an average spot value of ethanol at the time of shipment plus or minus a fixed amount, or (iii) a price per gallon based on the market value of wholesale unleaded gasoline plus or minus a fixed amount. The recent price reduction in the energy markets, for both the spot value of ethanol and the market value of unleaded gasoline, has resulted in much lower prices for ethanol.

Ethanol Production Process

In North America, ethanol is currently produced mostly from starch containing crops such as corn, wheat and milo. Several plants use a waste sugar stream from another industrial plant such as a sulphite pulp mill, a brewery, cheese factories, potato processors and other food processing plants. However, the dominant feedstock is corn. The basic process involves the enzymatic hydrolysis of starch to sugars and the fermentation of the sugars to ethanol via yeast. The weak ethanol solution known as beer is then distilled and dried to produce anhydrous ethanol, which is suitable for blending with gasoline. There are a number of process variations that are employed, such as dry or wet milling and batch or continuous fermentation.

Most new ethanol plants being considered are dry mill ethanol plants because these plants have lower capital costs and produce fewer co-products.

The major steps in the dry milling process are summarized below.

- *Grain Unloading*. Trucks deliver wheat to the plant directly from farms or from grain elevators.

- *Milling*. The wheat passes through a grain milling system which mills the wheat into a fine powder called "meal". A cyclone or baghouse dust collector eliminates grain dust during milling.

- *Liquefaction*. The meal is mixed with water and the enzyme alpha-amylase. This mixture then passes through cookers, where the starch is liquefied. Heat is supplied at this stage of the process to enable liquefaction.

- *Saccharification*. The mash from the cookers is cooled and the secondary enzyme gluco-amylase is added to convert the liquefied starch into fermentable sugars. This process is called "saccharification".

- *Fermentation*. Yeast is added to the mash to ferment the sugars into ethanol and carbon dioxide.

- *Distillation.* The fermented mash, called "beer", contains approximately 12.5% ethanol by volume and the non-fermented solids from the wheat and the yeast cells. The beer mash is pumped into a continuous flow, multi-column distillation system where the ethanol is separated from the solids and water. The ethanol leaves the top of the final column at approximately 95% strength and the residual mash, called stillage, is recovered from the base of the column and is transferred to the co-product processing area.

- *Dehydration.* The ethanol then passes through a dehydration system where the remaining water is removed. The alcohol product at this stage is called "anhydrous ethanol".

- *Co-Product Recovery.* Evaporators and natural gas fired ring dryers are used to remove the water from the stillage and produce the dried distillers grains.

- *Ethanol Storage.* The ethanol is then stored in carbon steel tanks until it is delivered to customers.

- *Ethanol and Dried Distillers Grains Load-out.* Trucks and railcars transport the ethanol and dried distillers grains to customers.

Wheat versus Corn Ethanol

Ethanol produced from starchy grains, such as wheat or corn, is identical in composition and properties. The different composition of the feedstock does have some impact on the quantity of ethanol and distillers grains produced and on the composition of the distillers grains. Most varieties of wheat have a lower starch content than corn (approximately 65% versus approximately 70%). As a result, approximately 12% more wheat (in terms of volume) is required to be processed to produce the same volume of ethanol. However, this results in about 11% more distillers grains being produced. Distillers grains are a co-product of the ethanol process which are sold primarily for livestock and dairy feed. The protein content of wheat distillers grains is higher than corn distillers grains, making it a more valuable ingredient for livestock feed.

There are some minor design changes that must be made to an ethanol plant to efficiently process wheat. Management estimates that these changes increase the capital cost of the plant compared to a corn plant by approximately 15%. However, wheat based ethanol plants generally have lower operating costs, which more than compensate for the higher start-up capital costs. In addition, wheat based ethanol plants can also process corn feedstock with no loss of efficiency or capacity, whereas a corn plant could be expected to suffer some throughput loss when processing wheat.

Supply of Wheat

Management believes that there is an ample supply of wheat production in Canada to support the growth of the Canadian ethanol industry. The Belle Plaine Facility is situated in the heart of Canada's grain belt. Saskatchewan produces more wheat than any other Canadian province. According to Agriculture and Agri-Food Canada and Saskatchewan Agriculture and Food, on average, Saskatchewan produces approximately 50% of Canada's annual wheat crop.

Canadian wheat production is planted with the intention of producing milling quality wheat, but in most years a portion of the crop is downgraded to feed quality due to adverse growing conditions. This feed quality wheat has traditionally been used for ethanol production. Other varieties of wheat, such as Canadian Prairies Spring and Canadian Soft White Spring, provide producers with a higher yield. These wheats have a higher starch content and are better suited to ethanol production. As a result of the development of a larger domestic ethanol industry, management expects the production of these varieties of wheat to increase, which will increase overall wheat production in Canada.

Wheat pricing is primarily affected by growing conditions and fluctuations in demand from different geographic regions of the world. Overall wheat inventories declined throughout 2006 and 2007 supporting higher wheat prices. In the past, high wheat prices have typically resulted in farmers seeding more wheat acreage. This was realized as the recovery of wheat inventories in 2008 has reduced wheat prices significantly from their levels in

2007. Since ethanol production from wheat sources is extremely small, Management currently sees no material correlation between increasing ethanol production and wheat demand.

Ethanol Co-Products

Distillers Grains

Distillers grains, a co-product of the dry-mill ethanol production process, are the concentrated nutrients (protein, fat, fibre, vitamins and minerals) remaining after starch from corn or wheat is converted into ethanol. Distillers grains may be sold as wet distillers grains or, after drying in natural gas fuelled driers, as dried distillers grains. Ethanol producers are typically able to sell distillers grains as livestock and dairy feed, which provides them with an additional source of revenue.

The price of distillers grains varies based on prevailing supply and demand factors.

Carbon Dioxide

The ethanol production process also produces carbon dioxide. Carbon dioxide is a potentially harmful greenhouse gas, however, the net effect of the production of carbon dioxide during the ethanol production process is generally believed to be largely offset by the intake of carbon dioxide by the wheat, corn or other feedstock used to create ethanol. Because ethanol is produced using a bioprocess, the carbon dioxide generated from the creation of ethanol is not controlled by the Kyoto Protocol established under the United Nations Framework Convention on Climate Change.

Some ethanol plants capture and compress carbon dioxide for sale to industrial and food markets. Management does not expect to have a market for its carbon dioxide production in the near future. However, management believes that there is potential for a market to develop in western Canada where carbon dioxide is used as an oilfield flooding agent.

Government Legislation and Regulation

The Canadian ethanol industry is impacted by provincial and federal legislation, in particular:

- The governments of Saskatchewan, Ontario and Manitoba mandate the use of ethanol in gasoline sold in their respective provinces..

- The government of Canada provides up to a $0.10 per litre excise tax remission for the use of ethanol in gasoline in Canada.

- The governments of British Columbia and Alberta also provide an exemption from fuel taxes for ethanol used in gasoline in their respective provinces. Alberta announced its intention to replace this tax exemption with an ethanol producer payment.

- Ethanol plants in Canada must be licensed with the Canadian Grain Commission if they purchase grain directly from producers.

- Ethanol plants in Canada must obtain a licence under the Federal Excise Act (Canada).

- Wheat-based ethanol plants must obtain permission from the Canadian Wheat Board if they export wheat-based distillers grains from Canada.

- Ethanol plants must obtain operating permits similar to other industrial operations. The required permits can vary from province to province.

- Ethanol imported into Canada from non-NAFTA countries (such as Brazil) is subject to a duty of $0.0492 per litre.

BUSINESS OF TGF

General Overview of TGF

TGF has completed the construction of its ethanol facility located in the rural municipality of Pense No. 160, near Belle Plaine, Saskatchewan, which is approximately 45 kilometres west of Regina. The Belle Plaine Facility is designed to produce approximately 150 million litres of ethanol and approximately 165,000 tonnes of dried distillers grains annually. TGF markets its ethanol production to large credit worthy gasoline producers and marketers throughout Canada and the United States, primarily as a gasoline additive to fulfill jurisdictional blending requirements. TGF sells its distillers grains to the livestock industry throughout Western Canada and the US Pacific Northwest. Distribution of the ethanol and distillers grains is primarily be by rail and truck. The Belle Plaine Facility requires approximately 400,000 metric tonnes of wheat per year.

The Belle Plaine Facility is the largest single wheat designed ethanol production facility in western Canada.

History of TGF

TGF was incorporated in April 2006. In July 2006, TGF obtained a commitment for the TGF Credit Facility in the amount of $50 million with a syndicate of lenders. In August 2006, TGF entered into the TGF Debenture Purchase Agreement pursuant to which the TGF Debentureholders agreed to purchase up to $40 million aggregate principal amount of TGF Debentures. In September 2006, TGF entered into the fixed price EPC Contract with the Contractor for the design, engineering, procurement, construction and commissioning of the Belle Plaine Facility. In October 2006, TGF entered into the Licence Agreement with its technology provider, Delta-T, wherein Delta-T granted TGF the right to use Delta-T's technology for the purposes of constructing, building and the ongoing operation of TGF's Belle Plaine Facility and the repair, maintenance, optimization and enhancement of the Belle Plaine Facility. See "Principal Agreements – Principal Agreements of TGF".

Belle Plaine Facility

Overview

The Belle Plaine Facility is designed to produce approximately 150 million litres of ethanol and approximately 165,000 tonnes of dried distillers grains annually.

TGF's primary product is ethanol. TGF's Belle Plaine Facility produces ethanol by using a dry-mill process, which yields approximately 365 litres of ethanol per metric tonne of wheat. The dry-mill ethanol production process also produces distillers grains as a co-product. In the dry-mill process, each metric tonne of wheat yields approximately 397 kilograms of distillers grains.

Net Operating Costs

The primary costs that TGF incurs to operate the Belle Plaine Facility include wheat, processing supplies (such as enzymes, yeast and other chemicals), natural gas, electricity and other miscellaneous operating costs, such as repairs and maintenance, water supply, waste management and denaturant.

For purposes of its business plan, management estimated TGF's primary operating costs based on, among other things, the historical and forward pricing estimates for the commodities required to produce ethanol and the historical and forward pricing for certain commodities whose prices are correlated to the commodities required to produce ethanol.

Belle Plaine Facility Overview

The Belle Plaine Facility is comprised of the following low elevation, self-contained structures:

- *Administration Building*. An administration office provides approximately 3,400 square feet of office space. An employee parking area is located adjacent to the office building.

- *Truck Scales.* Truck scales are located near the administration office. The scales are used for scaling inbound and outbound trucks.

- *Maintenance Building.* A maintenance building allows for on site maintenance and repairs.

- *Grain Storage Area.* A grain storage area features a covered truck dump pit, two primary corrugated steel grain storage bins, smaller secondary steel grain bins and screenings bins and associated milling equipment, including a scalper, grain milling equipment and a dedicated dust collection system. TGF's grain storage area is capable of storing enough grain to supply the Belle Plaine Facility for approximately 40 days.

- *Main Processing Building.* The main processing building, housing first stage processing equipment. The Belle Plaine Facility includes a staff lunchroom, a control room, an electrical room, lockers, washrooms and a quality control laboratory.

- *Fermentation Area.* Four stainless steel fermentation tanks and one beer well are located adjacent to the main processing building.

- *Dried Distillers Grains Dryer Area.* The dried distillers grains dryer system consists of two vertical ring flash dryers and IS housed within an open structural steel frame.

- *Utility Building.* The utility building is located adjacent to the main processing building and houses ancillary equipment, including boilers, air compressors and water conditioning equipment.

- *Dried Distillers Grains Storage Area.* The dried distillers grains storage building is located adjacent to the rail tracks and provide 10 days of dried distillers grains surge capacity. Two dried distillers grains load-out bays are attached to the building to facilitate the loading of trucks and rail cars. This is a self-contained facility.

- *Ethanol Storage and Load-out.* The ethanol storage and load-out area is located adjacent to the rail track, and provides both rail car and truck tanker loading access. TGF's ethanol storage area is capable of storing approximately 7.2 million litres of ethanol, representing approximately 18 days of ethanol production from the Belle Plaine Facility.

- *Utilities.* Utility supply to the facility did not require major infrastructure changes due to the current level of development. All major utilities, including natural gas, power, water and telephone, currently run directly adjacent to the property.

Raw Materials

The principal raw materials that TGF's Belle Plaine Facility requires are wheat and natural gas.

Wheat

TGF's principal raw material is wheat. When fully operational, the Belle Plaine Facility will require approximately 400,000 metric tonnes of wheat per year in order to produce 150 million litres per year of ethanol. TGF has contracted directly with farmers for fixed priced deliveries with the majority under two year contracts.

Natural Gas

TGF's ethanol production also requires significant quantities of natural gas, which has historically been subject to volatile market conditions. Natural gas prices and availability are affected by weather conditions and overall economic conditions. When operating at capacity, the Belle Plaine Facility will require approximately 42.8 million m^3 of natural gas per year. TGF has entered into natural gas supply arrangements for the supply and delivery of its natural gas requirements.

Marketing

The market demand for ethanol in Canada is currently dominated by the demand for ethanol blended gasoline in the provinces of Ontario, Saskatchewan and Manitoba due to the existence of government mandated programs that require the use of biofuel blended gasoline. By 2010, British Columbia, as well as Alberta, will require provincial blending requirements in addition to the Canadian federal government's publicly announced gasoline mandate which requires 5% renewable fuels. Management believes that ethanol is currently the only commercially viable renewable fuel available to satisfy this requirement. The primary buyers of ethanol will therefore be entities involved in the refinement, aggregation and distribution of gasoline, such as large oil companies. Because ethanol will be blended with gasoline at or near refineries, ethanol will need to be delivered to areas where gasoline refineries are located.

Because the Belle Plaine Facility is strategically located less than two miles from the TransCanada Highway and rail access is readily available on site, with service from both Canadian National and Canadian Pacific rail lines, management believes that TGF is well positioned to deliver its products to all of these markets and to access markets located in other parts of North America.

Ethanol

Ethanol is generally sold through short-term contracts. Ethanol is generally priced using one of three methodologies: a negotiated fixed price, a price based upon the spot market price of ethanol at the time of shipment plus or minus a fixed amount, or a price based upon the price of wholesale gasoline plus or minus a fixed amount. The recent price reduction in the energy markets, for both the spot value of ethanol and the market value of unleaded gasoline, has resulted in much lower prices for ethanol.

Distillers Grains

Management anticipates that approximately 18% of the revenue generated by the Belle Plaine Facility will be derived from the sale of distillers grains. TGF currently sells its high protein distillers grains into western North American markets and is in negotiations for product sales to Asia.

Transportation

TGF receives wheat by truck and ships ethanol and distillers grains principally by rail and by truck. The Belle Plaine Facility is located less than two miles from the TransCanada Highway and rail access is readily available on site, with service from both Canadian National and Canadian Pacific.

Hedging

TGF will (to the extent practicable) hedge against changes in prices of key inputs (such as wheat and natural gas) and key outputs (such as ethanol and distillers grains). TGF hedges its primary commodity risks directly through a combination of futures contracts, derivatives (including options) and fixed price physical contracts. TGF may also enter into hedging transactions in respect of commodities whose prices are correlated with TGF's key inputs and outputs.

Competition

The largest Canadian ethanol producers are Suncor, Husky Energy and GreenFields Ethanol. If TGF sells ethanol in the United States, it will compete with Archer Daniels Midland Company, which is the single largest producer in the ethanol industry and others. The North American ethanol industry also includes many small, independent firms and farmer-owned cooperatives. Management believes that the Belle Plaine Facility's capacity will generally be comparable to the capacity of the facilities owned by TGF's primary competitors. Recently, there has been considerable consolidation of ethanol producers in the United States as a result of declining commodity prices and tightening credit markets with the result that there will be fewer producers and limited new plant capacity coming onstream in the foreseeable future.

TGF believes that its ability to compete successfully in the ethanol production industry depends upon many factors, including price, reliability of its production processes and delivery schedule, transportation costs and volume of ethanol produced and sold.

With respect to distillers grains, TGF competes with other ethanol producers, as well as a number of large and small suppliers of competing livestock and dairy feed. TGF believes the principal competitive factors are price, proximity to purchasers and product quality.

Seasonality

Subsequent to the construction of TGF's Belle Plaine Facility and the commencement of ethanol production, TGF anticipates that its operating results may be influenced by seasonal fluctuations in the price of its primary operating inputs, wheat and natural gas, and the price of its primary product, ethanol.

Properties

TGF owns the land on which it has built the Belle Plaine Facility and leases 1,514 square feet of head office and administrative space. TGF has entered into the following leases of real property:

Location	Square Feet	Function	Term
1570, 2002 Victoria Avenue Regina, Saskatchewan	1,514	Head Office	Five year term expiring on July 30, 2011

Environment

TGF is subject to various federal, provincial and local environmental laws and regulations, including those relating to the discharge of materials into the air, water and ground; the generation, storage, handling, use, transportation and disposal of hazardous materials; and the health and safety of its employees. These laws and regulations require TGF to obtain and comply with numerous environmental permits to construct and operate its Belle Plaine Facility. These laws, regulations and permits can often require expensive pollution control equipment or operational changes to limit actual or potential impacts on the environment. A violation of these laws, regulations or permit conditions can result in substantial fines, natural resource damage, criminal sanctions, permit revocations and/or facility shutdowns. TGF does not anticipate a material adverse effect on its business or financial condition as a result of its efforts to comply with these requirements. TGF also does not expect to incur material capital expenditures for environmental controls in this or the succeeding fiscal year. See "Risk Factors – Risks Related to our Ethanol Business – Environmental, Health and Safety Laws, Regulations and Liabilities".

Employees

As of September 30, 2008 TGF had 41 employees.

BUSINESS OF NEC

General Overview of NEC

On April 14, 2008, the Company, through its wholly-owned subsidiary, National Energy Corporation, began marketing a water heater rental programme to residential customers in Ontario under the trade name "National Home Services" ("NHS").

NHS rents, installs and services water heaters. At September 30, 2008, it rented water heaters to approximately 7,000 residential customers in Ontario.

Description of the Business

Strategy

NHS plans to continue to grow its water heater rental business primarily using the same sales infrastructure used in Universal's retail energy business and through the installation of NHS water heaters in the new home construction market.

The Canadian water heater rental market is currently limited primarily to Ontario where, for reasons described below, homeowners have generally elected to rent rather than buy water heaters.

NHS operates principally in the Durham and Greater Toronto Areas. To date, NHS solely operates in the Enbridge Gas Distribution franchise territory ("EGD Territory"). NHS's primary competitor within the EGD Territory is Direct Energy Marketing Limited ("Direct Energy").

Although there continues to be some replacement of electric, oil and propane water heaters with gas appliances, the majority of NHS' water heater rental growth is currently a result of replacement water heaters in the existing home market and new home construction. NHS' primary customer base is in the detached and semi-detached markets, although it does have some customers in other housing types (such as row houses and apartments).

Competition

For customers connected to the gas distribution system, there are three principal alternatives to renting water heaters from NHS; owning their water heaters; renting their water heaters from a competitor; and using non-gas fuelled water heaters. More specifically, the major sources of competition are set out below:

- A principal area where NHS faces competition is in the new home construction market. NHS' main competitors in this area are Direct Energy and Reliance Home Comfort (formerly UE Waterheater Income Fund).
- Direct Energy and Reliance Home Comfort provide water heater rental program for Ontario residents, which operate substantially the same way as NHS' water heater rental program. Direct Energy is NHS' principal competitor in the EGD Territory. Reliance Home Comfort has historically operated outside of the EGD Territory but competes in the new home construction market in the EGD Territory.
- Customers may elect to purchase their own water heater rather than rent, principally from small heating, ventilating and air-conditioning contractors or larger retailers. Larger retailers offering water heaters for sale include Canadian Tire, Home Depot, Rona-Lansing and Sears. Customers may also buy-out their rented water heaters at prescribed prices.
- Some residents in Ontario prefer to rent or own electric or propane fuelled water heaters even when the property is connected to the gas distribution system. As an example, affiliates of municipal electricity utilities often operate electric water heater rental businesses. However, this area of competition is diminishing, as many of these utilities have sold their water heater portfolios and are no longer in the business of renting such units.

Installation and Support

Territory

The portfolio consists of approximately 7,000 water heaters rented to customers in Ontario. NHS' current customer and infrastructure base is located principally in Durham and the Greater Toronto Areas.

Suppliers

HS purchases the majority of its water heaters from one supplier, GSW Inc. NHS is a significant purchaser of water heaters in Canada and, as such, has been able to negotiate terms of trade with suppliers based on volume purchases. GSW Inc. provides a range of water heaters, including various tank capacities and venting technologies. Enhancements and refinements to water heater design are introduced from time to time to serve customer needs and preferences or meet regulatory requirements.

