

# **BAYTEX ENERGY TRUST**

## **Notice of Annual and Special Meeting of Unitholders to be held on Tuesday, May 20, 2008**

The annual and special meeting of the unitholders of Baytex Energy Trust will be held in the Devonian Room of the Calgary Petroleum Club, 319 - 5<sup>th</sup> Avenue, S.W., Calgary, Alberta on Tuesday, May 20, 2008 at 3:00 p.m. (Calgary time) to:

1. receive and consider our financial statements for the year ended December 31, 2007, together with the report of the auditors;
2. fix the number of directors of Baytex Energy Ltd. to be elected at the meeting at seven members;
3. select seven directors of Baytex Energy Ltd.;
4. appoint the auditors and to authorize the directors to fix their remuneration as such;
5. approve with or without variation, a special resolution to make certain amendments to our trust indenture; and
6. transact such other business as may properly be brought before the meeting or any adjournment thereof.

The specific details of the matters proposed to be put before the meeting are set forth in the information circular - proxy statement accompanying this notice.

If you are unable to attend the meeting in person, we request that you date and sign the enclosed form of proxy and mail it to or deposit it with Valiant Trust Company, Suite 310, 606 – 4<sup>th</sup> Street SW, Calgary, Alberta T2P 1T1. In order to be valid and acted upon at the meeting, forms of proxy must be returned to the aforesaid address not less than 48 hours before the time for holding the meeting or any adjournment thereof.

Only unitholders of record at the close of business on April 3, 2008 will be entitled to vote at the meeting, unless that unitholder has transferred any trust units subsequent to that date and the transferee unitholder, not later than ten days before the meeting, establishes ownership of the trust units and demands that the transferee's name be included on the list of unitholders.

DATED at Calgary, Alberta this 3<sup>rd</sup> day of April, 2008.

By order of the Board of Directors of  
Baytex Energy Ltd.

(signed) Shannon M. Gangl  
Corporate Secretary

# BAYTEX ENERGY TRUST

## Information Circular - Proxy Statement for the Annual and Special Meeting to be held on May 20, 2008

### SOLICITATION OF PROXIES

This information circular – proxy statement is furnished in connection with the solicitation of proxies for use at the annual and special meeting of the unitholders of Baytex Energy Trust to be held at 3:00 p.m. (Calgary time) on Tuesday, **May 20, 2008** in the Devonian Room of the Calgary Petroleum Club, located at 319 - 5<sup>th</sup> Avenue, S.W., Calgary, Alberta and at any adjournment thereof.

We have two outstanding types of securities that entitle holders to vote generally at meetings of unitholders, being trust units and special voting units. Each trust unit outstanding on April 3, 2008 is entitled to one vote. A single special voting unit was issued to Valiant Trust Company as trustee under a voting and exchange trust agreement for the benefit of holders of exchangeable shares issued by our subsidiary, Baytex Energy Ltd. ("**Baytex**") in connection with a plan of arrangement which was effective September 2, 2003. The trust units and the special voting unit vote together as a single class on all matters. Each trust unit is entitled to one vote and each special voting unit is entitled to one vote for each exchangeable share outstanding. Valiant Trust Company is required to vote the special voting unit in the manner that holders of exchangeable shares instruct, and to abstain from voting on the exchangeable shares for which Valiant Trust Company does not receive instructions. The procedures for holders of exchangeable shares to instruct Valiant Trust Company about voting at the meeting are explained in the "*Voting Direction for Holders of Exchangeable Shares*" that has been provided to holders of exchangeable shares together with this information circular – proxy statement. See "*Voting by Holders of Exchangeable Shares*" below.

Forms of proxy must be addressed to and reach Valiant Trust Company, Suite 310, 606 - 4<sup>th</sup> Street S.W., Calgary, Alberta T2P 1T1, not less than 48 hours before the time for holding the meeting or any adjournment thereof. Only unitholders of record at the close of business on April 3, 2008 will be entitled to vote at the meeting, unless that unitholder has transferred any trust units subsequent to that date and the transferee unitholder, not later than ten days before the meeting, establishes ownership of the trust units and demands that the transferee's name be included on the list of unitholders.

The instrument appointing a proxy must be in writing and must be executed by you or your attorney authorized in writing or, if you are a corporation, under your corporate seal or by a duly authorized officer or attorney of the corporation.

**The persons named in the enclosed form of proxy are officers of Baytex. As a unitholder you have the right to appoint a person, who need not be a unitholder, to represent you at the meeting. To exercise this right you should insert the name of the desired representative in the blank space provided on the form of proxy and strike out the other names or submit another appropriate proxy.**

### ADVICE TO BENEFICIAL HOLDERS OF TRUST UNITS

The information set forth in this section is of significant importance to you if you do not hold your trust units in your own name. Only proxies deposited by unitholders whose names appear on our records as the registered holders of trust units can be recognized and acted upon at the meeting. If trust units are listed in your account statement provided by your broker, then in almost all cases those trust units will not be registered in your name on our records. Such trust units will likely be registered under the name of your broker or an agent of that broker. In Canada, the vast majority of such trust units are registered under the name of CDS & Co., the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms. Trust units held by your broker or their nominee can only be voted upon your instructions. Without specific instructions, your broker or their nominee is prohibited from voting your trust units.

Applicable regulatory policy requires your broker to seek voting instructions from you in advance of the meeting. Every broker has its own mailing procedures and provides its own return instructions, which you should carefully follow in order to ensure that your units are voted at the meeting. Often, the form of proxy supplied by your broker is identical to the form of proxy provided to registered unitholders. However, its purpose is limited to instructing the registered unitholder how to vote on your behalf. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge mails a scannable voting instruction form in lieu of the form of proxy. You are asked to complete and return the voting instruction form to them by mail or facsimile. Alternately, you can call their toll-free telephone number to vote your trust units. They then tabulate the results of all instructions received and provide appropriate instructions respecting the voting of trust units to be represented at the meeting. If you receive a voting instruction form from Broadridge it cannot be used as a proxy to vote trust units directly at the meeting as the proxy must be returned to Broadridge well in advance of the meeting in order to have the trust units voted.

The foregoing discussion similarly applies to holders of exchangeable shares who do not hold their exchangeable shares in their own name. Only holders of exchangeable shares whose name appears on the records of Baytex as the registered holders of exchangeable shares are entitled to instruct Valiant Trust Company as to how they exercise votings rights in respect of their exchangeable shares at the meeting.

### **REVOCABILITY OF PROXY**

You may revoke your proxy at any time prior to a vote. If you or the person you give your proxy attends personally at the meeting, you or such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by you or your attorney authorized in writing or, if you are a corporation, under your corporate seal or by a duly authorized officer or attorney of the corporation. To be effective the instrument in writing must be deposited either at our head office at any time up to and including the last business day before the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of the meeting on the day of the meeting, or any adjournment thereof.

A holder of exchangeable shares who has submitted a voting direction may revoke it at any time prior to the meeting. In addition to revocation in any other matter permitted by law, a voting direction may be revoked by instrument in writing executed by the holder of exchangeable shares or his attorney authorized in writing or, if the holder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized and deposited at the office of Valiant Trust Company set forth in the form of voting direction at any time up to and including the last business day proceeding the day of the meeting, or any adjournment thereof, at which the voting direction is to be acted upon, or with a representative of Valiant Trust Company in attendance at the meeting on the day of the meeting or any adjournment thereof, and upon either of such deposits, the voting direction is revoked.

### **PERSONS MAKING THE SOLICITATION**

**This solicitation is made on behalf of our management.** We will bear the costs incurred in the preparation and mailing of the form of proxy, notice of annual and special meeting and this information circular – proxy statement. In addition to mailing forms of proxy, proxies may be solicited by personal interviews, or by other means of communication, by our directors, officers and employees who will not be remunerated therefor.

### EXERCISE OF DISCRETION BY PROXY

The trust units represented by proxy in favour of management nominees will be voted on any poll at the meeting. Where you specify a choice with respect to any matter to be acted upon the trust units will be voted on any poll in accordance with the specification so made. **If you do not provide instructions, your trust units will be voted in favour of the matters to be acted upon as set out herein. The persons appointed under the form of proxy which we have furnished are conferred with discretionary authority with respect to amendments or variations of those matters specified in the form of proxy and notice of annual and special meeting and with respect to any other matters which may properly be brought before the meeting or any adjournment thereof. At the time of printing this information circular – proxy statement, we know of no such amendment, variation or other matter.**

### VOTING BY HOLDERS OF EXCHANGEABLE SHARES

Valiant Trust Company holds one special voting unit which is entitled to a number of votes at the meeting equal to the aggregate number of outstanding exchangeable shares. Each holder of exchangeable shares is entitled to give Valiant Trust Company voting instructions for a number of votes equal to the number of that holder's exchangeable shares. A voting direction is the means by which holders of exchangeable shares authorize the voting of their voting rights at the meeting. Valiant Trust Company will exercise each vote only as directed on the voting direction. In the absence of your instructions to vote, Valiant Trust Company will not exercise your votes. You may also instruct Valiant Trust Company to give a proxy entitling your designee to vote personally the relevant number of votes or to grant to our management a proxy to vote those votes. The procedures for holders of exchangeable shares to instruct Valiant Trust Company about voting at the meeting are explained in the "*Voting Direction for Holders of Exchangeable Shares*" that has been provided to holders of exchangeable shares with this information circular – proxy statement.

### VOTING UNITS AND PRINCIPAL HOLDERS THEREOF

We are authorized to issue an unlimited number of trust units and an unlimited number of special voting units without nominal or par value. As at March 31, 2008, there were 85,776,757 trust units issued and outstanding. As at March 31, 2008, one special voting unit has been issued to Valiant Trust Company. The special voting unit is entitled to one vote for each exchangeable share outstanding. As at March 31, 2008, there were 1,562,140 exchangeable shares issued and outstanding. At the meeting, upon a show of hands, every unitholder present in person or represented by proxy and entitled to vote shall have one vote. On a poll or ballot, every unitholder present in person or by proxy has one vote for each trust unit of which such unitholder is the registered holder.

When any trust unit is held jointly by several persons, any one of them may vote at the meeting in person or by proxy in respect of such trust unit, but if more than one of them are present at the meeting in person or by proxy, and such joint owners of the proxy so present disagree as to any vote to be cast, the joint owner present or represented whose name appears first in the register of unitholders maintained by Valiant Trust Company is entitled to cast such vote.