Installation and Servicing Capabilities

NHS currently has a mixture of both employees and subcontractors who install and service its water heater rental portfolio. NHS technicians are available for service calls 365 days per year. The technicians who perform installation and service work for NHS are required to be certified under the TSSA's enabling statute. These technicians are trained to deal with all potential servicing requirements of the water heater portfolio.

Service Calls

As part of its rental program, NHS will conduct periodic scheduled maintenance of installed water heaters. The maintenance program is intended to ensure the water heaters operate to manufacturer specifications during the useful life of the water heater. Water heater service calls are initiated by the customer. NHS' customer management software system automatically allocates work to the appropriate technician who is dispatched according to proximity and availability.

Installation of Water Heaters

After a customer has decided to receive water heater rental service from NHS, an appointment is booked with one of NHS' installation technicians. Customers are given a choice of size of their new water heater, although the type of equipment is often determined by the house and service access.

Installation – New Home Construction

All water heaters installed in newly-constructed housing are installed by the HVAC contractor of the builder developing the property. All of these contractors must also be certified by the Toronto Safety Standards Association.

Customer Services; Billing

Customer Services Agreement

NHS, through its employees, provides all customer service functions except billing and collection in the EGD Territory. NHS has contracted with Enbridge Gas Distribution ("EGD") under the Open Bill Access Agreement ("OBA") within the EGD Territory.

Billing in the EGD Territory

In 2006, EGD was ordered by the OEB to bring forward a comprehensive "Open Bill" solution that would enable energy service providers to access the EGD bill. EGD presented its comprehensive Open Bill solution to the OEB in 2007 which was accepted on an interim basis. The Open Bill Agreement that EGD and NHS entered into the OBA effective April 30, 2008. Under the OBA, EGD provides billing and collection services to NHS in the EGD franchise area in Ontario until Cycle Day 21, for the month of March, 2009, unless terminated prior to such date in accordance with its terms. The OBA will be automatically renewed for successive terms of one year unless either NHS or EGD gives not less than six months prior notice of non-renewal. Under the OBA, NHS is entitled to receive from EGD, subject to certain exceptions, 99.5% of all amounts (the "EGD Payment") invoiced to customers on the EGD bill. The OBA may be terminated by EGD at any time upon (i) NHS failing to perform or observe any of its obligations under the OBA or the New Receivables Trust Agreement or being in breach of any representation or warranty made thereunder and such failure or breach not being remedied within 30 days of notice thereof; (ii) the occurrence of various insolvency and bankruptcy events in respect of NHS; (iii) NHS ceasing to be a party to the

New Receivables Trust Agreement; (iv) the enforcement of any execution, distress or other enforcement process that would have a material adverse effect on the financial viability of NHS; and (v) 30 days prior notice, upon the occurrence of a regulatory change established by a governmental authority which causes, results in, requires or necessitates such termination. In connection with the expiration or termination of the OBA for any reason, EGD will cooperate with NHS to effect the orderly transition and migration from EGD to NHS of all the billing services then being performed under the OBA for a reasonable period of time, not to exceed 18 months.

New Receivables Trust Agreement

EGD, NHS, CIBC Mellon, as trustee, and Acennture Business Services ("ABSU") as servicer, among others (including other billers), entered into a proceeds transfer, servicing and trust agreement (the "New Receivables Trust Agreement") effective March 10, 2008, transferred their interest in proceeds received from their respective receivables billed on an EGD bill to CIBC Mellon, which proceeds are deposited by ABSU on behalf of CIBC Mellon into a designated account held in trust by CIBC Mellon for the benefit of EGD, NHS and the other billers. On each business day, proceeds on deposit in such account are allocated by ABSU in accordance with an allocation formula set forth in the New Receivables Trust Agreement and are to be withdrawn and paid by CIBC Mellon to EGD on such day and to NHS and the other billers on the 21st day after such day. The allocation formula essentially provides that NHS and the other billers will receive, out of the account, 99.5% of the amount billed on an EGD bill with certain structural safeguards in relation to payments as between NHS (and the other billers) and EGD. In exchange for and upon receipt of the EGD Payment, NHS will transfer to EGD its entitlement to the distributions under the New Receivables Trust Agreement in respect of those receivables for which the EGD Payment has been made. To the extent NHS does not receive an EGD Payment in respect of any of the receivables, it will, instead, receive the distribution entitlement in respect of such receivables pursuant to the above described allocation formula under the New Receivables Trust Agreement. The New Receivables Trust Agreement may be terminated at any time upon (i) the termination of the servicer at the direction of EGD, if a successor is not appointed by EGD; (ii) notice to the other parties if EGD is prohibited by a governmental authority from participating as a beneficiary under the New Receivables Trust Agreement; or (iii) the termination of the OBA (unless EGD determines otherwise). Pursuant to the New Receivables Trust Agreement, the Fund will be responsible for the fees and expenses of ABSU and CIBC Mellon.

Billing Outside the EGD Territory

NHS does not currently have any customers outside of the EGD Territory.

Removal of Water Heaters

There are a limited number of circumstances where water heaters will be removed from the Portfolio. These are as follows:

- end of the useful life of the water heater;
- customer termination of the Custodial Rental Contract ("customer terminations"); and
- customer acquisition of the water heater ("buy-outs").

End of Useful Life

NHS entered the water heater rental market in 2008. It has installed new water heaters in its customers' homes and as such, it does not have any water heaters that have reached the end of their useful life. Based on the experience of the manufacturer and other rental water heater providers, NHS estimates the water heaters have a useful life of approximately 15 years.

Customer Terminations

A customer may terminate its water heater rental at any time by notifying NHS. If this occurs, and unless the customer elects to buy the water heater, either NHS will remove the water heater from the customer's premises or the customer may return it.. In either case, a termination charge will apply if the customer chooses to remove the tank prior to the 15 year rental term. If a customer elects to terminate its rental agreement, NHS will stop billing the customer for rental services upon receiving the termination charges. In almost all cases, it is not economically viable to refurbish and re-install used equipment.

Buy-outs

Customers seeking to terminate their rental arrangement may also choose to buy the installed water heater rather then have it removed. NHS specifies a buy-out rate that customers are charged to buy their installed water heater. The number of buy-outs and customer terminations has been immaterial as NHS has only been operating since April of 2008.

Summary of Installed Water Heater Rental Arrangements

All installed water heaters are governed by a rental arrangement with the customer. Rental contracts are either reflected in a signed agreement with the customer or the customer accepts the terms and conditions applied to NHS' new home construction customers.

NHS' terms and conditions provide that during the useful life of the water heater, NHS will service the water heater with no service charges or parts replacement charges except in limited circumstances, including damage caused by the customer and in respect of vent or pipe cleaning, repair or replacement. NHS also commits to provide a 24-hour per day, 7-days per week emergency phone number. All of NHS' customers can transfer their rental arrangements to subsequent homeowners upon the sale of the customer's home. Currently, the standard residential real estate purchase and sale agreements in use in Ontario expressly reference the rental of a water heater where applicable.

In return for the above services provided by NHS, the customer agrees to pay monthly rental charges set by NHS from time-to-time. At the end of the useful life of the water heater, the customer is not obligated to rent and NHS is not obligated to supply a replacement water heater unless there is mutual agreement to do so. A customer also has the right to purchase his or her water heater based on NHS' then prevailing buy-out prices, or to terminate his or her rental arrangement with NHS, provided the customer pays the prevailing termination charges.

The Portfolio

The following section contains information concerning NHS' water heater rental portfolio. There can be no assurance that the data reflected below pertaining to these assets will reflect the Portfolio in the future.

History of the Portfolio of Installed Water Heaters

There are approximately 7,000 residential water heaters under contract with NHS, all of which are located in Ontario. Current growth in the water heater portfolio can be attributed to NHS' door-to-door marketing efforts. Future growth will come from this channel as well as new home construction.

Typical Manufacturers' Warranty

Manufacturers' express warranties comprise two elements: parts and labour, and integrity of the tank. Water heaters in the NHS portfolio are, and have in the past been, typically purchased from manufacturers with express one year parts and labour warranties and eight year tank failure warranties.

Product Faults

Across the NHS portfolio of water heaters, there are inevitably product and component failures. These failures are typically attributable to:

- Normal wear and tear - in these circumstances NHS as Servicer, will be required to service at its own cost or, if required, remove the water heaters. NHS has not experienced material cost due to normal wear and tear as all tanks in the portfolio were manufactured within the past year.

- Manufacturer defects - historically there have been instances where water heaters (or components) have been subject to recall or a retrofit program for defects inherent in the manufacture or design of the equipment. On these occasions, NHS has worked with the manufacturer to ensure that the defects are remedied on a timely basis with the minimum disruption to customers. Where the defect is discovered when a manufacturer's warranty is still in effect, NHS has typically sought to enforce its rights under the terms of the warranty.

Properties

As at September 30, 2008, NEC leased approximately 32,905 square feet of space as follows:

Location	Square Feet	Function	Term
360 Frankcom Street Ajax, Ontario	12,685	Warehouse	5 year term expiring March 2013
59-60 Huxley Road Toronto, ON	14,515	Warehouse	5 year term expiring September 2013
Unit B, 65 Huxley Road Toronto, ON	5,705	Sales/Marketing Office	5 year term expiring September 2013

PRINCIPAL AGREEMENTS

Principal Agreements of Universal

Gas Purchase Agreement

Pursuant to the Gas Purchase Agreement, Universal has agreed that Sempra will be Universal's exclusive supplier of natural gas, subject to certain limited circumstances.

The Gas Purchase Agreement sets forth procedures pursuant to which Universal shall notify Sempra of the quantity of natural gas that Universal wishes to purchase from Sempra from time to time in order to satisfy the requirements of Universal's customers. For each purchase and sale of natural gas transaction (each a **"Gas Transaction"**) that acts as a hedge of Sempra's market price risk with respect to a transaction in respect of natural gas entered into by Sempra with a third party on terms negotiated by Universal with that third party and acceptable to Sempra (a **"Sleeve Transaction"**), the price per GJ is equal to the sum of the following amounts: (i) the fixed price actually paid or received by Sempra per GJ under such Sleeve Transaction (the **"Gas Base Price"**); plus (ii) all actual related risk management and delivery expenses incurred by Sempra with respect to the Gas Transaction or the related Sleeve Transaction, including brokerage commissions, interest costs for required cash margin or other collateral posted in connection with the Gas Transaction or related Sleeve Transaction, costs for breaking and/or replacing any hedge, delivery charges, and similar costs and expenses incurred by Sempra divided by the quantity of natural gas associated with such Gas Transaction to determine the per GJ amount of such costs, expenses and charges; plus (iii) 3% of the Gas Base Price. For each Gas Transaction that does not act as a hedge of Sempra's market price risk with respect to a Sleeve Transaction, Universal must pay a price per GJ that is mutually agreed between Universal and Sempra (provided that when Universal requests that Sempra offer a price quote in respect of such a proposed Gas Transaction, Sempra must act in good faith to offer a commercially reasonable price based on Sempra's assessment of the then prevailing market).

The Gas Purchase Agreement provides that (except for an aggregate outstanding long position in natural gas maintained by Universal comprised of natural gas purchases with individual tenors of up to five successive years maintained in respect of marketing programs that when aggregated with any such outstanding long positions in natural gas maintained by Universal, Universal U.S. and any other affiliate of Universal, shall not exceed 2.5 billion cubic feet per year), Universal must maintain a matched trading book such that at all times (i) for any fixed price purchase by it of a volume of natural gas, there is a fixed price sale by it of an equal amount of natural gas with the same delivery timing and at either the same delivery point or at another delivery point that is also acceptable (at no additional cost) to the relevant LDC that will be delivering such natural gas to the Universal customers for whom such natural gas was purchased, and (ii) for any floating price purchase by it of a volume of natural gas there is a floating price sale of an equivalent volume of natural gas by it at the same delivery location, with the same delivery timing and with a price based on the same pricing index.

The Gas Purchase Agreement also provides that Universal may not: (a) directly or indirectly purchase natural gas from any third party except for (i) natural gas purchased from an LDC for balancing purposes, (ii) natural gas purchased as a result of Sempra's failure to meet a delivery obligation, and (iii) natural gas purchased as a result of the occurrence of an event of force majeure, provided that except for fixed price purchases made for the balance of the then current month under the circumstances described in paragraphs (ii) and (iii) above, under no circumstances will Universal be able to purchase natural gas from any third party at a fixed price, and provided further that Universal and Universal U.S. will be able to sell natural gas to the other subject to the terms of the Gas Purchase Agreement; (b) directly or indirectly enter into any swap, option or any other financially or physically settled derivative transaction with any third party; (c) except to the extent expressly permitted by Sempra, directly or indirectly, make or own any investment in any entity, including any joint venture, or acquire, by purchase or otherwise, all or substantially all of the business, property or fixed assets of, or capital stock or other ownership interest of any entity, or any division or line of business of any entity, or acquire any subsidiary, unless immediately prior to making such investment, the amount of margin held by Sempra meets certain stated thresholds; (d) subject to the approval of Sempra, (i) during the first two years following the IPO Closing Date, declare or pay any dividends or return any capital to its shareholders or make any other distribution to its shareholders, or acquire any of its own shares or complete any similar transactions (each a **"Dividend Event"**), and (ii) after the second anniversary of the IPO Closing Date, cause any Dividend Event to occur that would require a payment of an amount of cash, interests or property with a current market value that exceeds 75% of the "free cash" (as defined in the Gas Purchase Agreement) earned by Universal during such year; provided that Universal shall not cause any Dividend Event to occur (1) unless immediately prior to such Dividend Event the amount of margin held by Sempra meets certain stated thresholds, or (2) if a Termination Event (as defined below) has occurred and is continuing under one or more of the Commodity Agreements; (e) except in the limited circumstances permitted by the Gas Purchase Agreement and subject to such agreement, directly or indirectly, enter into any physically settled natural gas sale transaction with any third parties involving a fixed price other than where, prior to or contemporaneously with entering into such transaction, Universal shall enter into a transaction with Sempra that fully hedges the price risk associated with such fixed price transaction such that such transaction with the third party would be profitable to Universal; (f) directly or indirectly sell natural gas to any person (other than persons to which Sempra may agree) that results in such person's natural gas purchases for Universal to be more than (i) 500 GJs for any single day, or (ii) $500,000 in value for any 30 day period, provided that Universal may not sell both gas and electricity to a single user of more than 250 GJs per day and 1.5 MW per hour except as approved in advance by Sempra; (g) directly or indirectly enter into any natural gas sales transactions with any person that consumes more than the maximum daily volume guaranteed by an LDC without the prior approval of Sempra; (h) except to the extent expressly permitted by Sempra, directly or indirectly sell natural gas to a third party other than an LDC or Universal U.S., where all of the ultimate purchaser's purchase price of such natural gas is not fully guaranteed by an LDC; (i) market or enter into financially or physically settled transactions in respect of natural gas or electricity in any jurisdiction without the prior written consent of Sempra other than (i) natural gas and electricity in the province of Ontario, (ii) natural gas in the province of British Columbia, and (iii) natural gas and electricity in the province of Alberta; provided that prior to Universal marketing or entering into financially or physically settled transactions in respect of natural gas and/or electricity in any of Alberta, British Columbia or any other jurisdiction in which Universal is not currently engaged in marketing activity, Universal must obtain Sempra's confirmation that it is satisfied that the regulatory environment in such jurisdiction relating to the retail sale of natural gas and/or electricity, as the case may be, is not materially different than in the jurisdictions in which Universal then-currently does business; (j) enter into financially or physically settled transactions in respect of natural gas or electricity for a fixed price with a term of greater than five years; (k) enter into financially or physically settled transactions in respect of natural gas or electricity as purchaser for a fixed price of greater than $10 per GJ or $100 per MWh; (l) enter into new customer contracts in any contract year in excess of certain stated thresholds; (m) become or remain directly or indirectly liable with respect to any indebtedness, or directly or indirectly create or become liable with respect to any contingent obligation, except to the extent permitted by Sempra; provided that after June 30, 2010, Universal may issue to one third-party that will act as both natural gas supplier and Electricity Swap counterparty to a "new supply affiliate" (being an affiliate of Universal that is not a subsidiary of Universal U.S. that is formed to actively market natural gas and/or electricity to end-use customers, and that actively engages in such marketing, and with which Sempra has no commodity supply or other obligations), a guarantee of any indebtedness which arises under a natural gas supply and Electricity Swap arrangement with such third-party, subject to the satisfaction of certain conditions; (n) except to the extent permitted by Sempra, directly or indirectly create, incur, assume or permit to exist any lien on or with respect to any property or asset of any kind of Universal, or any income or profits therefrom, or file or permit the filing of, or permit to remain in effect, any financing statement or other similar notice of any lien with respect thereto, except as otherwise permitted therein; (o) except to the extent permitted by Sempra, enter into any agreement prohibiting the creation or assumption of any lien upon any of its properties or assets, except as otherwise permitted therein; (p) alter its corporate, capital or legal structure (other than to establish a subsidiary in connection with an investment), or enter into any transaction of merger or consolidation, or liquidate, wind-up or dissolve itself, or convey, sell, lease or sub-lease, transfer or otherwise dispose of, in one transaction or a series of transactions, all or any part of its business, property or assets, without the consent of Sempra; and (q) enter into any natural gas sale transaction if, after giving effect to the hedge transaction that would be required in order to hedge the price risk associated with the natural gas sale transaction, the notional exposure amount (as determined in accordance with the formula contained in the Gas Purchase Agreement) would equal or exceed $2,250,000,000.

Commencing on the second annual anniversary of the IPO Closing Date, and on the first business day of each calendar month occurring thereafter (each such day a "**Margin Determination Day**"), Universal will deliver to any bank account that Sempra designates from time to time by wire transfer of immediately available funds, an amount in cash equal to any "Required Margin Amount", which is any amount by which the Current Margin Requirement (as defined in the Gas Purchase Agreement) exceeds the aggregate amount of cash margin previously delivered by Universal to Sempra that Sempra has not returned to Universal (the "**Held Margin Amount**"), as calculated by Sempra. If on any Margin Determination Day, the Held Margin Amount exceeds Universal's Current Margin Requirement, Sempra will, on such day, return any such excess amount in cash to an account maintained in the name of Universal but subject to the control of Sempra (the "**Blocked Account**"). Sempra will hold all cash delivered by Universal in respect of Universal's Current Margin Requirement as margin collateral in accordance with the terms of the security agreement to be entered into between Universal and Sempra. In accordance with the security agreement, Universal will grant to Sempra a lien and security interest in all such margin collateral and all such margin collateral shall constitute collateral to secure the secured obligations of Universal to Sempra.

The Gas Purchase Agreement enumerates certain conditions and events with respect to each of Universal and Sempra that will constitute a termination event (each a "**Termination Event**"), including the following: (i) a change in control of Universal occurs; (ii) Universal and/or any affiliate of Universal (other than TGF, any subsidiary of TGF or any shareholder of the Company), shall, in the aggregate, without the prior consent of Sempra, make direct or indirect contributions to, or investments in, TGF or any subsidiary of TGF, in an aggregate amount exceeding $20,000,000; (iii) Sempra shall not be permitted to appoint a director to the board of directors of Universal; and (iv) a default in the performance by Universal of any term, covenant or agreement contained in such agreement. Upon the occurrence of a Termination Event, the non-defaulting party has the right to immediately, for so long as the Termination Event is continuing: (a) suspend its performance under natural gas purchase and sale transactions then outstanding; or (b) liquidate and terminate the natural gas purchase and sale transactions then outstanding and accelerate the payment of any amounts due. Upon any such liquidation and termination, the non-defaulting party must calculate a net settlement amount in accordance with the formula to be contained in the Gas Purchase Agreement. The party with the net settlement amount payment obligation must pay such amount to the other party within one business day of receipt from the non-defaulting party of notice of such calculation.

If Sempra defaults in its obligations to deliver natural gas to Universal, or if Universal defaults in its obligation to accept delivery of natural gas, subject to force majeure, the Gas Purchase Agreement contains provisions requiring the payment of various amounts by the non-performing party to the performing party. The remedy of liquidation and termination described above is not available when the Termination Event is a failure to deliver or receive natural gas and the non-performing party pays any sum due by it in accordance with the Gas Purchase Agreement.

The obligation of Sempra and Universal to enter into Gas Transactions will terminate on the earlier of (a) June 30, 2010, and (b) the date of termination, liquidation and settlement by the non-defaulting party after the occurrence of a Termination Event. It was a condition to Sempra's obligation to enter into the Gas Purchase Agreement that it have the right to appoint one director to the Board of the Company during the term of the Commodity Agreements. The right is included in the articles of the Company through the issue to Sempra of a special share. See "Capital Structure – Special Share".