As at March 31, 2008, our directors and officers, as a group, beneficially owned, or controlled or directed, directly or indirectly, 883,329 trust units or approximately 1.03% of the issued and outstanding trust units and 455,129 exchangeable shares or approximately 29.13% of the issued and outstanding exchangeable shares (which are convertible as of March 31, 2008 into 785,848 trust units) or approximately 1.89% of the votes entitled to be cast at the meeting. To the knowledge of our directors and officers, as at March 31, 2008 no person or company, beneficially owned, or controlled or directed, directly or indirectly, trust units or exchangeable shares entitled to more than 10% of the votes which may be cast at the meeting.

### **QUORUM FOR MEETING**

At the meeting, a quorum shall consist of two or more persons either present in person or represented by proxy and representing in the aggregate not less than five percent of the outstanding trust units. If a quorum is not present at the meeting within one half hour after the time fixed for the holding of the meeting, it shall stand adjourned to such day being not less than fourteen (14) days later and to such place and time as may be determined by the Chairman of the meeting. At such meeting, the unitholders present either personally or by proxy shall form a quorum.

### **APPROVAL REQUIREMENTS**

All of the matters to be considered at the meeting are ordinary resolutions requiring approval by more than fifty percent of the votes cast in respect of the resolution by or on behalf of unitholders present, other than the resolution approving certain amendments to our trust indenture, which must be approved by at least two-thirds of the votes cast in respect of the resolution by or on behalf of unitholders present.

### **MATTERS TO BE ACTED UPON AT THE MEETING**

#### **Election of Directors of Baytex**

The articles of Baytex provide for a minimum of three directors and a maximum of eleven directors. There are currently six directors on our Board ("**Board**"). Our Board has determined to set the number of directors at seven (7) members. Unitholders are entitled to elect all seven (7) of the members of the Board of Baytex by a vote of unitholders at a meeting of unitholders held in accordance with our trust indenture. Following such meeting Valiant Trust Company shall elect the individuals so elected by the unitholders to the Board of Baytex.

The seven (7) nominees for election as directors of Baytex are as follows:

Edward Chwyl	John A. Brussa
Raymond T. Chan	Naveen Dargan
R.E.T. (Rusty) Goepel	Gregory K. Melchin
Dale O. Shwed	

In the event that a vacancy among such nominees occurs because of death or for any reason prior to the meeting, the proxy shall not be voted with respect to such vacancy.

The following information relating to the nominees as directors is based partly on our records and partly on information received by us from the nominees, and sets forth the names, ages and cities of residence of all persons proposed to be nominated for election as our directors, their committee memberships, the date on which each became a director of us (or a predecessor of us), the present occupations and brief biographies of such persons, and the number of our securities beneficially owned, or controlled or directed, directly or indirectly by each and the number of trust unit incentive rights held as at as at March 31, 2008.

Nominee for Election as Director	Age	Director Since	Trust Units/Exchangeable Shares Owned, Controlled or Directed		Trust Unit Incentive Rights		Total Market Value of Trust Units, Exchangeable Shares and Trust Unit Incentive Rights <sup>(1)</sup> (\$)	
			March 2008	March 2007	March 2008	March 2007	March 2008	March 2007
<b>Edward Chwyl</b> Victoria, B.C.	64	2003	70,000/ Nil	25,000/ Nil	66,000	93,000	2,175,310	1,613,350
Member of: - Reserves Committee - Compensation Committee - Governance Committee	Mr. Chwyl is our Chairman. Mr. Chwyl holds a Bachelor of Science degree in Chemical Engineering and a Master of Science degree in Petroleum Engineering. He is a retired businessman with over thirty five years experience in the oil and gas industry in North America, most notably as President and Chief Executive Officer of Tarragon Oil & Gas Limited from 1989 to 1998. Prior thereto he held various technical and executive positions within the oil and gas industry in Canada and the United States.							
<b>John A. Brussa</b> Calgary, AB	51	1997	148,320/ Nil	148,320/ Nil	74,000	62,000	4,396,470	3,833,704
Member of: - Reserves Committee - Compensation Committee - Governance Committee	Mr. Brussa holds a Bachelor of Arts degree in History and Economics and a Bachelor of Laws degree. He has been a partner in the Calgary based energy law firm of Burnet, Duckworth & Palmer LLP since 1987, specializing in the area of taxation. He is also a director of a number of energy and energy related trusts and companies. Mr. Brussa is a past governor of the Canadian Tax Foundation.							
<b>Raymond T. Chan</b> Calgary, AB	52	1998	360,997/ Nil	301,397/ Nil	570,000	620,000	13,299,512	12,574,067
	Mr. Chan holds a Bachelor of Commerce degree and is a Chartered Accountant. He has been Chief Executive Officer and a Director of Baytex Energy Ltd since November 2007. Prior thereto he was President, Chief Executive Officer and a Director of Baytex since September 2003. Prior thereto he was Senior Vice President and Chief Financial Officer and a Director of Baytex Energy Ltd since October 1998. He has held senior executive positions in the Canadian oil industry since 1982, including Chief Financial Officer positions at Tarragon Oil & Gas Limited, American Eagle Petroleum Ltd. and Gane Energy Corporation.							
<b>Naveen Dargan</b> Calgary, AB	50	2003	75,000/ Nil	25,000/ Nil	44,000	62,000	2,095,640	1,250,150
Member of: - Audit Committee - Compensation Committee - Governance Committee	Mr. Dargan holds a Master of Business Administration degree and a Chartered Business Valuator designation. He has been an independent businessman since June 2003. Prior thereto he worked for over 20 years in the investment banking business, finishing his investment banking career as Senior Managing Director and Head of Energy Investment banking for Raymond James Ltd.							
<b>R.E.T. (Rusty) Goepel</b> Vancouver, B.C.	65	2005	23,000/ Nil	23,000/ Nil	64,000	52,000	1,215,310	922,250
Member of: - Audit Committee	Mr. Goepel holds a Bachelor of Commerce (Honours) degree. He is currently Senior Vice President for Raymond James Ltd. He commenced his career in investment banking in 1968 and was President and co-founder of Goepel Shields & Partners which later became Goepel McDermid Ltd., and was acquired by Raymond James Ltd. in 2001.							
<b>Gregory K. Melchin</b> Calgary, AB	54	Nominee	Nil/ Nil	N/A	Nil	N/A	Nil	N/A
	Mr. Melchin holds a Bachelor of Science degree (major in accounting) and a Fellow Chartered Accountant designation from the Institute of Chartered Accountants of Alberta. He has also completed the Directors Education Program with the Institute of Corporate Directors. Mr. Melchin was a member of the Legislative Assembly of Alberta from 1997 to March 2008. Among his various assignments with the Government of Alberta, he was Minister of Seniors and Community Supports from December 2006 to March 2008, Minister of Energy from November 2004 to December 2006 and Minister of Revenue from March 2001 to November 2004. Prior to being elected to the Legislative Assembly of Alberta, he served in various management positions for 20 years in the Calgary business community.							

Nominee for Election as Director	Age	Director Since	Trust Units/Exchangeable Shares Owned, Controlled or Directed		Trust Unit Incentive Rights		Total Market Value of Trust Units, Exchangeable Shares and Trust Unit Incentive Rights <sup>(1)</sup> (\$)	
			March 2008	March 2007	March 2008	March 2007	March 2008	March 2007
			<b>Dale O. Shwed</b> Calgary, AB	49	1993	154,330/ 455,129	124,330/ 455,129	44,000

Member of:  
- Audit Committee  
- Reserves Committee

Mr. Shwed holds a Bachelor of Science degree specializing in Geology. He is currently President and Chief Executive Officer of Crew Energy Inc. Prior thereto he was President and Chief Executive Officer of Baytex Energy Ltd. from 1993 to 2003. He commenced his career in the oil and gas industry in 1980.

Note:

- (1) The "Total Market Value of Trust Units, Exchangeable Shares and Trust Unit Incentive Rights" was determined by multiplying the number of Trust Units, the number of Trust Units issuable upon the exchange of the Exchangeable Shares and the number of Trust Units issuable upon exercise of the Trust Unit Incentive Rights (regardless of vesting and adjusted for the exercise price) held by each nominee as of March 31, 2008 and as of March 29, 2007 by the closing price of the Trust Units on the Toronto Stock Exchange on each such date (\$22.78 and \$20.95, respectively).

#### ***Additional Disclosure Relating to Proposed Directors***

To the knowledge of our directors and executive officers, none of our proposed directors is, as of the date hereof, or was within ten years before the date hereof, a director, chief executive officer or chief financial officer of any company (including us), that was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "Order") that was issued while the director was acting in the capacity as director, chief executive officer or chief financial officer or was subject to an Order that was issued after the director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer. None of our proposed directors is, as of the date hereof, or has been within the ten years before the date hereof, a director or executive officer of any company (including us) that, while that person was acting in that 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 or has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder, other than Mr. Shwed who was a director of Echelon Energy Inc., a private company incorporated under the *Business Corporations Act* (Alberta) which had a receiver manager appointed over its assets in September of 1999 and Mr. Brussa who was a director of Imperial Metals Limited, a corporation engaged in both oil and gas and mining operations, in the year prior to that corporation implementing a plan of arrangement under the *Company Act* (British Columbia) and under the *Companies' Creditors Arrangement Act* (Canada) which resulted in the separation of its two businesses and the creation of two public corporations: Imperial Metals Corporation and IEI Energy Inc. (now Rider Resources Ltd.). The plan of arrangement was completed in April 2002.

In addition, none of our proposed directors has been subject to 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 any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making investment decisions.

### **Appointment of Auditors**

Our trust indenture provides that our auditors will be selected at each annual meeting of unitholders. Accordingly, management is soliciting proxies, in the accompanying form of proxy, in favour of the appointment of the firm of Deloitte & Touche LLP, Chartered Accountants, as our auditors, to hold office until the next annual meeting of the unitholders and to authorize the directors of Baytex to fix their remuneration as such. Deloitte & Touche LLP have been our auditors since inception.

Fees accrued to our auditors, Deloitte & Touche LLP, for services rendered for the fiscal year 2007 are as follows: (i) for audit and related services \$851,000; (ii) for tax planning and compliance \$5,000 and (iii) \$133,000 for other consulting services.

### **Approval of Amendments to the Trust Indenture**

Effective April 2, 2008, our Board unanimously approved, subject to unitholder approval, certain amendments to our trust indenture. Pursuant to the terms of the trust indenture, material amendments are required to be approved by special resolution of the unitholders. As a result, at the meeting, a special resolution approving the following amendments to the trust indenture will be placed before the unitholders. A copy of our trust indenture has been filed on SEDAR and may be viewed at SEDAR at [www.sedar.com](http://www.sedar.com).