Universal U.S. Gas Purchase Agreement

Pursuant to the Universal U.S. Gas Purchase Agreement, Universal U.S. has agreed that Sempra will be Universal U.S.'s exclusive supplier of natural gas, subject to certain limited circumstances. The terms and conditions of the Universal U.S. Gas Purchase Agreement are substantially the same as the terms and conditions of the Gas Purchase Agreement described above in all material respects, including in respect of the terms on which purchases and sales of natural gas will occur between Universal U.S. and Sempra, the affirmative and negative covenants given by Universal U.S. in favour of Sempra, and the termination and liquidation provisions.

Electricity Swap Agreement

Pursuant to the Electricity Swap Agreement, Universal has agreed that it will enter into Electricity Swaps with Sempra on an exclusive basis.

The Electricity Swap Agreement sets forth procedures pursuant to which Universal may request that Sempra enter into an Electricity Swap with Universal in respect of a specific quantity of electricity and with a term specified by Universal. The "floating price" for each Electricity Swap, unless otherwise agreed by Universal and Sempra, will be the hourly Ontario energy price published by the Ontario Independent Electricity System Operator, subject to certain exceptions enumerated in the Electricity Swap Agreement. For each Electricity Swap that acts as a hedge of Sempra's market price risk with respect to a swap transaction entered into by Sempra with a third party on terms negotiated by Universal with that third party and acceptable to Sempra (a "**Sleeve Transaction**"), the "fixed price" per MWh is equal to the sum of the following amounts: (i) the fixed price actually paid or received by Sempra, per MWh, under such Sleeve Transaction (the "**Base Price**"); plus (ii) all actual related risk management expenses incurred by Sempra with respect to the Electricity Swap or the related Sleeve Transaction, including brokerage commissions, interest costs for required cash margin or other collateral posted in connection with the Electricity Swap or the related Sleeve Transaction, costs for breaking and/or replacing any hedge, and similar costs and expenses incurred by Sempra divided by the notional contract quantity of electricity associated with such Electricity Swap to determine the per MWh amount of such costs, expenses and charges; plus (iii) 3% of the Base Price. For each Electricity Swap that does not act as a hedge of Sempra's market price risk with respect to a Sleeve Transaction, Universal shall pay a price per MWh that is mutually agreed to between Universal and Sempra (provided that when Universal requests that Sempra offer a price quote in respect of such a proposed Electricity Swap, Sempra must act in good faith to offer a commercially reasonable price based on Sempra's assessment of the then prevailing market).

The Electricity Swap Agreement provides that (except for any aggregate outstanding long financial or physical position in electricity maintained by Universal comprised of Electricity Swaps with terms of up to five successive years maintained in respect of marketing programs that when aggregated with any such outstanding long positions in electricity similarly maintained by any affiliate of Universal shall not exceed 2,000,000 MWhs per year), Universal must maintain a matched trading book such that at all times for any notional contract quantity of electricity that is the subject of the Electricity Swap in respect of which Universal is paying a fixed price there is a sale by Universal to customers of an equal quantity of electricity at a price higher than the relevant fixed price, and with an equivalence between the projected quantity of electricity to be delivered under such customer contracts and the notional contract quantity of electricity that is the subject of such Electricity Swap.

The Electricity Swap Agreement also provides that Universal may not: (a) directly or indirectly purchase electricity from any third party other than through the IESO administered market and the amount of electricity purchased by Universal from the IESO administered market shall equal the amount of electricity required to be supplied by Universal to its customers, (b) directly or indirectly enter into any swap, option or other financially or physically settled derivative transaction with any third party except with the consent of Sempra; (c) except to the extent expressly permitted by Sempra, directly or indirectly, make or own any investment in any entity, including any joint venture, or acquire, by purchase or otherwise, all or substantially all of the business, property or fixed assets of, or capital stock or other ownership interest of any entity, or any division or line of business of any entity, or acquire any subsidiary, unless immediately prior to making any such investment, the amount of margin held by Sempra meets certain stated thresholds; (d) subject to the approval of Sempra, (i) during the first two years following the IPO Closing Date, declare or pay any dividends or return any capital to its shareholders or make any other distribution to its shareholders, or acquire any of its own shares or complete any similar transactions (each a "**Dividend Event**"), and (ii) after the second annual anniversary of the IPO Closing Date, cause any Dividend Event to occur that would require a payment of an amount of cash, interests or property with a current market value that exceeds 75% of the "free cash" (as defined in the Electricity Swap Agreement) earned by Universal during such year; provided that Universal shall not cause any Dividend Event to occur (1) unless immediately prior to such Dividend Event the amount of margin held by Sempra meets certain stated thresholds, or (2) if a Contract Termination Event (as defined below) has occurred and is continuing under one or more of the Commodity Agreements; (e) directly or indirectly enter into any physically-settled electricity sale transaction with any third parties involving a fixed price other than where, prior to or contemporaneously with entering into any such transaction, Universal shall enter into a transaction with Sempra that fully hedges the price risk associated with such fixed price transaction such that such transaction with a third party will be profitable to Universal; (f) directly or indirectly enter into any electricity sale transaction with any entity (other than those entities to which Sempra may agree) that results in Universal fixing the price of such entities' electricity purchases in respect of more than (i) three MW per hour for any day, or (ii) $500,000 in value for any 30 day period; provided that Universal may not sell both natural gas and electricity to a single user of more than 250 GJs per day and 1.5 MW per hour, except as approved in advance by Sempra; (g) enter into any transaction in respect of electricity with a customer if after giving effect to the Electricity Swap that would be required in order to hedge the price risk associated with such transaction, the notional exposure amount (as determined in accordance with the formula contained in the Electricity Swap Agreement) would equal or exceed $2,250,000,000; (h) directly or indirectly enter into any physically settled electricity sales transactions with any person that consumes more than the maximum daily volume guaranteed by an LDC without the prior approval of Sempra; (i) except to the extent expressly permitted by Sempra, directly or indirectly enter into or remain a party to any electricity sale transaction with a third party other than an LDC where such third party's purchase price of such electricity is not fully guaranteed by an LDC; (j) market or enter into financially or physically settled transactions in respect of natural gas or electricity in any jurisdiction without the prior written consent of Sempra other than (i) natural gas and electricity in the province of Ontario, (ii) natural gas in the province of British Columbia, and (iii) natural gas and electricity in the province of Alberta; provided that prior to Universal marketing or entering into financially or physically settled transactions in respect of natural gas and/or electricity in any of Alberta, British Columbia or any other jurisdiction in which Universal is not currently engaged in marketing activity, Universal must obtain Sempra's confirmation that it is satisfied that the regulatory environment in such jurisdiction relating to the retail sale of natural gas and/or electricity, as the case may be, is not materially different than in the jurisdictions in which Universal then-currently does business; (k) enter into financially or physically settled transactions in respect of natural gas or electricity for a fixed price with a term of greater than five years; (l) enter into financially or physically settled transactions in respect of natural gas or electricity as purchaser for a fixed price of greater than $10 per GJ or $100 per MWh; (m) enter into new customer contracts in any contract year in excess of certain stated thresholds; (n) become or remain directly or indirectly liable with respect to any indebtedness, or directly or indirectly create or become liable with respect to any contingent obligation, except to the extent permitted by Sempra; provided that after June 30, 2010, Universal may issue to one third-party that will act as both natural gas supplier and Electricity Swap counterparty to a "new supply affiliate" (being an affiliate of Universal that is not a subsidiary of Universal U.S. that is formed to actively market natural gas and/or electricity to end-use customers, and that actively engages in such marketing, and with which Sempra has no commodity supply or other obligations), a guaranty of any indebtedness which arises under a natural gas supply and Electricity Swap arrangement with such third-party, subject to the satisfaction of certain conditions; (o) except to the extent permitted by Sempra, directly or indirectly create, incur, assume or permit to exist any lien on or with respect to any property or asset of any kind of Universal, or any income or profits therefrom, or file or permit the filing of, or permit to remain in effect, any financing statement or other similar notice of any lien with respect thereto, except as otherwise permitted therein; (p) except to the extent permitted by Sempra, enter into any agreement prohibiting the creation or assumption of any lien upon any of its properties or assets, except as otherwise permitted therein; and (q) alter its corporate, capital or legal structure (other than to establish a subsidiary in connection with an investment), or enter into any transaction of merger or consolidation, or liquidate, wind-up or dissolve itself, or convey, sell, lease or sub-lease, transfer or otherwise dispose of, in one transaction or a series of transactions, all or any part of its business, property or assets, without the consent of Sempra.

Commencing on the second annual anniversary of the IPO Closing Date, and on the first business day of each calendar month occurring thereafter (each such day a "**Margin Determination Day**"), Universal will deliver to any bank account that Sempra designates from time to time by wire transfer of immediately available funds, an amount in cash equal to any "Required Margin Amount", which is any amount by which the Current Margin Requirement (as defined in the Electricity Swap Agreement) exceeds the aggregate amount of cash margin previously delivered by Universal to Sempra that Sempra has not returned to Universal (the "**Held Margin Amount**"), as calculated by Sempra. If on any Margin Determination Day, the Held Margin Amount exceeds Universal's Current Margin Requirement, Sempra will, on such day, return any such excess amount in cash to a Blocked Account. Sempra will hold all cash delivered by Universal in respect of Universal's Current Margin Requirement as margin collateral in accordance with the terms of the security agreement to be entered into between Universal and Sempra. In accordance with the security agreement, Universal will grant to Sempra a lien and security interest in all such margin collateral and all such margin collateral shall constitute collateral to secure the secured obligations of Universal to Sempra.

The Electricity Swap Agreement enumerates certain conditions and events with respect to each of Universal and Sempra that will constitute a termination event (each a "**Contract Termination Event**"), including the following: (i) a change in control of Universal occurs; (ii) Universal and/or any affiliate of Universal (other than TGF, any subsidiary of TGF or any shareholder of the Company), shall, in the aggregate, without the prior consent of Sempra, make direct or indirect contributions to, or investments in, TGF or any subsidiary of TGF, in an aggregate amount exceeding $20,000,000; (iii) Sempra shall not be permitted to appoint a director to the board of directors of Universal; and (iv) a default in the performance by Universal of any term, covenant or agreement contained in such agreement. Upon the occurrence of a Contract Termination Event, the non-defaulting party has the right to immediately, for so long as the Contract Termination Event is continuing: (a) suspend its performance under Electricity Swaps then outstanding; or (b) liquidate and terminate the Electricity Swaps then outstanding and accelerate the payment of any amounts due. Upon any such liquidation and termination, the non-defaulting party must calculate a net settlement amount in accordance with the formula contained in the Electricity Swap Agreement. The party with the net settlement amount payment obligation must pay such amount to the other party within one business day of receipt from the non-defaulting party of notice of such calculation.

The obligation of Sempra and Universal to enter into Electricity Swaps will terminate on the earlier of (a) June 30, 2010, and (b) the date of termination, liquidation and settlement by the non-defaulting party after the occurrence of a Contract Termination Event. It was a condition to Sempra's obligation to enter into the Electricity Swap Agreement that it have the right to appoint one director to the Board of the Company during the term of the Commodity Agreements. The right was included in the articles of the Company through the issue to Sempra of a special share. See "Capital Structure-Special Shares".

Security Agreements

Universal's obligations to Sempra under the Gas Purchase Agreement and the Electricity Swap Agreement are secured under a security agreement by the grant of a first priority security interest on substantially all of Universal's current and future assets, including all cash and cash equivalents, all accounts receivable and all deposit accounts. Universal U.S.'s obligations to Sempra under the Universal U.S. Gas Purchase Agreement are secured under a security agreement by the grant of a first priority security interest on substantially all of Universal U.S.'s current and future assets, including all cash and cash equivalents, all accounts receivable and all deposit accounts. Sempra's security interests under the security agreements do not extend to the assets of the Company or TGF. In addition, all payments received by Universal and Universal U.S. from their respective customers and LDCs are paid to a specified lock box or by wire transfer to Blocked Accounts, from which amounts are first paid to Sempra in satisfaction of payments due to Sempra pursuant to the Commodity Agreements, as applicable, and all excess amounts are then paid to Universal and Universal U.S., as applicable.

The Company has provided an unlimited guarantee to Sempra covering all past, present and future indebtedness and liabilities of Universal and Universal U.S. to Sempra including, without limitation, under the Commodity Agreements and any other documents to which Universal or Universal U.S. is a party, and the Company will enter into a securities pledge agreement pursuant to which it will pledge all of the shares of Universal owned by it in support of such guarantee. In addition, Universal has provided an unlimited guarantee to Sempra covering all past, present and future indebtedness and liabilities of Universal U.S. to Sempra including, without limitation, under the Universal U.S. Gas Purchase Agreement and any other documents to which Universal U.S. is a party, and Universal will enter into a securities pledge agreement pursuant to which it will pledge all of the shares of Universal U.S. owned by it in support of such guarantee.

EPC Contract

TGF, the Contractor and EllisDon entered into the EPC Contract as of September 29, 2006. Pursuant to the EPC Contract, TGF retained the Contractor to perform and complete all design, engineering, procurement, construction and commissioning work in connection with the development of the Belle Plaine Facility, including the provision of all (i) design and engineering services (through the Contractor and sub-consultants), (ii) machinery, equipment, materials and other goods required for the performance and completion of the Belle Plaine Facility, (iii) temporary structures and other facilities required for the proper and safe performance and completion of the Belle Plaine Facility, (iv) construction plant, equipment, machinery, tools, vehicles and other things that are required to be employed by the Contractor or by a sub-contractor to perform and complete the work required to construct the Belle Plaine Facility, (v) management, supervision, labour and overhead requirements, and (vi) other goods, services and things that were necessary or incidental to the completion of the Belle Plaine Facility. Delta-T agreed to provide engineering and other services related to the construction of the Belle Plaine Facility based on Delta-T's proprietary technology under a subcontract with the Contractor on the condition that TGF entered into the Licence Agreement. The Contractor agreed to substantially complete the design, engineering, procurement, construction and commissioning of the Belle Plaine Facility. In consideration for the performance and completion of its work, the Contractor was to receive the sum of $143,900,000 (plus applicable taxes) (the "Contract Price"), subject to adjustment in certain limited circumstances, except as expressly set out in the EPC Contract and inclusive of the technology license agreement. All costs and expenses incurred by the Contractor relating to the construction of the Belle Plaine Facility in excess of the Contract Price were the responsibility of the Contractor. TGF was obligated to pay the Contract Price by progress payments as the work progresses.

EllisDon guaranteed the prompt performance and observance of the covenants, agreements, undertakings and obligations of the Contractor contained in the EPC Contract, including the Contractor's indemnity obligations and the Contractor's compliance with its warranty and performance guarantee obligations. Under the EPC Contract, the Contractor warranted that the Belle Plaine Facility would comply with the requirements of the EPC Contract and related agreements and documents, applicable laws, permits and codes, and are and remain free from defects and deficiencies in workmanship and materials appearing within a period expiring 12 months after substantial completion of the Belle Plaine Facility. The Contractor is also responsible for repairing or correcting any defects or deficiencies in the design or engineering services provided by it, provided such defect or deficiency has manifested itself within a period expiring 12 months after the substantial completion of the Belle Plaine Facility. The Contractor guaranteed to TGF that the Belle Plaine Facility would be designed and constructed by the Contractor to meet or exceed certain performance guarantees set out in the EPC Contract. In the event that the Belle Plaine Facility fails to meet the performance guarantees, and the Contractor does not correct any defect or deficiency in the Belle Plaine Facility and cause the Belle Plaine Facility to achieve the performance guarantees within a specified time period, the Contractor is obligated to pay to TGF certain liquidated damages to a maximum of $2,900,000.

Licence Agreement

TGF entered into the Licence Agreement with Delta-T on October 22, 2006. Pursuant to the Licence Agreement, Delta-T granted to TGF a non-exclusive, fully paid-up, non-transferable right to use in perpetuity Delta-T's technology solely for the purposes of the construction, building and ongoing operation of the Belle Plaine Facility, and the repair, maintenance, optimization or enhancement of the Belle Plaine Facility. At such time as (i) TGF has paid the Contractor all amounts due to it under the EPC Contract, (ii) the EPC Contract is terminated (A) due to breach by the Contractor or bankruptcy of the Contractor, or (B) due to a force majeure event affecting the Contractor, or (iii) the EPC Contract remains in effect, has not been completed for reasons other than the fault of TGF so that all amounts have not yet become due under the EPC Contract, but the Belle Plaine Facility is capable of operating for commercial purposes, the licence rights granted by Delta-T to TGF become irrevocable. Unless and until the licence becomes irrevocable, at the option of Delta-T, the licence terminates (i) upon termination of the EPC Contract by TGF for convenience, (ii) upon termination of the EPC Contract by TGF for any reason other than a breach by the Contractor resulting from a breach by Delta-T of its subcontract with the Contractor, or (*iii*) upon termination of the subcontract between Delta-T and the Contractor for any reason other than breach by Delta-T. In the case of termination of the EPC Contract by TGF, Delta-T has agreed to negotiate in good faith with TGF to enter into a contract to complete the services remaining to be performed by Delta-T under its subcontract with the Contractor, provided that all breaches by the Contractor are first cured, and upon entering into such a contract the licence continues in full force and effect. Notwithstanding the foregoing, TGF has the right at any time, including upon the termination of the licence, however caused, to pay to Delta-T all sums due to Delta-T for the licence owing under the EPC Contract in order to make the licence rights irrevocable.

TGF Credit Facilities

TGF has put the following major credit facilities in place:

(i) In July 2006, TGF entered into a term sheet for the TGF Credit Facility with a syndicate of Canadian lenders providing for a $50 million loan to assist with the financing of the construction and operation of the Belle Plaine Facility. Security for the TGF Credit Facility includes a first priority security interest and charge on all assets and undertakings of TGF, plus a general security interest on all other current and after acquired assets. During construction of the Belle Plaine Facility, interest on the TGF Credit Facility is a floating rate of the lead lender's prime rate plus 2%.

After construction, interest on the TGF Credit Facility will vary between a floating rate of the lead lender's prime rate plus 1% and fixed rate terms based on Canadian bid bond rates plus 225 basis points, with TGF having the right, but not the obligation, to convert the interest rate from a floating rate to a fixed rate. Interest rates will be reviewed at the time of each annual review of the loan. TGF is only required to make interest payments on the TGF Credit Facility until the earlier of (i) the date that a certificate of substantial performance is issued in respect of the Belle Plaine Facility, and (ii) the date that is six months following the last drawdown under the loan (the "**Term Conversion Date**"). Following the Term Conversion Date, the loan is repayable in equal and consecutive blended instalments of principal and interest calculated and payable monthly in such amount as is sufficient to repay the loan over the remaining amortization period of ten years. TGF must repay all principal and interest outstanding on the loan on the date that is five years after the Term Conversion Date. The TGF Credit Facility is subject to customary terms and conditions, including limits on incurring additional indebtedness or granting encumbrances without the consent of the lenders and compliance with certain financial covenants. The TGF Credit Facility restricts the ability of TGF to declare or pay any dividends to the holders of its securities if TGF is in default or if such dividend would place TGF in default of any of its covenants under the TGF Credit Facility;

(ii) The TGF Debentures are held by a number of private parties and are subordinate to the TGF Credit Facility. The interest rate is 10.5% per annum, compounded annually and payable quarterly. Interest is to be paid quarterly over the first year and quarterly principal and interest payments made beginning on completion of the ethanol plant (or October 1, 2008 if earlier) in the amount of $24.99 per $1,000 of principal advanced with a lump sum payment of all outstanding amounts payable sixty months after the date of the initial advance. Security for the credit facility includes a security interest in all of TGF's present and after acquired property, second in priority to the TGF Credit Facility. This facility includes certain financial covenants the more significant of which relate to working capital, debt service coverage and minimum shareholder's equity. As at September 30, 2008 the amount owing under the TGF Debentures was $40 million; and

(iii) A demand working capital facility for $10 million from Connexus Credit Union 2006 which bears interest at Connexus prime plus 1% per annum and which is collaterally secured by the Company's guarantee and a pledge of liquid investments. As at September 30, 2008, the amount owing under this facility was $10 million.