The following is a summary of the amendments to be considered at the meeting.

#### *Non-Resident Holders*

The *Income Tax Act* (Canada) (the "**Tax Act**") provides that where it can be reasonably considered that a trust is maintained primarily for the benefit for non-residents, it will lose its mutual fund trust status unless at that time, all or substantially all of its property consisted of property other than "taxable Canadian property" as that term is defined in the Tax Act and modified for this provision (the "**TCP Exception**"). Our trust indenture currently provides that if our transfer agent or Baytex becomes aware that the beneficial owners of 49 percent or more of the trust units then outstanding are, or may be, non-residents or that such a situation is imminent, our transfer agent or Baytex (as applicable) will advise the trustee and the trustee may, or upon receiving a direction from the trustee the transfer agent may, make a public announcement thereof and neither the trustee nor the transfer agent shall accept a subscription for trust units from or issue or register a transfer of trust units to a person unless the person provides a declaration, in form and content satisfactory to the trustee or the transfer agent, that the person is not a non-resident of Canada. If, notwithstanding the foregoing, the trustee or transfer agent determines that 49 percent or more of the trust units are held by non-residents, the trustee may, or the transfer agent may upon receiving a direction from the trustee and suitable indemnity from us, send a notice to non-resident holders of trust units, as applicable, chosen in inverse order to the order of acquisition or registration or in such other manner as the trustee or transfer agent (as the case may be) may consider equitable and practicable, requiring such non-resident holders to sell their trust units or a specified portion thereof within a specified period of not less than 60 days. If the unitholders receiving such notice have not sold the specified number of trust units or provided the trustee with satisfactory evidence that they are not non-residents of Canada within such period, the trustee (or the transfer agent on the direction of the trustee) may on behalf of such unitholders sell such trust units and, in the interim, shall suspend the voting and distribution rights attached to such trust units. Upon such sale the unitholders thereby affected shall cease to be holders of the relevant trust units and their rights shall be limited to receiving the net proceeds of sale of such trust units upon surrender of the certificates representing such trust units. Notwithstanding the foregoing, the trustee, upon direction of Baytex, may take such action as is deemed necessary to ensure compliance with the Tax Act.

We are structured in such a way so as to continually meet the TCP Exception and, therefore, the level of non-resident ownership is not relevant. Therefore it may be advisable to make a change to this provision of the trust indenture to allow for more flexibility with respect to non-resident ownership. The proposed revisions to the trust indenture as set forth below eliminate the reference to the 49% non-resident ownership threshold and instead provide us or management of Baytex with the ability to take steps to ensure our maintenance as a unit trust and a mutual fund trust for the purposes of the Tax Act.



*Quarterly and Annual Reporting to Unitholders*

The trust indenture currently provides that the trustee will mail quarterly and annual financial statements to all unitholders. Applicable securities laws no longer require that quarterly and annual financial statements be mailed to all unitholders. Therefore we are proposing to amend Sections 16.2 and 16.3 of the trust indenture such that quarterly and annual financial statements need only be mailed to such unitholders as required by applicable securities laws. In addition, Sections 16.2 and 16.3 of the trust indenture will be amended such that quarterly and annual financial statements need only be mailed within the time frame allowable by applicable securities laws. These proposed amendments are set forth in the resolution set forth below.

*Electronic Delivery of Documents*

In addition to the above proposed amendments, the trust indenture has been amended to include a new section to allow that any document or instrument permitted or required to be delivered to unitholders can be delivered by electronic means in accordance with the requirements of applicable laws and as permitted by such laws.

The following special resolution will be presented at the meeting:

**"BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:**

1. The Second Amended and Restated Trust Indenture of Baytex Energy Trust dated December 1, 2007 (the "**Trust Indenture**") be amended substantially as follows:

*Non-Resident Ownership Constraint*

- (a) Section 3.10 of the Trust Indenture be deleted and replaced with the following:

**"3.10 Non-Resident Holders**

It is in the best interest of Unitholders that the Trust always qualify as a "mutual fund trust" under the Tax Act. Accordingly, in order to ensure the maintenance of such status:

- (a) The Administrator may, if considered appropriate by the Administrator in its sole discretion:
  - (i) prior to the completion of any transaction involving the acquisition by the Trust of any Subsequent Investment;
  - (ii) prior to any material modification to the Trust Fund other than as contemplated by paragraph (i);
  - (iii) promptly following any proposed amendment or proposed amendment to the Tax Act which impacts or could affect the Trust's status as a "mutual fund trust"; or the publication of any administrative bulletin or other notice of interpretation relating to the interpretation or application of any such section; or
  - (iv) otherwise at any time when requested by the Trustee, acting reasonably;

obtain an opinion of Counsel confirming whether the Trust is, at the date thereof and following such transaction or event (which in the case of paragraph (iii) shall mean the coming into effect of the amendment or change of interpretation), still qualifies as a "mutual fund trust" under the Tax Act.