DIVIDEND POLICY

On June 11, 2008 the Board of Directors approved a quarterly cash dividend policy of $0.1875 per common share. On an annual basis, the dividend is expected to be $0.75 per common share. The Company's first dividend payment was made on September 30, 2008 to shareholders of record on September 15, 2008 and the Board has approved the second dividend payment to be made on December 31, 2008 to shareholders of record on December 22, 2008. While the Board of Directors currently expects to declare dividends quarterly and has determined that dividends paid to date are appropriate based on the Company's current financial performance, liquidity and outlook, the declaration and payment of future dividends is subject to the discretion of the Board of Directors after considering the Company's financial results and condition, the financial impact of any amendments to the TGF loan agreements, any changes to the credit requirements demanded by energy suppliers in the Company's retail energy operations, and other factors it determines to be relevant at the time.

The TGF Credit Facility restricts the ability of TGF to declare or pay any dividends to the holders of its securities if TGF is in default or if such dividend would place TGF in default of any of its covenants under the TGF Credit Facility. See "Principal Agreements – Principal Agreements of TGF – TGF Credit Facility". The TGF Debenture Purchase Agreement provides that without the prior consent of certain of the TGF Debentureholders, TGF cannot make any payment or declaration of payment of any dividends or other distributions on any of its shares. See "Principal Agreements – Principal Agreements of TGF – TGF Debenture Purchase Agreement".

Each of the Commodity Agreements contains restrictions on the ability of Universal and Universal U.S., as applicable, to pay dividends. For a description of these restrictions, see "Principal Agreements – Principal Agreements of Universal – Gas Purchase Agreement", "– Universal U.S. Gas Purchase Agreement" and "– Electricity Swap Agreement".

DIRECTORS AND OFFICERS

The Company's Board of Directors consists of eight directors, five of whom are "independent" (within the meaning of applicable securities laws). The term of office for each of the directors will expire at the time of the next annual meeting of the shareholders of the Company. The executive officers and directors of the Company collectively beneficially own, directly and indirectly, or exercise control or direction over, a total of 14,413,566 Common Shares, representing approximately 39.7% of the Common Shares.

The following table sets forth the names, municipalities of residence, positions held with the Company, principal occupations, and other information for the current directors and officers of the Company.

Name and Municipality of Residence	Director of the Company Since	Position with the Company	Principal Occupation if Different from Position Held
Gary J. Drummond Nassau, Bahamas	November 1, 2006	Chairman and Director	Consultant
Mark L. Silver Toronto, Ontario, Canada	November 1, 2006	Chief Executive Officer and Director	Chief Executive Officer of Universal
Tim LaFrance (3) Calgary, Alberta, Canada	November 1, 2006	President, Terra Grain Fuels and Director	President of TGF
Christine M. Mastro (formerly: Christine Cantor) (3) Stamford, Connecticut, USA	February 2, 2007	Director	Senior Managing Director, RBS Sempra Commodities
Frank F. Klees (1)(2) Aurora, Ontario, Canada	February 2, 2007	Director	Member of Provincial Parliament (Ontario)
George Krieser (2) Toronto, Ontario, Canada	February 2, 2007	Director	President, Total Credit Recovery Limited
Barry A. Tissenbaum, C.A. (1)(2) Toronto, Ontario, Canada	February 2, 2007	Director	Consultant
Janet Wightman (1)(3) Regina, Saskatchewan, Canada	February 2, 2007	Director	President and Chief Executive Officer, Victoria Park Capital Inc.
Stephen Plummer, C.A. Thornhill, Ontario, Canada	n/a	Chief Financial Officer	Chief Financial Officer of Universal
Nino C. Silvestri Oakville, Ontario, Canada	n/a	President and Chief Operating Officer, Gas and Electricity Marketing	President and Chief Operating Officer of Universal
Michael N. Silver, LLB Toronto, Ontario, Canada	n/a	General Counsel and Corporate Secretary	

Notes:

(1) Member of the Audit Committee.
(2) Member of the Compensation and Governance Committee.
(3) Member of the Risk Management Committee.
(4) We do not have an Executive Committee

In connection with the Commodity Agreements Sempra was granted the right to appoint one director to the Board during the term of the Commodity Agreements. The right is included in the articles of the Company through the issue to Sempra of the special share. . Ms. Mastro is the Sempra appointee for this purpose. See "Capital Structure – Special Share" and "Principal Agreements – Principal Agreements of Universal".

The principal occupations of each of the directors, executive officers and the other officers of the Company for the five years preceding the date of this Annual Information Form are set out below.

Gary J. Drummond, Q.C. –Chairman and Director

Mr. Drummond has been a consultant to the energy industry since December 2002. Prior thereto, Mr. Drummond was the President, Chief Executive Officer and a director of Direct Energy Marketing Limited, a wholly owned subsidiary of Direct Energy (a TSX listed income trust), and its predecessors from January 1991 to December 2002. Prior thereto, Mr. Drummond practiced corporate and commercial law in the Province of Saskatchewan, with emphasis on oil and gas, from 1973 to December 1990. Mr. Drummond obtained a Bachelor of Laws from the University of Saskatchewan in June 1973, has been a member of the Saskatchewan Law Society since May 1974 and was appointed Queen's Counsel in 1989.

Mark L. Silver – Chief Executive Officer

As the Chief Executive Officer of the Company, Mr. Silver has prime responsibility for the overall strategic direction of the Company. In addition, Mr. Silver has prime responsibility for the direction of the sales process. Mr. Silver brings over 25 years of business management experience to Universal, including over 15 years of sales and management experience in the energy industry. Mr. Silver has been involved in the deregulated natural gas industry since 1991. In 1991, Mr. Silver co-founded TransPrairie Energy Management Ltd. (**"TransPrairie"**), which carried on business as a natural gas marketer in the Provinces of Ontario and Manitoba. TransPrairie was subsequently sold in 1996 to Optus Natural Gas Distribution Income Fund, which subsequently changed its name to Direct Energy. In 1996, Mr. Silver formed Natural Gas Wholesalers Inc. (**"NGW"**). NGW acted as the exclusive natural gas marketing agency for Direct Energy. In 2000, Direct Energy and NGW were sold to Centrica plc. At the time of the sale Mr. Silver and his sales team had been responsible for contracting with over one million natural gas users in Canada and the United States. His extensive understanding and knowledge of sales and marketing strategies have resulted in successful ventures in the long-distance telephone industry and the home security business. Over the last 15 years Mr. Silver has made significant investments in the real estate industry through his company Optus Capital Corporation (**"Optus"**). Today, Optus and related companies own and manage over one million square feet of commercial and industrial space, and have significant residential, commercial and industrial land holdings for development in and around the greater Toronto area.

Tim J. LaFrance, P.Eng. – President, Terra Grain Fuels and Director

Mr. LaFrance oversees all facets of TGF's business and strategic initiatives, including direct management of engineering, construction, marketing and risk management. Mr. LaFrance founded Vertex Energy Limited ("**Vertex**") in 2003 and is its President and Chief Executive Officer. Through its operating divisions, Vertex Oil & Gas Ltd. and Dodsland Oil Processors, Vertex explores, operates, markets and processes oil and natural gas from various properties located throughout western Canada. Prior to joining TGF and founding Vertex, Mr. LaFrance was an Executive Director and the Executive Vice-President of the Energy Management Group of Centrica Canada from 2000 to 2003, where he was responsible for the energy procurement and related trading activity for all of Centrica's four million North American power and natural gas customers. Mr. LaFrance's responsibilities at Centrica also included overseeing the oil and gas division (which had daily production of approximately 21,000 barrels of oil equivalent) and the power asset division. Mr. LaFrance has extensive knowledge of all facets of the energy business, including risk management. Mr. LaFrance currently serves on the board of directors of a number of private energy companies and is a tribunal member of the Alberta Electrical System Operator (AESO). Mr. LaFrance holds a Bachelor of Science degree in Petroleum Engineering from the University of Alberta and is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta.

Christine Mastro, MBA – Director

Ms. Mastro is currently a Senior Managing Director of Sempra. She has held this and other executive and managerial positions with Sempra and its predecessors since 1994. Sempra is one of North America's largest full-service energy trading companies. Sempra markets and trades physical and financial energy products: crude oil and refined products, natural gas and natural gas liquids, power, coal, emissions and ethanol. For more information regarding Sempra, see "Business of Universal – Relationship with Sempra". Among other things, Ms. Mastro has been involved in building Sempra's natural gas, electricity and crude oil marketing and trading businesses. Ms. Mastro has considerable experience in trading/risk management and the structuring of derivative and physical products for wholesale energy commodity customers. Recently, Ms. Mastro had responsibility for restructuring and integrating a pre-existing commercial and industrial gas and power sales business into Sempra's infrastructure. Ms. Mastro graduated from Louisiana State University with a Business degree in 1990 and obtained an MBA from Loyola University in 1994.

Frank F. Klees, MPP – Director

Mr. Klees has been a sitting Member of Provincial Parliament (Ontario) since 1995. He is currently the Official Opposition Caucus Chair and Critic for the ministries of Transportation and Public Infrastructure. During his political career, Mr. Klees has served in several key roles, including Parliamentary Assistant in the portfolios of Natural Resources and Social Services, Chief Government Whip, Deputy House Leader, Tourism Minister and Minister of Transportation, during which he was responsible for the implementation of a multi-year $10 billion highway infrastructure program. Prior to his political career, Mr. Klees co-founded the Municipal Gas Corporation, an energy company that developed 55,000 customers in Ontario, Manitoba and Quebec.

Barry A. Tissenbaum, CA – Director

Mr. Tissenbaum was a Partner, Entrepreneurial Services at Ernst & Young LLP from 1991 to 2005. He also served as the Director of Retail and Consumer Products at Ernst & Young LLP from 1996 to 2000 and the Managing Partner of the Toronto Midtown Office at Ernst & Young LLP from 1991 to 1996. In these roles, Mr. Tissenbaum provided consulting services to senior management in the areas of strategy, profitability, finance, management, taxation, mergers, acquisitions and divestitures. Mr. Tissenbaum has been serving as a director and consultant to numerous private companies since June 2005. He is a director of two other public companies, Northstar Health Care Inc. and Medworxx Solutions Inc. Mr. Tissenbaum has also taken numerous leadership roles in not-for-profit organizations. Mr. Tissenbaum qualified as a chartered accountant in Quebec in 1968 and in Ontario in 1974. He is a member of the Canadian Institute of Chartered Accountants and the Institute of Chartered Accountants of Ontario.

George Krieser – Director

Mr. Krieser is the founding partner and President of Total Credit Recovery ("**Total Credit**). Since its inception in November 1980, Total Credit, a Canadian collection agency, has grown to over 600 employees nationally with offices in Vancouver, Edmonton, Toronto, Montreal and Moncton. Total Credit's expansion has included the U.S. market and through its network of offices, the company provides accounts receivable management, collections and call centre services to a variety of customers that include both provincial and federal governments, financial institutions and other large business concerns.

Janet Wightman – Director

Ms. Wightman has served as the President and Chief Executive Officer of Victoria Park Capital Inc., the contract investment manager for Investment Saskatchewan Inc., since November 2006. Prior thereto, Ms. Wightman served as the President and Chief Executive Officer of Investment Saskatchewan Inc. from May 2004 to October 2006, where she was responsible for establishing a start-up Crown corporation with responsibility for commercial private equity investment and debt financing with a portfolio of approximately $460 million. Prior thereto, Ms. Wightman served as the Executive Vice-President and Chief Operating Officer of Farm Credit Canada from April 2001 to April 2004, where she was responsible for all operational divisions, including a national portfolio of approximately $10 billion and annual disbursements of approximately $3 billion.

Stephen Plummer, MBA, CA, CFP – Chief Financial Officer

Mr. Plummer is responsible for the day-to-day operations of the accounting, administration, processing and information technology groups. Prior to joining Universal in 2005, Mr. Plummer ran his own business consulting practice from 1994 to 2005, providing financial and business operations consulting to companies in industries ranging from financial services, energy marketing and telecommunication services. Mr. Plummer has significant experience in the development of online financial systems and is the primary architect behind the integrated financial and back office system in use at Universal. Prior to starting his own consulting practice in 1994, Mr. Plummer served as the Chief Financial Officer for a national trust company, and prior to that as a manager in the financial services group at Ernst & Young. Mr. Plummer qualified as a chartered accountant in 1987 and as a certified financial planner in 1998. He graduated from York University with a Bachelor of Business Administration degree in 1985 and an MBA in 1991. Mr. Plummer is also a graduate of the Canadian Institute of Chartered Accountants in-depth tax specialist program.

Nino C. Silvestri, MA – President and Chief Operating Officer, Gas and Electricity Marketing

In addition to overall responsibility for corporate operations at Universal, Mr. Silvestri has primary responsibility for the management of Universal's electricity and natural gas supply arrangements and is also responsible for customer care, regulatory and government affairs. Mr. Silvestri brings approximately 27 years of energy industry experience to Universal, with significant exposure to energy supply management. Prior to joining Universal in 2005, Mr. Silvestri operated his own energy services company from 2000 to 2005. Mr. Silvestri was Senior Vice-President, Marketing and Business Development at Direct Energy from 1997 to 2000. Prior to joining Direct Energy, Mr. Silvestri held various management and marketing positions at TransCanada Pipelines from 1982 to 1992. Mr. Silvestri has been a Board Member of the Ontario Energy Retailers Association, the Ontario Natural Gas Association and the Coalition of Eastern Natural Gas Aggregators. In addition, he has appeared as an expert witness before the Ontario Energy Board, The Manitoba Public Utilities Board and The British Columbia International Commercial Arbitration Centre. Mr. Silvestri is a graduate of York University where he obtained a Master of Arts degree in Economics. He is also a graduate of Wilfrid Laurier University where he obtained an Honours Bachelor of Business Administration degree.

Michael N. Silver, LLB – General Counsel and Corporate Secretary

As General Counsel and Corporate Secretary, Mr. Silver's responsibilities include ensuring compliance by the Company with all laws and regulations relating to corporate governance practices. Prior to joining Universal, Mr Silver practised corporate and commercial law as a partner in two Toronto law firms. Mr. Silver received his BA from University of Toronto in 1975 and his LLB from University of Toronto Law School in 1978. He was called to the Bar of Ontario in April, 1980.

Corporate Cease Trade Orders or Bankruptcies

Other than as set forth below: (i) no director or executive officer of the Company is, or has been in the last 10 years, a director, chief executive officer or chief financial officer of an issuer (including the Company) that, (a) while that person was acting in that capacity was the subject of a cease trade order or similar order or an order that denied the issuer access to any exemptions under securities legislation, that was in effect for a period of more than 30 consecutive days, or (b) was subject to an event that occurred while that person was acting in the capacity of director, chief executive officer or chief financial officer, which resulted, after that person ceased to be a director, chief executive officer or chief financial officer, in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; and (ii) no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company (a) is or has been in the last 10 years, a director or executive office of an issuer (including the Company) that, while that person was acting in the capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, (b) has, within the last 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangements or compromises with creditors, or had a receiver, receiver manager or trustee appointed to hold his assets, or (c) has been subject to (A) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (B) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Mr. Drummond is a trustee of Heating Oil Partners Income Fund (the "**Fund**") and formerly served as a director of its subsidiaries, HOP Holdings, Inc. ("**HOP Holdings**") and Heating Oil Partners G.P. Inc. ("**HOP G.P.**"). HOP G.P. was the general partner of Heating Oil Partners, L.P. ("**HOP**"), a Delaware limited partnership that carried on a heating oil and liquid petroleum products distribution business in the northeastern United States. On September 26, 2005, HOP filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of Connecticut, Bridgeport Division. HOP sought and obtained recognition of the U.S. proceedings in Canada under the Companies' Creditors Arrangement Act. Both the U.S. and the Canadian filings included HOP G.P. and HOP Holdings. The Fund was not directly a party to these filings. As a consequence of these filings, the Fund's trust units were suspended from listing on the TSX effective at the close of business on October 6, 2005 and were subsequently de-listed on November 7, 2005. The Ontario Superior Court of Justice Commercial List (the "**CCAA Court**") issued an order on June 26, 2006 recognizing and implementing the order of the United States Bankruptcy Court that confirmed the First Amended Joint Plan of Reorganization, as amended, of HOP and HOP G.P. pursuant to Chapter 11 of the U.S. Bankruptcy Code. The CCAA Court also issued an order authorizing HOP Holdings to file an assignment in bankruptcy pursuant to the Bankruptcy and Insolvency Act.

Conflicts of Interest

There are no known existing or potential material conflicts of interest among the Company or a subsidiary of the Company and their respective directors or officers as a result of their outside business interests, except that certain of the directors and officers serve as directors and/or officers of other companies which may be involved in the industries in which the Company participates and therefore it is possible that a conflict may arise between their duties as a director or officer of the Company and their duties as a director and/or officer of such other companies. Ms. Mastro is a Senior Managing Director of Sempra, which is Universal's exclusive supplier of Electricity Swaps and natural gas and a shareholder of the Company. See "Principal Agreements – Principal Agreements of Universal". In accordance with the CBCA, directors who have a material interest in any person who is a party to a material contract or proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and abstain from voting on any resolution to approve that contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Company. See "Interest of Management and Others in Material Transactions".

AUDIT COMMITTEE INFORMATION

Composition of the Audit Committee

Our Audit Committee is presently comprised of Barry A. Tissenbaum C. A. (Chairman), Frank F. Klees and Janet Wightman. The Following chart sets out the assessment of each Audit Committee member's independence, financial literacy and relevant educational background and experience supporting such financial literacy. For the purposes of Multilateral Instrument 52-110, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements.

Name and Municipality of Residence	Independent	Financially Literate	Relevant Education and Experience
Barry A. Tissenbaum, CA Toronto, Ontario	Yes	Yes	Mr. Tissenbaum was a Partner, Entrepreneurial Services at Ernst & Young LLP from 1991 to 2005. He also served as the Director of Retail and Consumer Products at Ernst & Young LLP from 1996 to 2000 and the Managing Partner of the Toronto Midtown Office at Ernst & Young LLP from 1991 to 1996. In these roles, Mr. Tissenbaum provided consulting services to senior management in the areas of strategy, profitability, finance, management, taxation, mergers, acquisitions and divestitures. Mr. Tissenbaum has been serving as a director and consultant to numerous private companies since June 2005. He is a director of two other public companies, Northstar Health Care Inc. and Medworxx Solutions Inc. and serves on the audit committees of both companies. Mr. Tissenbaum has also taken numerous leadership roles in not-for-profit organizations. Mr. Tissenbaum qualified as a chartered accountant in Quebec in 1968 and in Ontario in 1974. He is a member of the Canadian Institute of Chartered Accountants and the Institute of Chartered Accountants of Ontario.
Frank F. Klees Aurora, Ontario	Yes	Yes	Mr. Klees has been a sitting Member of Provincial Parliament (Ontario) since 1995. He is currently the Official Opposition Caucus Chair and Critic for the ministries of Transportation and Public Infrastructure. During his political career, Mr. Klees has served in several key roles, including Parliamentary Assistant in the portfolios of Natural Resources and Social Services, Chief Government Whip, Deputy House Leader, Tourism Minister and Minister of Transportation, during which he was responsible for the implementation of a multi-year $10 billion highway infrastructure program. Prior to his political career, Mr. Klees co-founded the Municipal Gas Corporation, an energy company that developed 55,000 customers in Ontario, Manitoba and Quebec.

Name and Municipality of Residence	Independent	Financially Literate	Relevant Education and Experience
Janet Wightman Regina, Saskatchewan	Yes	Yes	Ms. Wightman has served as the President and Chief Executive Officer of Victoria Park Capital Inc., the contract investment manager for Investment Saskatchewan Inc., since November 2006. Prior thereto, Ms. Wightman served as the President and Chief Executive Officer of Investment Saskatchewan Inc. from May 2004 to October 2006, where she was responsible for establishing a start-up Crown corporation with responsibility for commercial private equity investment and debt financing with a portfolio of approximately $460 million. Prior thereto, Ms. Wightman served as the Executive Vice-President and Chief Operating Officer of Farm Credit Canada from April 2001 to April 2004, where she was responsible for all operational divisions, including a national portfolio of approximately $10 billion and annual disbursements of approximately $3 billion.

Audit Committee Charter

The charter of our Audit Committee is attached as **Schedule "A"** to this Annual Information Form.

Pre-Approval of Policies and Procedures

Under the Audit Committee Charter, the Audit Committee is required to pre-approve (if pre-approval is not required by law) the appointment of the external auditor to provide any audit service or non-prohibited non-audit service to us and, if desired, establish detailed policies and procedures for the pre-approval of audit services and non-prohibited non-audit services by the external auditor. The Audit Committee may delegate this ability to one or more of its members to the extent permitted by applicable law provided that any pre-approvals granted pursuant to such delegation must be detailed as to the particular service to be provided, may not delegate Audit Committee responsibilities to management and must be reported to the full Audit Committee at its next scheduled meeting.

External Auditor Service Fees

Type of Fees and Fiscal Year Ended	Aggregate Fees Billed	Nature of Services Performed
Audit Fees		
Fiscal Year ended September 30, 2008	$467,500	Audit of consolidated financial statements and review of interim financial statements
Fiscal Year ended September 30, 2007	$334,000	Audit of consolidated financial statements and review of interim financial statements.
Audit – Related Fees:		
Fiscal Year ended September 30, 2008	$40,000	Debenture issue and other advisory work
Fiscal Year ended September 30, 2007	$523,000	Prospectus review and other advisory work
Tax Fees:		
Fiscal Year ended September 30, 2008	$50,000	Tax and accounting advisory
Fiscal Year ended September 30, 2007	$25,000	Tax and accounting advisory
All Other Fees:		
Fiscal Year ended September 30, 2008	$Nil	
Fiscal Year ended September 30, 2007	$Nil	

CAPITAL STRUCTURE

The authorized share capital of the Company consists of an unlimited number of Common Shares, an unlimited number of first preferred shares, issuable in series, an unlimited number of second preferred shares, issuable in series, and one special share.

Common Shares

Holders of Common Shares are entitled to receive notice of and to attend and vote at all meetings of shareholders of the Company, except meetings of holders of another class of shares. Each Common Share entitles the holder thereof to one vote.

Subject to the preferences accorded to holders of first preferred shares, second preferred shares and any other shares of the Company ranking senior to the Common Shares from time to time with respect to the payment of dividends, holders of Common Shares are entitled to receive, if, as and when declared by the Board, such dividends as may be declared thereon by the Board from time to time.

In the event of the voluntary or involuntary liquidation, dissolution or winding-up of the Company, or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs (a "**Distribution**"), holders of Common Shares are entitled, subject to the preferences accorded to the holders of first preferred shares, second preferred shares and any other shares of the Company ranking senior to the Common Shares from time to time with respect to payment on a Distribution, to share equally, share for share, in the remaining property of the Company.

First Preferred Shares

Subject to the filing of articles of amendment in accordance with the CBCA, the Board may at any time and from time to time issue the first preferred shares in one or more series, each series to consist of such number of shares as may, before the issuance thereof, be determined by the Board. Subject to the filing of articles of amendment in accordance with the CBCA, the Board may from time to time fix, before issuance, the designation, rights, privileges, restrictions and conditions attaching to each series of first preferred shares including, without limiting the generality of the foregoing, the amount, if any, specified as being paid preferentially to such series on a Distribution; the extent, if any, of further participation on a Distribution; voting rights, if any; and dividend rights (including whether such dividends be preferential or cumulative or non-cumulative), if any.

In the event of a Distribution, holders of each series of first preferred shares shall be entitled, in priority to holders of Common Shares, second preferred shares and any other shares of the Company ranking junior to the first preferred shares from time to time with respect to payment on a Distribution, to be paid rateably with holders of each other series of first preferred shares the amount, if any, specified as being payable preferentially to the holders of such series on a Distribution.

The holders of each series of first preferred shares shall be entitled, in priority to holders of Common Shares, second preferred shares and any other shares of the Company ranking junior to the first preferred shares from time to time with respect to the payment of dividends, to be paid rateably with holders of each other series of first preferred shares, the amount of accumulated dividends, if any, specified as being payable preferentially to the holders of such series.

Second Preferred Shares

Subject to the filing of articles of amendment in accordance with the CBCA, the Board may at any time and from time to time issue the second preferred shares in one or more series, each series to consist of such number of shares as may, before the issuance thereof, be determined by the Board. Subject to the filing of articles of amendment in accordance with the CBCA, the Board may from time to time fix, before issuance, the designation, rights, privileges, restrictions and conditions attaching to each series of second preferred shares including, without limiting the generality of the foregoing, the amount, if any, specified as being payable preferentially to such series on a Distribution; the extent, if any, of further participation on a Distribution; voting rights, if any; and dividend rights (including whether such dividends be preferential, or cumulative or non-cumulative), if any.

In the event of a Distribution, holders of each series of second preferred shares shall be entitled, subject to the preference accorded to holders of first preferred shares but in priority to holders of Common Shares and any other shares of the Company ranking junior to the second preferred shares from time to time with respect to payment on a Distribution, to be paid rateably with holders of each other series of second preferred shares the amount, if any, specified as being payable preferentially to the holders of such series on a Distribution.

The holders of each series of second preferred shares shall be entitled, subject to the preference accorded to the holders of first preferred shares but in priority to holders of Common Shares and any other shares of the Company ranking junior to the second preferred shares from time to time with respect to the payment of dividends, to be paid rateably with holders of each other series of second preferred shares, the amount of accumulated dividends, if any, specified as being payable preferentially to the holders of such series.

Special Share

The special share is held by Sempra, Universal's exclusive supplier of natural gas and Electricity Swaps. As the holder of the special share, Sempra has the right to appoint one director to the Board during the term of the Commodity Agreements.

The holder of the special share is entitled to receive notice of and to attend all meetings of shareholders of the Company at which directors are to be elected and is entitled, voting exclusively and separately as a class, to nominate and elect one director of the Company.

No dividends shall at any time be declared and/or paid on the special share.

In the event of a Distribution, the holder of the special share shall be entitled, subject to the preference accorded to holders of first preferred shares, second preferred shares and any other shares of the Company ranking senior to the special share from time to time with respect to payment on a Distribution, but in priority to holders of Common Shares and any other shares of the Company ranking junior to the special share from time to time with respect to payment on a Distribution, to be paid an amount equal to the redemption price of a special share ($10.00), but with no further participation in the assets or property of the Company.

The special share is redeemable by the Company for a redemption price of $10.00 at any time following the occurrence of either of the following events: (i) Sempra ceases to be the legal or beneficial owner of the special share; or (ii) the termination of the last agreement in force between Sempra and the Company or its affiliates which provides that Sempra is entitled to elect or appoint a director during the term of such agreement or that provides that it is an event of default or termination of such agreement if Sempra is not permitted to appoint a director of the Company during the term of such agreement.

Convertible Debentures

On October 2, 2007, the Company issued $90,000,000 aggregate principal amount of Convertible Debentures at a price of $1,000 per Convertible Debenture. The Convertible Debentures mature on September 30, 2014 (the "**Maturity Date**"). Interest on the Convertible Debentures is payable semi-annually in arrears on March 31 and September 30 in each year commencing March 31, 2008. The Convertible Debentures were issued under and pursuant to the provisions of the Debenture Indenture between the Company and the Convertible Debenture Trustee, as trustee.

Each Convertible Debenture is convertible into Common Shares at the option of the holder of a Convertible Debenture at any time prior to the close of business on the business day immediately preceding the Maturity Date or, if called for redemption, on the business day immediately preceding the date fixed by the Company for redemption, at a conversion price of $22.71 per Common Share (the "**Conversion Price**"), being a conversion ratio of approximately 44.03 Common Shares for each $1,000 principal amount of Convertible Debentures, subject to adjustment in accordance with the terms of the Trust Indenture. Holders converting their Convertible Debentures will be entitled to receive accrued and unpaid interest for the period from the last interest payment date up to but excluding the date of conversion.

The Convertible Debentures are redeemable prior to October 1, 2010. On and after October 1, 2010, but prior to September 30, 2012, the Convertible Debentures will be redeemable, in whole or in part, at a price equal to the principal amount thereof, plus accrued and unpaid interest, at the Company's sole option on not more than 60 days' and not less than 30 days' prior notice, provided that the weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price. On and after September 30, 2012, but prior to the Maturity Date, the Convertible Debentures will be redeemable, in whole or in part, at a price equal to the principal amount thereof, plus accrued and unpaid interest, at the Company's sole option on not more than 60 days' and not less than 30 days' prior notice.

Subject to regulatory approval, the Company may, at its option, repay the principal amount of the Convertible Debentures due on redemption or at maturity through the issuance of Common Shares. In addition, subject to regulatory approval, Common Shares may be issued to the Convertible Debenture Trustee and sold, with the proceeds used to satisfy the obligations to pay interest on the Convertible Debentures.

The payment of the principal of, and interest on, the Convertible Debentures is subordinated in right of payment, as more particularly as set forth in the Trust Indenture, to the prior payment in full of all Senior Indebtedness of the Company. "Senior Indebtedness" of the Company is defined in the Trust Indenture as all indebtedness, liabilities and other obligations (contingent or otherwise), whether outstanding as at the date of the

Trust Indenture or thereafter incurred, which, by the terms of the instrument creating or evidencing the indebtedness, is not expressed to be pari passu with, or subordinate in right of payment to, the Convertible Debentures.

MARKET FOR SECURITIES

Our Common Share and our Convertible Debentures are listed for trading on the TSX under the symbols "UEG" and "UEG.DB", respectively. The following tables set forth the high and low sales prices (which are not necessarily the closing prices) and trading volumes for the Common Shares and the Convertible Debentures, respectively, on the TSX as reported by the TSX for the periods indicated:

Common Shares

Period	Price Range ($)		Trading Volume
2008	High	Low	
January	18.65	16.39	693,151
February	16.59	14.20	1,494,183
March	15.70	13.51	1,052,472
April	16.39	14.99	1,816,171
May	15.25	14.01	853,446
June	15.25	14.25	1,240,877
July	14.25	10.70	2,767,195
August	11.26	9.95	1,167,400
September	10.08	8.06	1,565,400
October	9.18	6.74	877,500
November	7.95	5.52	205,300
December (to December 17)	5.80	4.50	542,800

Convertible Debentures

Period	Price Range ($)		Trading
2008	High	Low	Volume
January	98.75	96.50	1,333,000
February	97.00	94.00	2,813,000
March	94.00	89.00	901,000
April	93.00	85.00	4,657,000
May	92.95	86.00	2,502,000
June	96.00	88.00	12,805,750
July	94.00	86.00	360,000
August	91.00	82.00	0
September	90.00	82.00	0
October	80.00	65.00	0
November	72.00	50.00	0
December (to December 17)	60.00	40.00	0

ESCROW OF SECURITIES

Pursuant to the Escrow Agreement, all of the Common Shares held by the Existing Shareholders following the IPO Closing and the completion of the Acquisitions, being 23,204,544 Common Shares in aggregate, then representing 64% of the issued and outstanding Common Shares were deposited with the escrow trustee. A total of 10,453,357 Common Shares remain in escrow pursuant to the Escrow Agreement. The 19,126,781 Common Shares held by the Universal Existing Shareholders and the TGF Management Shareholders were subject to a three year escrow period. One third of the Common Shares held by such shareholders on the IPO Closing Date will be released from escrow on each of the first three anniversaries of the IPO Closing Date. 6,375,594 Common Shares were released from escrow on February 2, 2008 and the remaining 12,751,187 Common Shares will be released from escrow as to 50% on February 2, 2009 and the balance on February 2, 2010.

The 4,077,763 Common Shares held by the TGF Non-Management Shareholders were subject to an 18 month escrow period that expired on August 2, 2008.

Notwithstanding the foregoing, all Common Shares remaining in escrow shall be released upon the death, permanent disability or involuntary termination (other than for cause) of an Existing Shareholder, or upon a change of control. All Common Shares subject to the Escrow Agreement may still be voted by the Existing Shareholders.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, executive officer or shareholder who beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the outstanding Common Shares, or any known associate or affiliate of any such person, has or had any material interest, direct or indirect, in any transaction within the last three years or in any proposed transaction, that has materially affected or will materially affect the Company or a subsidiary of the Company, except as disclosed, "Principal Agreements – Principal Agreements of Universal", "Directors and Officers", and "Promoters" other than the following:

Messrs. Drummond, Silver, Lafrance, Plummer and Silvestri (or persons or entities associated or affiliated with them) and Sempra were security holders of Universal and\or TGF and received Common Shares and cash consideration on the sale of such securities pursuant to the Acquisitions. See "General Development of the Business";

Related Party Transactions and Balances

During the financial year ended September 30, 2008, the Company entered into various transactions with related parties as follows:

1. Universal is party to the following agreements with Sempra, a significant shareholder of the Company:

   (a) Gas Purchase Agreements:

   Universal entered into the natural gas purchase and sale agreement with Sempra on July 14, 2005 (amended and restated February 2, 2007). On February 2, 2007 UGE and Sempra also entered into an agreement pursuant to which Sempra supplies natural gas to UGE in connection with UGE's gas marketing business in Michigan ("Gas Purchase Agreements"). Pursuant to the Gas Purchase Agreements, Universal engaged Sempra to act as Universal's exclusive supplier of natural gas, subject to certain limited circumstances.

   Universal's obligations to Sempra under the Gas Purchase Agreements are secured by the grant of a first priority security interest on substantially all of Universal's current and future assets, including all cash and cash equivalents, all accounts receivable and all deposit accounts. In addition, all payments received by Universal from its customers and the LDCs are paid to a specified lockbox or by wire transfer to specified Universal blocked bank accounts under the control of Sempra, from which amounts are first paid to Sempra in satisfaction of payments due to Sempra under the Gas Purchase Agreements, and all excess amounts are then paid to Universal.

   If Sempra defaults in its obligations to deliver natural gas to Universal, or if Universal defaults in its obligation to accept delivery of natural gas, subject to force majeure, the Gas Purchase Agreements contain provisions requiring the payment of various amounts by the non-performing party to the performing party.

   During the year, Universal made natural gas purchases under the agreements totalling $191.4 million (2007 - $90.3 million). Included in accounts payable at September 30, 2008 is an amount owing of $17.5 million.

(b) Electricity Swap Agreement

Universal entered into an electricity swap master agreement ("Electricity Swap Agreement") with Sempra on July 14, 2005 (amended and restated February 2, 2007). Pursuant to the Electricity Swap Agreement, Universal engaged Sempra to act as Universal's exclusive supplier of electricity swaps.

Universal's obligations to Sempra under the Electricity Swap Agreement are secured by the grant of a first priority security interest on substantially all of Universal's current and future assets, including all cash and cash equivalents, all accounts receivable and all deposit accounts. In addition, all payments received by Universal from its customers and the LDCs are paid to a specified lockbox or by wire transfer to specified Universal blocked bank accounts under the control of Sempra, from which amounts are first paid to Sempra in satisfaction of payments due to Sempra under the Electricity Swap Agreement, and all excess amounts are then paid to Universal.

Upon the occurrence of a contract termination event, the non-defaulting party has the right to immediately, for so long as the contract termination event is continuing: suspend its performance under electricity swaps then outstanding; or liquidate and terminate the electricity swaps then outstanding and accelerate the payment of any amounts due. Upon any such liquidation and termination, the non-defaulting party must calculate a net settlement amount in accordance with the formula contained in the Electricity Swap Agreement. The party with the net settlement amount payment obligation must pay such amount to the other party within one business day of receipt from the non-defaulting party of notice of such calculation.

During the year, Universal incurred net settlement payments under the electricity swap agreements totalling $44.2 million (2007 - $39.7 million). Included in accounts payable as at September 30, 2008 is an amount owing of $3.6 million.

In addition, the Gas Purchase Agreements and the Electricity Swap Agreement contain financial margin requirements that commence on February 2, 2009 as well as other covenants. These agreements terminate on June 30, 2010. As at September 30, 2008 the balance in the blocked account which is included in restricted cash amounted to $3.0 million.

2. During the year, the Company incurred expenses amounting to $1.0 million (2007 - $0.882 million) for direct mail marketing services and rental expense to Market Connections Inc. and Ajax Estates Holdings Inc. in which certain officers and directors hold an equity interest. Included in accounts payable as at September 30, 2008 is an amount owing of $0.098 million.

3. TGF has entered into a credit support agreement with Vertex Oil & Gas Ltd., a company controlled by an officer and director that allows TGF to enter into hedges and swaps to mitigate risk exposure to the volatility of ethanol pricing. At September 30, 2008 the TGF hedges and swaps were closed out and this credit support agreement was cancelled. Included in accounts payable as at September 30, 2008 is an amount owing of $16.9 million which includes the final settlement amount of $13.3 million for the hedges and swaps that were closed out.

4. NEC entered into a lease at 360 Frankcom Street, Ajax, Ontario with Ajax Estates Holdings Ltd., a company controlled by Mark Silver.

These transactions were conducted in the normal course of business on terms and rates agreed to by the related parties.

RISK FACTORS

You should carefully consider the risks described below before making an investment decision. The risks described below are not the only ones facing the Company and holders of the Common Shares. Additional risks not currently known to us or that we currently deem immaterial may also impair our business operations. Our business, financial condition, revenues or profitability could be materially adversely affected by any of these risks. The trading price of the Common Shares could decline due to any of these risks, and you may lose all or part of your investment. This Annual Information Form contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this Annual Information Form. See "Forward-Looking Statements."

Risks Related to our Retail Electricity and Natural Gas Business

Availability of Supply; Dependence on Sempra; Restrictive Covenants with Sempra

Universal's business model is based on contracting for supply of natural gas and Electricity Swap agreements to fix margins. There is a risk that Gas Suppliers and/or Electricity Swap counterparties (such as Sempra) could not deliver due to business failure or supply shortage or that Universal could not identify alternatives to Sempra.

All of Universal's and Universal U.S.'s natural gas supply contracts and Electricity Swap contracts are currently with Sempra. Should Sempra experience financial difficulties or be otherwise unable to perform its obligations under the Commodity Agreements, the ability of Universal and Universal U.S. to meet their obligations to their customers and, therefore, their ability to earn margins on electricity and natural gas sales, could be adversely affected.

The terms of the Commodity Agreements may make it more difficult for Universal to operate because it must comply with certain financial, organizational, operational and other restrictive covenants. Among other things, the Commodity Agreements restrict Universal's ability to undertake the following activities, subject to the approval of Sempra: (i) deal with other energy suppliers; (ii) (A) until February 2, 2009, pay dividends or make other distributions to the Company, as its sole shareholder, and thereafter, (B) pay dividends or make other distributions with a current market value that exceeds 75% of the "free cash" earned by Universal during such year and otherwise in compliance with the terms of the Commodity Agreements; (iii) invest in other businesses or entities; (iv) enter new markets and expand its business; (v) enter into certain commercial transactions; (vi) incur indebtedness or grant security on its assets; and (vii) sell assets.

In addition, the Commodity Agreements prescribe certain conditions and events that enable Sempra to terminate the Commodity Agreements, including the following: (i) a breach of the agreement by Universal; (ii) a change in control of Universal or certain affiliates; (iii) contributions by Universal to, or investments by Universal in, certain affiliates above prescribed amounts; (iv) Sempra not being permitted to appoint a director to the board of directors of Universal. Upon the occurrence of such a termination event, Sempra may suspend its performance under natural gas purchase and sale transactions and Electricity Swaps then outstanding, or liquidate and terminate the natural gas purchase and sale transactions and Electricity Swaps then outstanding and accelerate the payment of any amounts due.

See "Principal Agreements – Principal Agreements of Universal".

Electricity and Natural Gas Supply: Hedging, Balancing and Market Risk

Subject to certain limited exceptions, it is Universal's general policy to match the estimated electricity and natural gas requirements of its customers by purchasing, in the case of natural gas, the offsetting volumes of natural gas from Sempra at fixed prices and, in the case of electricity, entering into offsetting Electricity Swaps with Sempra, in each case in advance of obtaining customers. Historically and currently, energy supplies have been available at prices that permit Universal to establish a positive Operational Margin. To the extent that supplies of electricity and natural gas are not available at acceptable prices in the future, Universal's ability to maintain positive Operational Margins may be adversely affected. There is no assurance that Universal will be able to sustain positive Operational Margins.

Depending on several factors, including weather, Universal's customers may use more or less electricity and natural gas than the volume purchased by Universal for delivery to them. Although Universal is able to invoice its customers for balancing charges when the amount of electricity used by its customers is greater than or less than the amount of energy that Universal has estimated its customers would use, Universal implemented a practice in early 2007 not to invoice its residential electricity customers in Ontario for balancing charges that are greater than or less than 10% of the aggregate amount of the commodity portion of the customer's electricity bill on an annual basis. Any excess balancing charges (or credits) will be carried forward and applied to a customer's electricity bill in subsequent years. Therefore, Universal will bear the cost of any aggregate balancing charges in excess of this 10% threshold at the end of the contract term. Furthermore, Universal does not invoice its Ontario residential or small commercial natural gas customers for balancing charges. Universal must bear any such balancing costs. The application of Universal's balancing procedures can in certain circumstances expose Universal to market risk. Market risk is the potential loss that may be incurred as a result of changes in the market or fair value of a particular instrument or commodity, such as electricity or natural gas. Universal's balancing procedures, customer attrition and other factors may result in the need for Universal to purchase or sell over time shortfall or excess volumes of natural gas at spot market prices, which have recently been subject to significant fluctuations. This could result in the reduction or elimination of Universal's Operational Margin on the sale of electricity or natural gas and could result in a loss. In addition, Universal is generally required by natural gas LDCs to rectify imbalances in natural gas pools at regular intervals. At certain of these intervals the pools must be balanced within stipulated parameters. If imbalances are not within the stipulated parameters at the requisite times, Universal may be required to pay certain penalties, which in some cases can be significant. Therefore, the inability or failure of Universal to manage and monitor these hedging, balancing and market risks could have a material adverse affect on its operations and cash flows.