- (b) If at any time the Board of Directors, in its sole discretion, determines or becomes aware, pursuant to Section 3.10(a) or otherwise, that the Trust's ability to continue to qualify as a "mutual fund trust" thereunder is in jeopardy, then forthwith after such determination:
  - (i) it shall be the sole responsibility of the Administrator to monitor the holdings of Trust Units by Non-Residents (as defined in the Tax Act); and
  - (ii) the Administrator shall take such steps as are necessary or desirable to ensure that the Trust is not maintained primarily for the benefit of Non-Residents or that the Trust is otherwise able to continue to qualify as a "mutual fund trust" for purposes of the Tax Act.
- (c) The Administrator may, at any time and from time to time, in its sole discretion, request that the Trustee make reasonable efforts, as practicable in the circumstances, to obtain declarations as to beneficial ownership under Section 7.12, perform residency searches of Unitholders and beneficial Unitholders mailing address lists and take such other steps specified by the Administrator, at the cost of the Trust, to determine or estimate as best as possible the residence of the beneficial owners of Trust Units.
- (d) If at any time the Board of Directors, in its sole discretion, determines that it is in the best interest of the Trust, the Administrator, notwithstanding the ability of the Trust to continue to rely on the provisions of the Tax Act for the purpose of qualifying as a "mutual fund trust" under the Tax Act, may:
  - (i) require the Trustee and the Transfer Agent to refuse to accept a subscription for Trust Units from, or issue or register a transfer of Trust Units to, a person unless the person provides a declaration to the Administrator and the Transfer Agent pursuant to Section 7.12 that the Trust Units to be issued or transferred to such person will not when issued or transferred be beneficially owned by a Non-Resident;
  - (ii) to the extent practicable in the circumstances, send a notice to registered holders of Trust Units which are beneficially owned by Non-Residents, chosen in inverse order to the order of acquisition or registration of such Trust Units beneficially owned by Non-Residents or in such other manner as the Administrator may consider equitable and practicable, requiring them to sell their Trust Units which are beneficially owned by Non-Residents or a specified portion thereof within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold the specified number of such Trust Units or provided the Administrator with satisfactory evidence that such Trust Units are not beneficially owned by Non-Residents within such period, the Administrator may, on behalf of such registered Unitholder, sell such Trust Units and, in the interim, suspend the voting and distribution rights attached to such Trust Units and make any distribution in respect of such Trust Units by depositing such amount in a separate bank account in a Canadian chartered bank (net of any applicable taxes). Any sale may be made on any stock exchange on which the Trust Units are then listed and, upon such sale, the affected holders shall cease to be holders of Trust Units so disposed of and their rights shall be limited to receiving the net proceeds of sale, and any distribution in respect thereof deposited as aforesaid, net of applicable taxes and costs of sale, upon surrender of the Certificates representing such Trust Units;

- (iii) de-list the Trust Units from any non-Canadian stock exchange; and
  - (iv) take such other actions as the Board of Directors determines, in its sole discretion, are appropriate in the circumstances that will reduce or limit the number of Trust Units held by Non-Resident Unitholders to ensure that the Trust is not maintained primarily for the benefit of Non-Residents.
- (e) None of the Trust, the Trustee or the Administrator shall have any liability for amounts received pursuant to sales of Trust Units made pursuant to Section 3.10(d)(ii). Except as specifically set out herein, none of the Trust, the Trustee or the Administrator shall be bound to do or take any proceeding or action with respect to this Section 3.10 by virtue of the powers conferred on it under this Trust Indenture. None of the Trust, the Trustee or the Administrator shall be deemed to have notice of any violation of this Section 3.10 unless and until it has been given written notice of such violation and shall be required to act only as required by this Trust Indenture and upon an indemnity satisfactory to such party being provided by the Trust. None of the Trust, the Trustee or the Corporation shall be required to actively monitor the Non-Resident holdings of the Trust. It is acknowledged that none of the Trust, the Trustee or the Administrator can monitor the Non-Resident holders of the Trust Units given that many of the Trust Units are registered in the name of depositories and other non-beneficial holders. Each of the Trustee and the Administrator are entitled to rely on participant lists, geographic breakdowns and other information received by them from the Transfer Agent in assessing the Non-Resident ownership of the Trust notwithstanding that such information may be incomplete or out-of-date.
- None of the Trust, the Trustee or the Administrator shall be liable for any violation of the Non-Resident ownership restriction in this Section 3.10 that may occur during the term of the Trust.
- (f) Notwithstanding any other provision of this Trust Indenture, Non-Resident Unitholders, whether registered holders or beneficial holders of Trust Units, shall not be entitled to vote in respect of any Special Resolutions to amend this Section 3.10, or any other provisions of this Trust Indenture relating to restrictions on Non-Resident ownership.”

*Quarterly and Annual Reporting To Unitholders*

- (a) Section 16.2 of the Trust Indenture be deleted and replaced with the following:

**"16.2 Quarterly Reporting to Unitholders**

Subject to compliance with all applicable laws, the Trustee will mail to each Unitholder (or such Unitholders as required under applicable securities laws) within 45 days (or such other period as prescribed by applicable securities laws) after March 31, June 30 and September 30 in each year, an unaudited quarterly financial statement of the Trust for the most recent calendar quarter.”;

- (b) Section 16.3 of the Trust Indenture be deleted and replaced with the following:

**"16.3 Annual Reporting to Unitholders**

Subject to compliance with all applicable laws, the Trustee will mail:

- (a) to each Unitholder (or such Unitholders as required under applicable securities laws), within 90 days (or such other period as prescribed by applicable securities laws) after the end of each year, the audited consolidated financial statements of the Trust for the most recently completed year together with the report of the Auditors thereon; and
- (b) to each person who received a distribution from the Trust during a year, within 90 days after the end of such year, the tax reporting information relating to such year as prescribed by the Tax Act."