Volatility of Commodity Prices – Enforcement

A risk to Universal's business model is a sudden and significant drop in the market price of electricity or natural gas that causes customers to attempt to cancel their Energy Contracts. Universal's practice is to enforce the early termination provisions of its Energy Contracts in such cases. However, the enforcement of the early termination provisions in Universal's Energy Contracts through legal action may be time consuming and expensive given the number of customers that Universal has. Furthermore, during the process of enforcing such Energy Contracts, which could take a substantial period of time, Universal would still be liable to pay Sempra for the electricity and natural gas which it has purchased on behalf of customers who have purported to cancel their Energy Contracts. In addition, in such a situation Universal may be forced to sell its excess natural gas at spot prices or terminate Electricity Swaps at prevailing market spot prices, which could have a material adverse impact on Universal's cash flow.

Availability of Credit

The seasonality of customer consumption creates working capital requirements necessitating the use of Universal's available credit. In addition, Universal and Universal U.S. are required to post collateral in connection with energy supply contracts, licence obligations and obligations owed to certain LDCs and are limited in their ability to provide security under contracts with Sempra. Cash flow could be impacted by the ability of Universal to fund such requirements or to provide other satisfactory collateral for such obligations. The most significant assets of Universal consists of its Energy Contracts, which may not be suitable as security for some creditors, Gas Suppliers or Electricity Swap counterparties. Universal's business may be adversely affected if it is unable to meet its collateral posting requirements in the future.

Legislative and Regulatory Environment

Universal currently operates in the highly regulated electricity and natural gas retail sales industry in the Provinces of Ontario and British Columbia and in the State of Michigan, and may expand its operations into other highly regulated electricity and natural gas retail markets in North America. Universal must comply with the legislation and regulations in these jurisdictions in order to maintain its licensed status and to continue its operations. There is potential for changes to this legislation and these regulatory measures that may, favourably or unfavourably, impact Universal's business model. Universal depends on a large group of Independent Contractors to expand its customer base. The composition of that group varies from month to month. As part of doing business as a door-to-door marketing company, Universal regularly receives complaints from consumers. The failure to successfully resolve complaints could result in sanctions from regulatory and legal authorities such as a loss of a licence, which would have a material adverse effect on Universal. Similarly, changes to consumer protection legislation in those provinces and states where Universal markets to non-commercial customers may, favourably or unfavourably, impact Universal's business model. There can be no assurance that future decisions of the OEB, the MPSC, the BCUC, or other regulatory bodies having jurisdiction over Universal's business activities, or rules enacted by them, or new legislation or regulations or changes to existing legislation or regulations, including any change in regulatory policy, rules, legislation or regulations which would impact Universal's ability to renew Energy Contracts on the expiration of their term, will not adversely affect the operations or cash flow of Universal.

Energy Trading Inherent Risks

Energy trading subjects Universal to inherent risks associated with future contractual commitments, including market and operational risks, counterparty credit risk, product location differences, market liquidity and volatility. The failure or inability of Universal to monitor and address the energy trading inherent risks could have a material adverse effect on its operations and cash flow.

Management Information System

Universal operates in a high volume business with an extensive array of data interchanges and market requirements. Universal is highly dependent on its management information system to track, monitor and correct or otherwise verify a high volume of data to ensure that reported financial results are accurate. Management also relies on its management information system to provide its Independent Contractors with up-to-the minute marketing and compensation information and to electronically record each customer telephone interaction, all of which management believes contributes to Universal's ability to capture a significant portion of the direct purchase market in any given month. Universal's information system also helps management forecast new customer enrolments and their energy requirements, which helps ensure that Universal is able to match all of its new customers' estimated average energy requirements without exposing Universal to the "spot" market. Any failure of the management information system or the failure of Universal to maintain and upgrade its management information system could have a material adverse effect on the operations and cash flow of Universal.

Dependence on LDCs and Customer Credit Risk

In all jurisdictions in which Universal operates, the LDCs currently perform billing and collection services. However, there is no assurance that the LDCs who provide these services will continue to do so in the future. If the LDCs cease to perform these services, Universal would have to seek a third party billing provider or develop internal systems to perform these functions. If a significant number of customers were to default on their payments, it could have a material adverse affect on the operations and cash flow of Universal. Similarly, if a customer's Energy Contract is terminated and the customer owes early termination fees as a result, Universal may have to pursue such fees through internal or contracted collection processes. There can be no assurance that the practices or policies of LDCs in the future will not limit the growth or profitability of Universal, which would limit future growth of Universal's cash flow.

Competition

A number of Universal's primary competitors in its existing markets, particularly Centrica plc, have been operating for a much longer period of time than Universal, have a much larger market capitalization than Universal, and have considerably more customers than Universal. These competitors may therefore have a greater ability to access credit, withstand market changes and compete for customers.

It is possible that new entrants may enter the market as Energy Retailers and compete directly for the customer base that Universal targets, slowing the growth of or reducing Universal's market share. New competitors may be better capitalized than Universal. If the LDCs are permitted by changes in the current regulatory framework to sell natural gas at prices other than WACOG and sell electricity at prices other than their cost, their existing customer bases could provide them with a significant competitive advantage. This may limit the number of customers available for Energy Retailers, including Universal.

Independent Contractors

The continued growth of Universal is reliant on the services of Independent Contractors, the core of whom generate a large percentage of Universal's new customers. The cost of attracting or retaining Independent Contractors who are effective in completing sales may increase as the growth in customer penetration rates in mature markets stabilizes. In addition, there can be no assurance that competitive conditions will allow these Independent Contractors to sign up new customers at the rate at which new customers have been signed up in the past. Although commission expenses are only incurred in connection with new flowing Energy Contracts which are secured by its Independent Contractors, lack of success in these marketing programs would limit future growth of the cash flow of Universal.

Electricity Contract Renewals and Attrition Rates

As at September 30, 2008, Universal held long term Electricity Contracts with customers reflecting approximately 214,411 electricity RCEs, of which 28% renew in the year ending September 30, 2013. Since the vast majority of the Electricity Contracts owned by Universal are for five year terms, Universal has had no Electricity Contract renewals to date. Although Universal has experienced Electricity Contract attrition rates of less than 13.0% per year, there can be no assurance that this rate of annual attrition will not increase in the future or that Universal will be able to renew its existing Electricity Contracts at the expiration of their terms. Changes in customer behaviour, government regulation or increased competition may affect (potentially adversely) attrition and renewal rates in the future and these changes could adversely affect the future cash flow of Universal.

Gas Contract Renewals and Attrition Rates

As at September 30, 2008, Universal had long term Gas Contracts reflecting approximately 234,494 natural gas RCEs, of which 40% renew in the year ending September 30, 2013. Since the vast majority of the Gas Contracts owned by Universal are for five year terms, Universal has had no Gas Contract renewals to date. Although Universal has experienced Gas Contract attrition rates of less than 10% per year, there can be no assurance that this rate of annual attrition will not increase in the future or that Universal will be able to renew its existing Gas Contracts at the expiration of their terms. Changes in customer behaviour, government regulation or increased competition may affect (potentially adversely) attrition and renewal rates in the future and these changes could adversely affect the future cash flow of Universal.

Commodity Alternatives

To the extent that electricity and natural gas enjoy a price advantage over other forms of energy, such price advantage may be transitory and consumers may switch to the use of another form of energy. The recent volatility in electricity and natural gas prices could result in these other sources of energy providing more significant competition to Universal.

Foreign Exchange Risk

Net income from Universal U.S.'s operations in Michigan is denominated in U.S. dollars, such that fluctuations of the currency exchange rate between the Canadian dollar and the U.S. dollar may have an impact on the Canadian dollar amount of net income realized from the U.S. operations. If Universal expands its U.S. operations, Universal's exposure to fluctuations of the currency exchange rate between the Canadian dollar and the U.S. dollar, and the resultant impact on the Canadian dollar amount of net income realized from Universal's U.S. operations, will be increased.

Dependence on Personnel

The success of Universal to date has been largely dependent on the skills and expertise of its management personnel. The continued success of Universal will be dependent upon its ability to retain the services of such personnel and recruit and retain other key employees for its business. Any loss of the services of such individuals could have a material adverse affect on the business and operations of Universal. Currently, neither the Company nor Universal carries "key man" insurance that would compensate it for a loss of any of its senior executives.

Universal must hire qualified managers and other personnel and retain qualified Independent Contractors. Competition for managers, employees and Independent Contractors is strong, and Universal may not be able to attract and maintain qualified personnel and Independent Contractors. If Universal is unable to hire and maintain productive and competent personnel and Independent Contractors, Universal's expansion strategy may be adversely affected, the amount of electricity and natural gas that Universal sells may decrease and Universal may not be able to execute its business strategy.

Limited Operating History

Universal was incorporated in November 2004 and commenced operations in February 2005. Accordingly, Universal has a limited operating history from which investors can evaluate its business and prospects. Moreover, since Universal's inception it has incurred operating losses.

Universal's prospects must be considered in light of the risks and uncertainties encountered by an early-stage company and in rapidly evolving markets, such as the retail electricity and natural gas markets. Some of these risks relate to Universal's potential inability to: effectively manage its business and operations; recruit and retain key personnel; successfully maintain a low-cost structure as it expands the scale of its business; manage rapid growth in personnel and operations; develop new products that complement its existing business; and successfully address the other risks it faces, as described throughout this Annual Information Form.

If Universal cannot successfully address these risks, its business, future results of operations and financial condition may be materially adversely affected, and Universal may continue to incur operating losses in the future.

Risks Related to our Ethanol Business

Defective Material, Workmanship or Process Engineering

Although the EPC Contract sets out certain remedies that TGF can pursue if the Belle Plaine Facility does not meet the stated performance criteria, defects discovered after operation, or if the Belle Plaine Facility fails to meet the performance criteria, may have a material adverse impact on TGF's financial performance and could harm TGF's business. These limitations on production negatively affect TGF's cash flow and impair its ability to satisfy any outstanding debt obligations.

Changes in interest rates or changes in political administrations at the federal, provincial or local level that result in policy changes toward ethanol could also cause construction and operation delays.

Leverage and Restrictive Covenants

The use of debt financing makes it more difficult for TGF to operate because it must make principal and interest payments on the indebtedness and abide by covenants contained in its debt financing agreements. The level of TGF's debt may have important implications on TGF's operations, including, among other things: limiting TGF's ability to obtain additional debt financing; making TGF vulnerable to increases in prevailing interest rates; requiring TGF to dedicate a substantial portion of its cash flow from operations to interest and principal payments in respect of its indebtedness, thereby reducing the availability of cash flow for working capital, capital expenditures and other general corporate expenditures; placing TGF at a competitive disadvantage because it may be substantially more leveraged than some of its competitors; subjecting all or substantially all of TGF's assets to liens, which means that there may be no assets left for the Company as TGF's sole shareholder in the event of a liquidation; limiting TGF's ability to adjust to changing market conditions, which could make it more vulnerable to a downturn in the general economic conditions of its business; and limiting TGF's ability to make business and operational decisions regarding its business and its subsidiaries, including, among other things, limiting TGF's ability to pay dividends to the Company, make capital improvements, sell or purchase assets or engage in transactions TGF deems to be appropriate and in its best interest.

The terms of TGF's existing debt financing agreements contain financial, maintenance, organizational, operational and other restrictive covenants. TGF is currently in breach of certain of these covenants as a result of delays in reaching full production at the Belle Plaine Facility. TGF's Senior Lender has requested amendments to its Loan agreement to provide further secure its position. Management is currently in active negotiations with TGF's Senior and Subordinated lenders regarding the amendment of various covenant and liquidity requirements going forward. Future amendments toTGF's loan agreements, or a failure to cure the covenant breaches, could have a material adverse effect on TGF's business, results of operations and financial condition.

TGF's ability to make payments on and refinance its indebtedness will depend on its ability to generate cash from its future operations. TGF's ability to generate cash from future operations is subject, in large part, to general economic, competitive, legislative and regulatory factors and other factors that are beyond TGF's control. If TGF is unable to comply with applicable restrictive covenants or service its debt, TGF may lose control of its business and be forced to reduce or delay planned capital expenditures, sell assets, restructure its indebtedness or submit to foreclosure proceedings, all of which could result in a material adverse effect upon TGF's business, results of operations and financial condition. TGF's future debt arrangements may also include subordinated debt, which may contain even more restrictions and be on less favourable terms than TGF's existing senior debt and subordinated debt.

TGF may secure its debt financing directly or through wholly-owned subsidiary entities. Regardless of the structure, TGF's debt financing arrangements will contain various covenants and agreements and may contain cross-acceleration and cross-default provisions. Under these provisions, a default or acceleration of one debt agreement will result in the default and acceleration of TGF's other debt agreements (regardless of whether TGF is in compliance with the terms of such other debt agreements), providing the lenders under such other debt agreements the right to accelerate the obligations due under such other debt agreements. Accordingly, a default, whether by TGF or any of its subsidiaries, could result in all of TGF's outstanding debt becoming immediately due and payable. The application of cross-acceleration or cross-default provisions means that TGF's compliance, and its subsidiaries' compliance, with applicable debt covenants and agreements will be interdependent and one default (including a default by one of TGF's subsidiaries) could have a material adverse effect on TGF's business, results of operations and financial condition. For a description of TGF's existing debt arrangements, see "Principal Agreements – Principal Agreements of TGF".

Reliance on Intellectual Property Rights and Proprietary Technology

The success and ability of TGF to operate Belle Plaine Facility and for it to be economically viable will depend to a significant extent on the intellectual property and proprietary technology of Delta-T. The Belle Plaine Facility will rely on proprietary and confidential technology of Delta-T for which certain rights have been provided to TGF pursuant to the Licence Agreement. TGF and Delta-T currently rely on intellectual property rights and other contractual or proprietary rights, including (without limitation) copyright, trade-mark laws, trade secrets, confidentiality procedures, contractual provisions and licences, to protect the proprietary technology. Delta-T or TGF may have to engage in litigation in order to protect their proprietary technology or other intellectual property rights, or to determine the validity or scope of the proprietary rights of others. This type of litigation can be time-consuming and expensive, regardless of whether or not TGF or Delta-T is successful. To the knowledge of TGF, Delta-T currently has no patents or patent applications and protects its technology as a trade secret. Furthermore, others may develop technologies that are similar or superior to the technology of Delta-T or disclosure of Delta-T's technology may occur. Despite the efforts of TGF or Delta-T, the intellectual property rights, particularly the proprietary technology, of TGF or Delta-T may be circumvented, misappropriated, disclosed, infringed or required to be licensed to others. It cannot be assured that any steps TGF or Delta-T may take to protect their intellectual property rights and other rights to such proprietary technology that are central to TGF's operations will prevent misappropriation or the termination of licences from Delta-T. Delta-T has the right to use or licence others to use the proprietary technology and accordingly may conduct, or may license the proprietary technology to a third party to conduct, an ethanol production business similar to that of TGF.

Risk of Third Party Claims for Infringement

A third party may claim that the use of the Delta-T proprietary technology has infringed such third party's rights or may challenge the right of Delta-T to its intellectual property. In such event, Delta-T and/or TGF will undertake a review to determine what, if any, action should be taken with respect to such claim. Any claim, whether or not with merit, could be time consuming to evaluate, result in costly litigation, cause delays in the operations of TGF or require Delta-T or TGF to enter into licensing arrangements that may require the payment of a licence fee or royalties to the owner of the intellectual property. Such royalty or licensing arrangements, if required, may not be available on terms acceptable to TGF.

Dependence on Commodity Prices

TGF's results of operations, financial position and business outlook will be substantially dependent on commodity prices, especially prices for wheat, natural gas, ethanol and distillers grains. Prices for these commodities are generally subject to significant volatility and uncertainty. As a result, TGF's results may fluctuate substantially, and TGF may experience periods of declining prices for TGF's products and increasing costs for

TGF's raw materials, which could result in operating losses. TGF may attempt to offset a portion of the effects of such fluctuations by entering into forward contracts to supply ethanol or to purchase wheat, natural gas or other items or by engaging in other hedging transactions, however, the amount and duration of these hedging and other risk mitigation activities may vary substantially over time. In addition, these activities involve substantial costs and substantial risks and may be ineffective to mitigate these fluctuations.

Sensitivity to Gasoline Prices and Demand

Ethanol is marketed both as a fuel additive to reduce vehicle emissions from gasoline and as an octane enhancer to improve the octane rating of gasoline with which it is blended. As a result, ethanol prices are influenced by the supply and demand for gasoline (which is itself influenced by the supply and demand for crude oil), and TGF's business, future results of operations and financial condition may be materially adversely affected if gasoline (or crude oil) demand or price decreases.

Sensitivity to Wheat Prices and Supply

Wheat is the principal raw material TGF will use to produce ethanol and distillers grains. As a result, changes in the price of wheat can significantly affect TGF's business. At certain levels, wheat prices would make ethanol uneconomical to use in fuel markets. The price of wheat is influenced by local and international weather conditions (including droughts) and other factors affecting crop yields, farmer planting decisions and general economic, market and regulatory factors, including government policies and subsidies with respect to agriculture and international trade, and global and local supply and demand. The significance and relative affect of these factors on the price of wheat is difficult to predict. Any event that tends to negatively affect the supply of wheat, such as adverse weather or crop disease, could increase wheat prices and potentially harm TGF's business. The price of wheat has fluctuated significantly in the past and may fluctuate significantly in the future. For information respecting the volatility of wheat prices during the period from August 1, 1993 to November 1, 2006, see "Overview of the Ethanol Industry – Supply of Wheat".

TGF may also have difficulty from time to time in purchasing wheat on economic terms due to supply shortages. Any supply shortage could require TGF to suspend operations until wheat became available on economic terms. Suspension of operations could have a material adverse effect on TGF's business, results of operations and financial condition.

Sensitivity to Natural Gas Prices and Supply

TGF will rely upon third-parties for TGF's supply of natural gas, which is consumed in the manufacture of ethanol. The prices for and availability of natural gas are subject to volatile market conditions. These market conditions are affected by factors beyond TGF's control such as weather conditions (including hurricanes), overall economic conditions and foreign and domestic governmental regulation and relations. Significant disruptions in the supply of natural gas could impair TGF's ability to manufacture ethanol for TGF's customers. Further, increases in natural gas prices could have a material adverse effect on TGF's business, results of operations and financial condition.

Sensitivity of Distillers Grain Prices to the Price of Other Commodity Products

Distillers grains compete with other protein-based animal feed products. The price of distillers grains may decrease when the price of competing feed products decrease. The prices of competing animal feed products are based in part on the prices of the commodities from which they are derived. Downward pressure on commodity prices, such as soybeans, will generally cause the price of competing animal feed products to decline, resulting in downward pressure on the price of distillers grains. Because the price of distillers grains is not tied to production costs, decreases in the price of distillers grains will result in TGF generating less revenue and lower profit margins.

Hedging Transactions and Other Risk Management Strategies

In an attempt to offset some of the effects of the volatility of ethanol, wheat and natural gas prices, TGF intends (to the extent possible) to hedge against changes in prices of key inputs (such as wheat and natural gas) and key outputs (such as ethanol and distillers grains). TGF will seek to hedge its primary commodity risks directly through a combination of futures contracts, derivatives (including options) and fixed price contracts. TGF may also enter into hedging transactions in respect of commodities whose prices are correlated with TGF's key inputs and outputs. For example, TGF may hedge against changes in crude oil prices because of the positive correlation between the price of crude oil and the price of gasoline and the positive correlation between the price of gasoline and the price of ethanol. The impact of these activities depends upon, among other things, the prices involved and TGF's ability to sell sufficient products to use all of the wheat and natural gas for which TGF may have futures contracts. Hedging arrangements also expose TGF to the risk of financial loss in situations where the other party to the hedging contract defaults on its contract or, in the case of exchange-traded contracts, where there is a change in the expected differential between the underlying price in the hedging agreement and the actual prices paid or received by TGF. Hedging activities can themselves result in losses when a position is purchased in a declining market or a position is sold in a rising market. A hedge position is settled in the same time frame as the physical commodity is either purchased (wheat and natural gas) or sold (ethanol). TGF may experience hedging losses in the future. TGF may also vary the amount of hedging or other price mitigation strategies TGF undertakes, and TGF may choose not to engage in hedging transactions at all. As a result, TGF's business, results of operations and financial condition may be materially adversely affected by increases in the price of wheat or natural gas or decreases in the price of ethanol.

Reliance on Third Party Service Providers

From time to time, TGF may depend on third parties for some or all of its wheat handling services relating to both its feedstock supply and the marketing of its distillers grains outputs, including wheat purchases, wheat hedging and wheat transportation. If TGF retains wheat handlers and they are not able to complete the wheat handling services or default on their agreement to provide TGF with wheat handling services, TGF would be materially adversely affected.

If third parties do not perform under TGF's existing or future contractual arrangements, it may be forced to buy wheat at undesirable or uneconomic rates, or it may not have access to wheat at all. Additionally, TGF may have difficulty selling its distillers grains if third parties with whom TGF contracts in the future do not perform. These conditions may cause TGF's operating results to suffer.

Dependence on Federal and Provincial Legislation and Regulation

Various laws, regulations and programs of the United States federal government and certain provincial and state governments have led to increased use of ethanol in gasoline. In addition, various proposed federal and provincial laws, regulations and programs are expected by management to lead to a further increase in the use of ethanol in gasoline in Canada. For example, certain existing and proposed laws, regulations and programs provide (or if implemented will provide) economic incentives to ethanol producers and users, however, existing and proposed laws may be influenced by those who believe that the use of ethanol does not create the benefits suggested by proponents of increased ethanol usage. Further, tariffs apply to the import of ethanol from non-NAFTA countries. These existing and proposed laws, regulations and programs are constantly changing. In both the U.S. and Canada legislators and environmental regulators could adopt or modify existing or proposed laws, regulations or programs that could adversely affect the use of ethanol. There can be no assurance that existing laws, regulations or programs will continue in the future, or that proposed laws, regulations or programs will be adopted or implemented as currently anticipated or at all. In addition, certain jurisdictional governments may oppose the use of ethanol because those jurisdictions might have to acquire ethanol from other jurisdictions, which could increase gasoline prices in those jurisdictions.

Competition

TGF faces competition in every aspect of its business from established producers of ethanol and from other companies that are seeking to develop large-scale ethanol plants and alliances. If TGF sells ethanol in the United States, it will compete with Archer Daniels Midland Company, which is the single largest producer in the ethanol industry, as well as other large producers such as VeraSun Energy Corp., Hawkeye Holdings Inc., Aventine Renewable Energy Holdings Inc. and Cargill, Inc. As of October 2006, the top ten producers in the U.S. accounted for over 50% of the ethanol production capacity in the U.S. according to the RFA. As of September 2006, the top three producers in Canada accounted for approximately 90% of the ethanol production capacity in Canada.

TGF may also face competition from international ethanol suppliers in the future. Currently, international suppliers produce ethanol primarily from sugar cane and have cost structures that may be substantially lower than TGF's cost structure. However, ethanol imported into Canada from non-NAFTA countries (such as Brazil) is currently subject to a duty of $0.0492 per litre. If this duty were to be reduced or eliminated, international suppliers of ethanol might be able to sell ethanol at more competitive prices than TGF. In addition, there are no duties on the import of ethanol into Canada from NAFTA countries, such as the U.S.

Any increase in domestic or foreign competition could cause TGF to reduce its prices and take other steps to compete effectively, which could materially adversely affect TGF's business, results of operations and financial condition.

Environmental, Health and Safety Laws, Regulations and Liabilities

TGF will become subject to various federal, provincial and local environmental laws and regulations, including those relating to the discharge of materials into the air, water and ground, the generation, storage, handling, use, transportation and disposal of hazardous materials, and the health and safety of TGF's employees. These laws and regulations require TGF to maintain and comply with numerous environmental permits to construct and operate its Belle Plaine Facility. These laws, regulations and permits can often require expensive pollution control equipment or operational changes to limit actual or potential impacts on the environment. A violation of these laws, regulations or permit conditions can result in substantial fines, natural resource damages, criminal sanctions, permit revocations and/or facility shutdowns.

Environmental issues, such as contamination and compliance with applicable environmental standards could arise at any time during the operation of the Belle Plaine Facility. If this occurs, it could require TGF to spend significant resources to remedy the issues and may delay or prevent construction or operation of the Belle Plaine Facility. This could significantly increase the cost of this project.

There is a risk of liability for the investigation and cleanup of environmental contamination at each of the properties that TGF will own or operate. If hazardous substances have been or are disposed of or released at sites that undergo investigation and/or remediation by regulatory agencies, TGF may be responsible under environmental laws for all or part of the costs of investigation and/or remediation, and for damages to natural resources. TGF may also be subject to related claims by private parties, including TGF's employees and property owners or residents near the Belle Plaine Facility, alleging property damage and personal injury due to exposure to hazardous or other materials at or from its Belle Plaine Facility. Additionally, employees, property owners or residents near the Belle Plaine Facility could object to the air emissions or water discharges from the Belle Plaine Facility. Ethanol production has been known to produce an unpleasant odour. Environmental and public nuisance claims or toxic tort claims could be brought against TGF as a result of this odour or TGF's other releases to the air or water. Some of these matters may require TGF to expend significant resources for investigation, cleanup, installation of control technologies or other compliance-related items, or other costs.

In addition, new laws, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments could require TGF to make additional significant expenditures. Continued government and public emphasis on environmental issues may result in increased future investments for environmental controls at the Belle Plaine Facility. For example, federal and state environmental authorities have recently been investigating alleged excess volatile organic compounds and other air emissions from certain U.S. ethanol plants, which could also occur in Canada. Present and future environmental laws and regulations (and interpretations thereof) applicable to TGF's operations, more vigorous enforcement policies and discovery of currently unknown conditions may require substantial capital and other expenditures that could have a material adverse effect on TGF's business, results of operations and financial condition. For example, TGF had to submit its project proposal for screening by Saskatchewan Environment – Environmental Assessment Branch under *The Environmental Assessment Act* (Saskatchewan) in order to carry out the construction and operation of the Belle Plaine Facility and TGF will need to comply with all applicable regulatory requirements during the operation of the Belle Plaine Facility, including, without limitation, *The Clean Air Act* (Saskatchewan), *The Environmental Management and Protection Act, 2002* (Saskatchewan), *The Occupational Health and Safety Act, 1993* (Saskatchewan) and *The Dangerous Goods Transportation Act* (Saskatchewan). In addition to costs for achieving and maintaining compliance with these laws, more stringent standards may also limit our operating flexibility.

The hazards and risks associated with producing and transporting TGF's products (such as fires, natural disasters, explosions, and abnormal pressures and blowouts) may also result in personal injury claims by third-parties or damage to property owned by TGF or by third-parties. As protection against operating hazards, TGF intends to maintain insurance coverage against some, but not all, potential losses. However, TGF could sustain losses for uninsurable or uninsured events, or in amounts in excess of existing insurance coverage. Events that result in significant personal injury to third-parties or damage to property owned by TGF or third-parties or other losses that are not fully covered by insurance could have a material adverse effect on TGF's business, results of operations and financial condition.

Disruptions to Infrastructure, or in the Supply of Fuel or Natural Gas

TGF's business depends on the continuing availability of rail, road, storage and distribution infrastructure. Any disruptions in this infrastructure network, whether caused by rail car shortages, earthquakes, storms, other natural disasters or human error or malfeasance, could have a material adverse effect on TGF's business. TGF will rely upon third-parties to maintain the rail lines from the Belle Plaine Facility to the national rail network, and any failure on their part to provide rail cars or maintain the lines could impede TGF's delivery of products, impose additional costs on TGF and could have a material adverse effect on TGF's business, results of operations and financial condition.

TGF's business also depends on the continuing availability of raw materials, including fuel and natural gas. The production of ethanol, from the planting of wheat to the distribution of ethanol to refiners, is highly energy-intensive. Significant amounts of fuel and natural gas are required for the growing, fertilizing and harvesting of wheat, as well as for the fermentation, distillation and transportation of ethanol and the drying of distillers grains. A serious disruption in supplies of fuel or natural gas, or significant increases in the prices of fuel or natural gas, could significantly reduce the availability of raw materials at the Belle Plaine Facility, increase TGF's production costs and could have a material adverse effect on TGF's business, results of operations and financial condition.

Dependence on Personnel

TGF has hired personnel to fill senior roles in the company. The continued success of TGF will be dependent upon its ability to retain the services of its President and its ability to recruit and retain other key operational employees for its business.. Any loss of the services of TGF's President or consulting personnel could have a material adverse affect on the business and operations of TGF. Currently, neither the Company nor TGF carries "key man" insurance that would compensate it for a loss of its President.

If TGF is unable to hire and retain productive and competent personnel TGF may not be able to efficiently operate the Belle Plaine Facility and execute its business strategy.

Technological Advances

TGF expects that technological advances in the processes and procedures for processing ethanol will continue to occur. It is possible that those advances could make the processes and procedures that TGF intends to utilize at the Belle Plaine Facility less efficient or obsolete, or cause the ethanol TGF intends to produce to be of a lesser quality. These advances could also allow TGF's competitors to produce ethanol at a lower cost than TGF. If TGF is unable to adopt or incorporate technological advances, TGF's ethanol production methods and processes could be less efficient than those of its competitors, which could cause the Belle Plaine Facility to become less competitive.

Ethanol production methods are also constantly advancing. A current trend in ethanol production research is to develop an efficient method of producing ethanol from cellulose-based biomass such as agricultural waste, forest residue and municipal solid waste. Another trend in ethanol production research is to produce ethanol through a chemical process rather than a fermentation process, thereby significantly increasing the ethanol yield per pound of feedstock. Although current technology does not allow these production methods to be competitive, new technologies may develop that would allow these methods to become viable means of ethanol production in the future. If TGF is unable to adopt or incorporate these advances into its operations, TGF's cost of producing ethanol could be significantly higher than those of its competitors, which could make the Belle Plaine Facility less competitive.

In addition, alternative fuels, additives and oxygenates are continually under development. Alternative fuel additives that can replace ethanol may be developed, which may decrease the demand for ethanol. It is also possible that technological advances in engine and exhaust system design and performance could reduce the use of oxygenates, which would lower the demand for ethanol, in which case TGF's business, results of operations and financial condition may be materially adversely affected.

Debt Service and Variations in Interest Rates

The TGF Credit Facility will be used to finance a portion of the capital costs of the Belle Plaine Facility. Variations in interest rates could result in significant changes in the amount required to be applied to debt service and would affect the financial results of operations of TGF. If TGF is unable to meet its debt service obligations, the lenders may be able to realize on the assets of TGF.

Contractor's Claim

An award of damages to the Contractor as contemplated in the Section "Legal Proceedings and Regulatory Actions", could have a material adverse effect on TGF's business, results of operations and financial condition.

Foreign Exchange Risk

TGF may sell some or all of its ethanol and distillers grains into the U.S. market. Net income from sales into the U.S. market may be denominated in United States dollars, such that fluctuations of the currency exchange rate between the Canadian dollar and the United States dollar may have an impact on the Canadian dollar amount of net income realized from U.S. sales.

Risks Related to our Home Services Business

Billing Arrangements

As a result of the billing agreements, NHS is reliant on the personnel, expertise, technical resources, proprietary information and judgment of Enbridge Gas Distribution Inc. ("EGD") in providing the billing and collection services to NHS. NHS is therefore exposed to adverse developments in the business and affairs of EGD and to its management and financial strength. Although EGD is required, under the Open Bill Agreement ("OBA"), to make the payment to NHS, thereby effectively guaranteeing NHS's collection of 99.5% of the amount invoiced by NHS on the EGD bill, there can be no assurance that EGD will have the financial capability to honour such obligation.

The OBA and New Receivables Trust Agreement are scheduled to expire on June 30, 2009. Unless alternative arrangements are put in place on or before that date, consolidated billing with EGD would cease on that date.

The regulatory basis on which the OBA and New Receivables Trust Agreement have been entered into is interim and falls under EGD's comprehensive "Open Bill" solution as proposed by EGD and approved by the OEB in 2007. EGD will be making further representations to the OEB with respect to confirming this billing solution before the end of 2008. Despite EGD's regulatory commitment to do so, there can be no assurance that the long-term solution to be put forth by EGD will include open bill access and/or that the OEB will approve any long-term solution.

In the event that the long-term solution to be put forth by EGD either does not contemplate continued billing and collection services being provided to NHS, or the proposal is rejected by the OEB, NHS will have to perform the billing and collection services and issue stand-alone bills in the EGD billing territory, either itself or through contracts with other third parties. There can be no assurance that the customer services delivered by NHS, or other third parties, will be of the same standard as those delivered under the OBA and stand-alone billing may result in increased levels of bad debt. Bad debt experience may also increase if any arrangement relating to stand-alone billing and collection services does not include a collection guarantee. It is also possible that transitional issues may arise following a termination of the interim or any comprehensive consolidated billing solution and associated arrangements, and those issues may have a material adverse impact on the profitability of NHS.

Regulatory Changes

Changes to any of the laws, rules, regulations or policies respecting the installation, servicing or billing practices in relation to water heaters could have a significant impact on NHS' business. There can be no assurance that NHS will be able to comply with any future laws, rules, regulations and policies. Failure by NHS to comply with applicable laws, rules, regulations and policies may be subject to civil or regulatory proceedings, including fines, injunctions, recalls or seizures, which may have a material adverse effect on the profitability of the operations.

New regulatory requirements have resulted in water heater design changes in order to incorporate flammable vapour ignition resistant ("FVIR") technology. This technology is intended to prevent the ignition of flammable vapours introduced from external sources in proximity to the water heater. Certain household items, such as gasoline, paint thinner, aerosol cans, floor treatments and lighter fluid can emit invisible vapours which can catch fire if they come in contact with a flame. This is not a current design flaw with water heaters as this risk applies equally to other sources of ignition such as furnaces, fireplaces and light switches. FVIR technology also applies equally whether the water heater is rented or owned. FVIR product design modifications have now been approved for conventional water heaters. FVIR technology is required on all conventional water heaters of up to 50 U.S. gallons manufactured after July 1, 2004. FVIR technology is required for power vented water heaters of up to 50 U.S. gallons effective on July 1, 2005. Effective August 2007, all newly installed power vented water heaters in Ontario, including replacements, must be installed with plastic piping that meets the ULC S636 piping standard, NHS is in compliance with the new standard.

Competition

NHS operates in a competitive environment and hence its growth and sustainability may be negatively impacted by loss of market share to new competition or due to change in consumers' behaviour.

Buy-outs and Returns of Water Heaters

Customers are permitted to purchase their installed water heaters at a price discounted based on the age of the water heater, determined with reference to the price of the water heater at the time of installation of the water heater or may terminate their rental agreement with NHS at any time. If customers choose to buy their installed water heaters or terminate their rental agreement, the number of installed water heaters and the composition of the portfolio of installed water heaters could change. Any loss of customers could have a material adverse effect on the profitability of NHS.

Social or Technological Changes

Within Canada, the Province of Ontario marketplace is unique in that the vast majority of homeowners rent their water heaters. There can be no assurance that homeowners will continue to rent their water heaters for an indefinite period. It is also possible that more economical or efficient water heating technology than that which is currently used by customers will be developed or that the economic conditions in which the current technology is applied will change resulting in a reduction in the number of installed water heaters. Any material change in homeowners' rental practices or in technology may have a material adverse effect on the profitability of NHS.

Useful Life of Water Heaters

Past experience indicates that the average useful life of a water heater is approximately 16 years. However, there can be no assurance that water heaters will continue to have a useful life of that length.

Concentration of Suppliers and Product Faults

Although there are a number of manufacturers of water heaters outside Canada, NHS relies principally on GSW Inc. for its supply of water heaters. Should this supplier fail to deliver in a timely manner, delays or disruptions in the supply and installation of water heaters could result. In addition, as many of the installed water heaters are of the same or similar type manufactured by this manufacturer, defects or product recalls relating to a particular production model or type of water heater could affect a material portion of the portfolio of water heater assets. Furthermore, different water heater manufacturers may, from time to time, source components from the same manufacturers for use in their water heaters. As a result, a parts defect relating to a commonly sourced component could affect water heaters produced by more than one manufacturer. NHS does not insure against this risk of product defects or product recalls. All water heaters manufactured by GSW Inc. that are purchased by NHS are currently made in Canada. If GSW Inc. moved production out of Canada, the capital cost of their water heaters may increase. NHS' business will expose it to potential product liability and product defect risks that are inherent in the ownership of water heaters. While NHS currently maintains what it believes to be suitable product liability insurance, there can be no assurance that NHS will be able to maintain such insurance on acceptable terms or that any such insurance will provide adequate protection against potential liabilities. In the event of a successful claim against NHS, a lack of sufficient insurance coverage could have a material adverse effect on the profitability of NHS. Moreover, even if NHS maintains adequate insurance, any successful claim could have a material adverse effect on the profitability of NHS. NHS does not insure against the risk of product defects or product recalls.

Geographic Concentration

All of NHS' assets are located in the province of Ontario. In addition, the Canadian water heater rental market is primarily limited to the province of Ontario. A prolonged downturn in the Ontario economy and a corresponding slowdown in new home construction could have an adverse effect on the demand for additional water heaters. Consequently, NHS will be particularly reliant on the economy of the province of Ontario to maintain and to grow the portfolio of water heater assets.

General Risks

Compliance with Financial Reporting and Other Requirements; Risks Associated with Internal Controls

The Company is subject to reporting and other obligations under applicable Canadian securities laws and TSX rules, including Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings (**"MI 52-109"**). MI 52-109 will soon be amended to require annual management assessment of the effectiveness of the Company's internal controls over financial reporting. Effective internal controls, including financial reporting and disclosure controls and procedures, are necessary for the Company to provide reliable financial reports, to effectively reduce the risk of fraud and to operate successfully as a public company. These reporting and other obligations will place significant demands on the Company's management, administrative, operational and accounting resources. The Company does not have an internal audit function. If the Company is unable to accomplish these objectives in a timely and effective fashion, the Company's ability to comply with its financial reporting requirements and other rules that apply to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls, including a failure to implement new or improved controls in response to identified weaknesses in its system of internal controls, could cause the Company to fail to meet its reporting obligations or result in material misstatements in its financial statements. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed which could also cause investors to lose confidence in its reported financial information, which could result in a lower trading price of its Common Shares.

The process of designing and implementing an effective system of internal controls is a continuous effort that requires management to anticipate and react to changes in the business and the economic and regulatory environments. As part of its requirement to design, implement and test internal controls, the Company may discover weaknesses in its system of internal controls.

Availability of Future Financing

Management expects that Universal's principal source of funds will be cash generated from its operating activities. Management expects that TGF's principal sources of funds will be the cash raised from its share offerings, the issuance of TGF Debentures and borrowing capacity under the TGF Credit Facility. Management expects that NEC's principal source of funds will be intercompany borrowings from the Company and cash generated from its operating activities. Management expects that the Company's principal source of funds (on a consolidated basis) will be existing working capital, the cash retained by the Company for working capital purposes out of the gross proceeds of the IPO Offering, borrowing capacity under the TGF Credit Facility and proceeds from the issuance of the TGF Debentures. Management believes that funds from these sources will provide each of the Company, Universal, TGF and NEC with sufficient liquidity and capital resources to meet their respective current and future financial obligations at existing business levels. Despite management's expectations, however, one or more of the Company, Universal, TGF or NEC may require additional equity or debt financing to meet its financial requirements. There can be no assurance that this financing will be available when required or available on commercially favourable terms or on terms that are otherwise satisfactory to the Company, in which event the financial condition of the Company may be materially adversely affected.

Conflicts of Interest

Certain of the directors and officers serve as directors and/or officers of other public companies which may be involved in the industries in which the Company participates and therefore it is possible that a conflict may arise between their duties as a director or officer of the Company and their duties as a director and/or officer of such other companies. In accordance with the CBCA, directors who have a material interest in any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and abstain from voting on any resolution to approve that contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Company. See "Executive Compensation – Conflicts of Interest" and "Interest of Management and Others in Material Transactions".

Income Tax Matters

The securities of Universal and TGF acquired pursuant to the Acquisitions were transferred to the Company on a fully or partially tax-deferred basis. The cost to the Company of such securities is less than fair market value, such that the Company may realize taxable income on the future disposition of such securities.