*Electronic Delivery of Documents*

- (c) The Trust Indenture is amended to insert the following as Section 17.10:

**"17.10 Electronic Delivery of Documents**

Any document or instrument permitted or required to be delivered to any Unitholder (including a holder of Special Voting Units) may, if permitted under applicable laws, be delivered by electronic means in accordance with the requirements of such applicable laws."

2. The proper officers of Baytex Energy Ltd. ("**Baytex**"), on behalf of the Trust, be and they are hereby authorized and directed to make such amendments to the proposed Trust Indenture amendments set forth above and to the Trust Indenture, including the form of certificate for the trust units, considered necessary or desirable to give effect to the intention of the foregoing resolutions.
3. The proper officers of Baytex, on behalf of the Trust, be and they are hereby authorized and directed to execute, deliver and file all such documents, agreements, indentures, supplemental indentures and other instruments and to otherwise do and perform all such acts and things as they determine to be necessary or desirable for the implementation of this special resolution, at such times as they may determine, provided that the directors of Baytex may, in their discretion and without further approval of the unitholders, revoke and rescind this special resolution or any of the amendments to the Trust Indenture contemplated therein before it is acted upon."

In order for this special resolution to be passed, it must be approved 66 2/3% of the votes cast by unitholders who vote in person or by proxy at the meeting on such resolution. **Unless otherwise directed, the persons named in the enclosed form of proxy, if named as proxy, intend to vote for approval of this resolution.**

## **DIRECTORS AND EXECUTIVE COMPENSATION**

### **Compensation Committee**

The compensation committee of Baytex ("**Committee**") is composed of Edward Chwyl (Chairman), John A. Brussa and Naveen Dargan. Each of these directors are independent and are not eligible to participate in any of our executive compensation benefit programs but are entitled to participate in our trust unit rights incentive plan. Each of the members of the Committee currently hold trust unit rights under this plan. The Committee met twice in 2007.

### **Report on Executive Compensation**

TO: THE UNITHOLDERS OF BAYTEX ENERGY TRUST

The Committee exercises general responsibility regarding overall employee and executive compensation. It also determines the total compensation of the Chief Executive Officer of Baytex, subject to the approval of the Board. The Committee meets at least annually with the Chief Executive Officer to review other employees' salaries but direct approval of those salaries is provided by the Board annually through the approval of the general and administrative expense budget.

The Chief Executive Officer and the Committee performs a comparative compensation analysis for our senior officers and employees on an annual basis. As part of this analysis, the Chief Executive Officer and the Committee compare Baytex's compensation to industry specific and independently compiled compensation data from a nationally recognized human resources consulting firm. This analysis ensures that the compensation paid to its officers and employees is commensurate with other Canadian oil and gas companies and energy income trusts of similar size and character. In addition, the Committee reviews the compensation structure of Baytex with respect to its senior officers to ensure that Baytex is able, and continues to be able, to attract and retain qualified and experienced individuals to its team of senior officers and to motivate these individuals to perform to the best of their ability and in the best interests of Baytex Energy Trust.

In 2007, the total compensation received by the Chief Executive Officer totalled \$976,750. Since the inception of Baytex Energy Trust in September 2003 to the end of 2007, Baytex units generated an annualized total return of 28.9%, which compares favourably to an annualized total return of 20.7% for the TSX/ S&P Energy Trust Index during the same period. This total return includes capital appreciation in the value of units plus distributions, and assumes that distributions were reinvested into additional units of Baytex. Executive compensation consists of essentially three components: (1) base salary, (2) bonuses and (3) trust unit rights. The employment benefits offered are generally typical of those provided by companies in the oil and gas industry. Each of these compensation components is summarized in the following sections.

#### ***Base Salaries***

Base salaries are an important component of the overall compensation package for senior officers. It is usually the largest portion of annual cash compensation. The Committee ensures the base salaries for the Chief Executive Officer and for the other executive officers are comparable to the amounts paid to similar executive officers of companies of similar size and character in the oil and gas industry in Canada. As described above, the level of salaries relative to the industry is verified using independent and industry specific compensation data.

#### ***Bonuses***

An annual bonus may be paid, at the end of the year, based on the Committee's subjective assessment of Baytex Energy Trust's general performance and the Chief Executive Officer's and the other executive officers' contribution to performance. Also, a bonus payment may be made to adjust the total cash compensation of the Chief Executive Officer or the other executive officers, as the case may be, to account for growth in the size of Baytex during the year. In effect, growth in size by Baytex Energy Trust during the year may have altered Baytex's peer group for comparison purposes. There is generally a direct relationship between corporate size and base salary. Baytex may use a bonus payment to increase total cash compensation in line with Baytex's peer group.

***Long-Term Incentive Compensation***

Baytex's long-term incentive compensation program is achieved through the granting of trust unit rights. The Committee believes that the granting of trust unit rights serves to motivate executive officers and employees to achieve Baytex Energy Trust's strategic objectives, and to align the interests of executive officers and employees with the interests of the unitholders. Trust unit rights are granted with a five-year term and vest 33.33% annually in the first three years.