Dependence on Subsidiaries

The Company's ability to pay dividends (if any) and, should it obtain debt financing in the future, meet its debt obligations, will be dependent on cash flows from its subsidiaries and, in the short term, its ability to raise capital from external sources. Cash flows from its subsidiaries will be dependent, in the long term, on the ability of its subsidiaries to generate operating cash flows in excess of their own capital expenditures. Specifically, the Company's decision to pay dividends will be effected by any amendments to TGF's senior and subordinated debt arrangements and changes to the credit requirements demanded by suppliers in the Company's retail energy operations. In addition, the subsidiaries are separate and distinct legal entities that could be precluded from making such distributions under certain circumstances, including as a result of legislation or regulation or in times of financial distress. See "Dividend Policy".

Operating Costs

The operating costs of TGF's and Universal's businesses, which have the potential to vary considerably, are in part subject to TGF's and Universal's ability to negotiate acceptable commercial arrangements with third parties such as for utilities and other services. TGF's and/or Universal's earnings may be reduced if significant increases in operating costs are incurred.

Potential Unknown Liabilities

In connection with the Acquisitions, there may be unknown liabilities assumed by the Company, as well as taxation and environmental issues, for which the Company may not be indemnified pursuant to the indemnities provided under the Acquisition Agreements. In particular, to the extent that either Universal or TGF has failed to comply with or otherwise violated applicable laws, including environmental or health and safety laws, the Company may be legally and financially responsible for these violations. The discovery of any material liabilities could have a material adverse affect on the financial condition and results of operations of the Company. Certain of the Existing Shareholders provided certain representations and warranties to the Company under the Acquisition Agreements with respect to TGF, Universal and the Company's initial public offering prospectus. Other Existing Shareholders' representations were more limited in nature, relating primarily to the ownership of the securities owned by them. Each of the Existing Shareholders agreed to indemnify the Company for breaches of representations and warranties, although the total maximum liability of each Existing Shareholder under the Acquisition Agreements in respect of an untrue representation or warranty is limited, without duplication, to the aggregate net after tax proceeds received by such Existing Shareholder from the sale of its securities (including any Common Shares received by such Existing Shareholder, but in such case recourse is limited to the period of time that such Common Shares remain in escrow pursuant to the Escrow Agreement). Further, there can be no assurance that all or any of the Existing Shareholders will have sufficient assets and financial resources to satisfy any indemnification obligations that might arise, with the result that these indemnities may have a nominal value.

Absence of Operating History as a Public Company

To operate effectively, the Company will be required to continue to implement changes in certain aspects of its business, improve and expand its management information systems and develop, manage and train management level and other employees to comply with ongoing public company requirements. Failure to take such actions, or delay in the implementation thereof, could adversely affect the Company's business, financial condition, liquidity and results of operations.

Future Sales of Common Shares by the Existing Shareholders

The Existing Shareholders collectively hold approximately 64% of the outstanding Common Shares. If one or more of the Existing Shareholders sells a substantial number of its Common Shares in the public market, the market price of the Common Shares could fall. In addition, the perception among the public that such sales may occur could also result in a reduction in the market price of the Common Shares.

Dilution and Future Sales of Common Shares

The Company may issue additional Common Shares in the future, which may dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of Common Shares, an unlimited number of first preferred shares, issuable in series, and an unlimited number of second preferred shares, issuable in series, and shareholders will have no pre-emptive rights in connection with such further issuances. The directors of the Company have the discretion to determine the provisions attaching to any series of first preferred shares and second preferred shares and the price and the terms of issue of further issuances of Common Shares. Also, additional Common Shares will be issued by the Company on the exercise of options to acquire Common Shares under the Company's share option plan and upon the vesting of restricted share units granted under the Company's restricted share unit plan.

Limited Ability to Recover From the Existing Shareholders for Breaches of Acquisition Agreements

Certain Existing Shareholders provided representations, warranties and related indemnities regarding Universal and TGF. Representations of the other Existing Shareholders are limited to themselves and title to the securities held by them. The liability of each of the Existing Shareholders under the Acquisition Agreements is limited to the amount of cash proceeds received by them pursuant to such agreements. One or more of the Existing Shareholders may have sold a large portion of its assets and may distribute all or a substantial portion of the proceeds that it receives from such sale to third parties, such as security holders (in the case of an Existing Shareholder that is not a natural person). In the event that the Company suffers any loss as a result of a breach of the representations and warranties or any other term of the Acquisition Agreements by one or more of the Existing Shareholders, the ability of the Company to recover the amount of its loss will be limited.

Unpredictability and Volatility of Common Share Price

The market price of the Common Shares could fluctuate significantly as a result of many factors, including the following: economic and stock market conditions generally, and specifically as they may impact participants in the retail natural gas industry, the retail electricity industry and the ethanol industry; the Company's earnings and results of operations and other developments affecting the Company's businesses; sales of Common Shares into the market by one or more Existing Shareholders and/or insiders; changes in financial estimates and recommendations by securities analysts following the Common Shares; earnings and other announcements by, and changes in market evaluations of, participants in the retail natural gas industry, the retail electricity industry and the ethanol industry; changes in business or regulatory conditions affecting participants in the retail natural gas industry, the retail electricity industry and the ethanol industry; trading volume of the Common Shares; additions or departures of key personnel; and competitive pricing pressures in the retail natural gas industry, the retail electricity industry and the ethanol industry.

In addition, the financial markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance of such companies. Accordingly, the market price of the Common Shares may decline even if the Company's operating results or prospects have not changed.

MATERIAL CONTRACTS

The only material contracts which the Company or a subsidiary of the Company has entered into in the past two years, other than contracts entered into in the ordinary course of business, are as follows:

(a) the Electricity Swap Agreement;

(b) the Gas Purchase Agreement;

(c) the Universal U.S. Gas Purchase Agreement;

(d) the EPC Contract;

(e) the Licence Agreement;

(f) the TGF Credit Facility;

(g) the TGF Debenture Purchase Agreement;

(h) the Escrow Agreement;

(i) the Acquisition Agreements; and

(j) the Debenture Indenture.

PROMOTERS

Gary Drummond, the Chairman and a director of the Company, and Mark Silver, the Chief Executive Officer and a director of the Company, took the initiative in founding and organizing the Company and may therefore be considered to be promoters of the Company for the purposes of applicable securities legislation. Mr. Drummond, directly or indirectly, owns or controls 6,298,099 Common Shares representing approximately 17.4 % of the issued and outstanding Common Shares and Mr. Silver, directly or indirectly, owns or controls 6,862,867 Common Shares, representing approximately 18.9% of the issued and outstanding Common Shares. Mr. Drummond received, directly or indirectly, 6,438,846 Common Shares and Mr. Silver received, directly or indirectly, 6,862,867 Common Shares in connection with the sale of shares of Universal and TGF to the Company as part of the Acquisitions. See "Directors and Officers" and "Interest of Management and Others in Material Transactions".

Mr. Drummond resides outside of Canada. Although Mr. Drummond has appointed MacLean Keith, Barristers & Solicitors as his agent for service of process in Ontario it may not be possible for investors to collect from Mr. Drummond judgments obtained in courts in Canada predicated on the civil liability provisions of securities legislation.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings material to the Company, to which the Company or any of its respective subsidiaries is a party, or of which any of their respective property is the subject matter, nor are any such proceedings known to the Company to be contemplated except for the following:

1. In early November, TGF received a formal request from the Contractor for a scope change to the Fixed Price contract for the design and construction of the Belle Plaine Facility. The claim is for approximately $30M. The Contractor subsequently filed a lien against title to the plant of approximately $41M. The claim relates primarily to process piping that exceeded the quantity of piping which the Contractor estimated would be required to build an ethanol plant having the capacity projected of the TGF Facility. Management believes that the Contractor believes that it was entitled to rely on TGF and its consultants to provide information on the quantity of piping that would be required to complete the ethanol facility and that accordingly, TGF is responsible for additional costs related to the extra piping. It is TGF's view, supported by its legal counsel that the contract was for a fixed price and accordingly the Contractor and its consultants were responsible for estimating the quantity of piping and for the cost of any overruns resulting from their inaccurate estimation. To date, TGF is unaware of a legal action having been commenced by the Contractor but expects that one will be commenced in the near future. TGF believes that it has a claim against the Contractor for damages caused by the Contractor's failure to deliver the facility in a timely manner, and that claim will be asserted in any legal proceedings between the parties. While the Company, based on advice from its counsel, is confident in its position, there can be no guaranty of success should the issues be litigated.

2. There is an ongoing investigation into Universal US which was initiated by the Michigan Public Service Commission in 2008. Written and oral discoveries are now taking place and a formal hearing before the Public Service Commission is likely to be held in May, 2009. If Universal US is found guilty, the sanctions against it could include financial penalties and/or suspension or revocation of its licence to market natural gas in Michigan. Based on counsel's advice, Management believes that suspension or revocation of Universal US's licence is unlikely. The main issues that will be considered in the proceedings are:

(a) the "complaint" ratio experience of Universal US compared to other Alternative Gas Suppliers in Michigan;

(b) whether Staff has the mandate to restrict the terms upon which Universal US markets natural gas in Michigan including those relating to the length of contract and termination fees where the customer wishes to terminate prior to maturity; and

(c) a possible tariff violation based on Public Service Commission Staff's interpretation of tariff because Universal US did not send out written confirmation to customers of their enrolment with Universal US in a timely manner; Universal US disputes Staff's interpretation of the relevant tariff provisions.

INTERESTS OF EXPERTS

Name of Experts

The only person or company who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by us during, or relating to, our most recently completed financial year, and whose profession or business gives authority to the statement, report or valuation made by the person or company, is KPMG LLP, Chartered Accountants, our independent auditors. KPMG LLP, Chartered Accountants, have performed the external audit of our consolidated financial statements for the fiscal year ended September 30, 2008.

Interests of Experts

KPMG LLP are independent of our company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. Neither KPMG LLP nor any "designated professional" of KPMG LLP (including any director, officer or employee) is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares and the Convertible Debentures is Computershare Investor Services Inc. at its principal offices located in Toronto, Ontario.

ADDITIONAL INFORMATION

Additional information, including our directors' and officers' remuneration and indebtedness, principal holders of our securities and our securities authorized for issuance under equity compensation plans is contained in our information circular for our annual meeting of shareholders. Additional financial information is also provided in our consolidated financial statements and management's discussion and analysis for the financial year ended September 30, 2008.

Additional information relating to us including the materials listed in the preceding paragraph may be found on SEDAR at www.sedar.com or through our website at www.universalenergygroup.ca.

SCHEDULE "A"
UNIVERSAL ENERGY GROUP
AMENDED AUDIT COMMITTEE
MANDATE AND TERMS OF REFERENCE

The board of directors (**Board**) of Universal Energy Group Ltd. (**Company**) is responsible to supervise the management of the business and affairs of the Company. Senior management is responsible to manage the business and affairs of the Company within the strategic direction approved by the Board.

The Audit Committee (**Committee**) of the Board has the oversight responsibility and specific duties described below and shall comply with the requirements of applicable laws.

COMPOSITION

The Committee will be comprised of at least three directors. All Committee members will be independent for Audit Committee service under the Standards for Director Independence (**Independence Standards**) adopted by the Board and applicable law.

All Committee members will be "financially literate" under the definition set out in applicable law.

Committee members will be appointed and removed by the Board. The Committee Chair will be appointed by the Board.

RESPONSIBILITIES

The Committee's primary purpose is to assist the Board in fulfilling its oversight responsibilities with respect to (i) the integrity of annual and quarterly financial statements to be provided to the Company's shareholders and regulatory bodies; (ii) compliance with accounting and finance based legal and regulatory requirements; (iii) the external auditor's qualifications, independence and compensation, and communicating with the external auditor; (iv) the system of internal accounting and financial reporting controls that Management has established; (v) performance of the external audit process and of the external auditor.

SPECIFIC DUTIES

The Committee will:

Audit Leadership

1. Have a clear understanding with the external auditor that it must maintain an open and transparent relationship with the Committee, and that the ultimate accountability of the external auditor is to the Committee, as representatives of the shareholders of the Company.

2. Provide an avenue for communication between each of the external auditor, financial and senior Management and the Board, and the Committee has the authority to communicate directly with the external auditors.

Auditor Qualifications and Selection

3. Subject to required shareholder approval of the appointment of auditors of the Company, be solely responsible for recommending to the Board: (i) the external auditor of the Company for the purpose of preparing or issuing an auditor's report or performing other audit review or attest services for the Company; and, (ii) the compensation of the external auditor of the Company. The Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit review or attest services for the Company, including the resolution of disagreements between Management and the external auditor regarding financial reporting. In all circumstances the external auditor reports directly to the Committee. The external auditor will be a "Public Accounting Firm" and a "Participating Audit Firm" as defined under applicable law, must be in compliance with any restrictions or sanctions imposed by the Canadian Public Accountability Board or its successor. The Committee is entitled to adequate funding to compensate the external auditor for completing an audit and audit report or performing other audit, review or attest services.

4. Evaluate the external auditor's qualifications, performance and independence. As part of that evaluation, at least annually, review a report by the external auditor describing: the firm's (auditor's) internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more external audits carried out by the firm, and any steps taken to deal with any such issues; and, (to assess the auditor's independence) all relationships between the external auditor and the Company. Take all reasonable steps to ensure that the external auditor does not provide non-audit services that would disqualify it as independent under applicable law.

5. Review the experience and qualifications of the senior members of the external audit team and the quality control procedures of the external auditor. Ensure that the lead audit partner of the external auditor is replaced periodically, according to applicable law. Take all reasonable steps to ensure continuing independence of the external audit firm. Present the Committee's conclusions on auditor independence to the Board.

6. Review and approve policies for the Company's hiring of senior employees and former employees of the external auditor who were engaged on the Company's account to the Board for consideration.

Process

7. Pre-approve all audit services (which may include consent and comfort letters in connection with securities offerings). Pre-approve and disclose, as required, the retention of the external auditor for non-audit services to be provided to the Company or any of its subsidiaries permitted under applicable law. In the discretion of the Committee, annually delegate to one or more of its members the authority to grant pre-approvals provided that those pre-approvals are presented in writing to the Committee at the next regularly scheduled meeting.

8. Meet with the external auditor prior to the audit to review the scope and general extent of the external auditor's annual audit including (i) the planning and staffing of the audit; and, (ii) an explanation from the external auditor of the factors considered in determining the audit scope, including the major risk factors.

9. Require the external auditor to provide a timely report setting out (i) all critical accounting policies, significant accounting judgments and practices to be used; (ii) alternative treatments of financial information within Generally Accepted Accounting Principles (**GAAP**) that have been discussed with Management; and, (iii) other material written communications between the external auditor and Management.

10. Take reasonable steps to ensure that officers and directors or persons acting under their direction are aware that they are prohibited from coercing, manipulating, misleading or fraudulently influencing the external auditor when the person knew or should have known that the action could result in rendering the financial statements materially misleading.

11. Upon completion of the annual audit, review the following with Management and the external auditor:

    (a) The annual financial statements, including related notes and the Management's Discussion and Analysis of Financial Condition and Results of Operations (**MD&A**) of the Company for filing with applicable securities regulators and provision to the shareholders of the Company, as required, as well as all annual earnings press releases before their public disclosure.

    (b) The significant estimates and judgements and reporting principles, practices and procedures applied by the Company in preparing its financial statements, including any newly adopted accounting policies and the reasons for their adoption.

    (c) The results of the audit of the financial statements and whether any limitations were placed on the scope or nature of the audit procedures.

    (d) Significant changes to the audit plan, if any, and any serious disputes or difficulties with Management encountered during the audit, including any problems or disagreements with Management which, if not satisfactorily resolved, would have caused the external auditor to issue a non-standard report on the financial statements of the Company.

(e) The cooperation received by the external auditor during its audit, including access to all requested records, data and information.

(f) Any other matters not described above that are required to be communicated by the independent auditor to the Committee pursuant to CICA Handbook Section 5751 – "Communications With Those Having Oversight Responsibility For the Financial Reporting Process".

Financial Statements and Disclosure

12. At least annually, as part of the review of the annual financial statements, receive an oral report from the Company's counsel concerning legal and regulatory matters that may have a material impact on the financial statements.

13. Based on discussions with Management and the external auditor, in the Committee's discretion, recommend to the Board whether the annual financial statements and MD&A of the Company, together with any annual earnings press releases should be approved for filing with applicable securities regulators and provision to the Company's shareholders, as required, prior to their disclosure.

14. Review the general types and presentation format of information that it is appropriate for the Company to disclose in earnings news releases or other earnings guidance provided to analysts and rating agencies.

15. Review with Management and the external auditor the quarterly financial statements and MD&A and quarterly earnings releases prior to their release and recommend to the Board for consideration the quarterly results, financial statements, MD&A and news releases prior to filing them with or furnishing them to the applicable securities regulators and prior to any public announcement of financial results for the periods covered, including a written report of the results of the external auditor's reviews of the quarterly financial statements, significant adjustments, new accounting policies, any disagreements between the external auditor and Management and the impact on the financial statements of significant events, transactions or changes in accounting principles or estimates that potentially affect the quality of financial reporting.

Internal Control Supervision

16. As required by applicable law, review with Management and the external auditor the Company's internal controls over financial reporting, any significant deficiencies or material weaknesses in their design or operation, any proposed major changes to them and any fraud involving Management or other employees who have a significant role in the Company's internal controls over financial reporting.

17. Review with Management, the Chief Financial Officer and the external auditor the methods used to establish and monitor the Company's policies with respect to unethical or illegal activities by employees that may have a material impact on the financial statements.

18. Meet with Management and the external auditor to discuss any relevant significant recommendations that the external auditor may have, particularly those characterized as "material" or "serious". (Typically, such recommendations will be presented by the external auditor in the form of a Letter of Comments and Recommendations to the Committee.) Review responses of Management to the Letter of Comments and Recommendations from the external auditor and receive follow-up reports on action taken concerning the recommendations.

19. Review with Management and the external auditor any correspondence with regulators or government agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies of the Company (as required).

20. Review with Management and the external auditor any off-balance sheet financing mechanisms, transactions or obligations of the Company.

21. Review with Management and the external auditor any material related party transactions.

22. Review with the external auditor the quality of the Company's accounting personnel. Review with Management the responsiveness of the external auditor to the needs of the Company.

Financial Management

23. If applicable, periodically review and, in the Committee's discretion, recommend changes to the Company's dividend policy to the Board for consideration.

24. Review proposed dividend or other distributions to be declared and, in the Committee's discretion, make recommendations to the Board for consideration.

Disclosure Controls and Procedures

25. Periodically assess and be satisfied with the adequacy of procedures in place for the review of public disclosure of financial information extracted or derived from the applicable financial statements (other than the annual and quarterly required filings) for the Company.

Financial Risk Management

26. Establish procedures for (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting and financial reporting controls, or auditing matters; and, (ii) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

Committee Reporting

27. Following each meeting of the Committee, report to the Board on the activities, findings and any recommendations of the Committee.

28. Report regularly to the Board and review with the Board any issues that arise with respect to the quality or integrity of the financial statements of the Company, compliance with applicable law and the performance and independence of the external auditor of the Company.

29. Annually review and approve the information regarding the Committee required to be disclosed in the Company's Annual Information Form and Committee's report for inclusion in the Proxy Circular.

30. Prepare any reports required to be prepared by the Committee under applicable law.

Committee Meetings

31. Meet at least four times annually and as many additional times as needed to carry out its duties effectively. The Committee may, on occasion and in appropriate circumstances, hold a meeting by telephone conference call.

32. Meet in separate, non-management, closed sessions with the external auditor at each regularly scheduled meeting.

33. Meet in separate, non-management, in camera sessions at each regularly scheduled meeting.

34. Meet in separate, non-management, closed sessions with any other internal personnel or outside advisors, as needed or appropriate.

Committee Governance

35. From time to time as the Compensation and Governance Committee (**CG Committee**) decides, receive for consideration that Committee's evaluation of this Mandate and any recommended changes. Review and assess the CG Committee's recommended changes and make recommendations to the Board for consideration.

Advisors / Resources

36. Have the sole authority to retain, oversee, compensate and terminate independent advisors to assist the Committee in its activities.

37. Receive adequate funding for independent advisors and ordinary administrative expenses that are needed or appropriate for the Committee to carry out its duties.

Other

38. With the CG Committee, the Board and the Board Chair, respond to potential conflict of interest situations, as required.

39. Carry out any other appropriate duties and responsibilities assigned by the Board.

40. To honour the spirit and intent of applicable law as it evolves, authority to make minor technical amendments to this Mandate is delegated to the Secretary, who will report any amendments to the CG Committee at its next meeting.

Approved: December 11, 2008