***Summary***

The Committee believes that long term unitholder value is enhanced by compensation based upon corporate performance achievements. Through the plans described above, a significant portion of the compensation for all employees, including executive officers, is based on corporate performance, as well as industry-competitive pay practices.

Submitted by the Compensation Committee:

Edward Chwyl (Chairman)  
John A. Brussa  
Naveen Dargan

## Remuneration Of Directors

Unrelated directors, other than the Chairman, receive an annual retainer of \$30,000 plus a fee of \$1,500 per meeting attended. The Chairman receives an annual retainer of \$50,000 plus a fee of \$1,500 per meeting attended. The chairman of the Audit Committee receives an additional retainer of \$20,000 per year (\$10,000 per year prior to 2007), and the chairman of all other committees receive an additional retainer of \$5,000 per year. Directors' fees are paid on a quarterly basis.

During 2007, our unrelated directors were also granted trust unit incentive rights as follows: Mr. Brussa – 12,000; Mr. Chwyl – 18,000; Mr. Dargan – 12,000; Mr. Goepel – 12,000; and Mr. Shwed – 12,000.

See "*Matters to be Acted Upon at the Meeting – Election of Directors*" for details regarding the directors current holdings of trust units, exchangeable shares and trust unit incentive rights.

## Summary Compensation Table

The following table sets forth information concerning the compensation paid to our Chief Executive Officer, Chief Financial Officer and the next three highest paid executive officers for the years ended December 31, 2007, 2006 and 2005.

Name and principal position	Fiscal year	Annual compensation			Long-term compensation			Value realized upon exercise of unit rights (\$)	All other Compensation (\$)	Total Compensation (\$)
		Salary (\$)	Bonus (\$)	Other annual compensation <sup>(1)</sup> (\$)	Awards		Payouts			
					Securities under options granted (#)	Securities subject to resale restriction (\$)	LTIP Payouts (\$)			
Raymond T. Chan Chief Executive Officer	2007	490,000	430,000	56,750	150,000	N/A	N/A	-	NIL	976,750
	2006	450,000	410,000	51,681	150,000	N/A	N/A	2,788,500	NIL	3,700,181
	2005	405,000	350,000	-	150,000	N/A	N/A	-	718,125 <sup>(3)</sup>	1,473,125
W. Derek Aylesworth <sup>(2)</sup> Chief Financial Officer	2007	275,000	200,000	-	75,000	N/A	N/A	-	NIL	475,000
	2006	235,000	180,000	-	75,000	N/A	N/A	-	NIL	415,000
	2005	37,500	30,000	-	200,000	N/A	N/A	-	NIL	67,500
Anthony W. Marino President and Chief Operating Officer	2007	360,000	300,000	-	120,000	N/A	N/A	-	NIL	660,000
	2006	330,000	250,000	-	100,000	N/A	N/A	-	NIL	580,000
	2005	300,000	240,000	-	120,000	N/A	N/A	-	NIL	540,000
Randal J. Best Senior Vice President, Corporate Development	2007	270,000	175,000	-	75,000	N/A	N/A	1,210,018	NIL	1,655,018
	2006	250,000	170,000	-	75,000	N/A	N/A	720,376	NIL	1,140,376
	2005	230,000	170,000	-	60,000	N/A	N/A	255,300	NIL	655,300
Stephen Brownridge Vice President, Heavy Oil	2007	240,000	175,000	-	65,000	N/A	N/A	845,183	NIL	1,260,183
	2006	225,000	160,000	-	65,000	N/A	N/A	1,483,020	NIL	1,868,020
	2005	185,000	125,000	-	100,000	N/A	N/A	NIL	106,900 <sup>(3)</sup>	416,900

### Notes:

- (1) Other than as noted, the value of perquisites and other personal benefits received by the named executive officers is not greater than 10% of the total salary and bonus or \$50,000 for the period.
- (2) Mr. Aylesworth became the Chief Financial Officer of Baytex in November 2005 at an annual salary of \$225,000.
- (3) Amount paid in accordance with employment retention arrangement pursuant to the plan of arrangement which was effective September 2, 2003. No further amount is payable in connection with this agreement.

### Trust Unit Rights Granted During the Year Ended December 31, 2007

The following table sets forth details with respect to all rights granted under our trust unit rights incentive plan to our Chief Executive Officer, our Chief Financial Officer and the remaining named executive officers during 2007.

Name	Securities under rights granted (#)	Percentage of total rights granted in 2007 (%)	Exercise or base price (\$/security)	Market value <sup>(1)</sup> of securities underlying rights on date of grant (\$/security)	Expiration Date
Raymond T. Chan	150,000	5.7	\$19.58	\$19.58	November 2, 2012
W. Derek Aylesworth	75,000	2.8	\$19.58	\$19.58	November 2, 2012
Anthony W. Marino	120,000	4.5	\$19.58	\$19.58	November 2, 2012
Randal J. Best	75,000	2.8	\$19.58	\$19.58	November 2, 2012
Stephen Brownridge	65,000	2.5	\$19.58	\$19.58	November 2, 2012

Note:

- (1) Pursuant to our trust unit rights incentive plan, the market value of the trust units underlying the trust unit rights on the date of grant is calculated using the volume weighted average trading price of the trust units for the five trading days prior to the date of grant.

The above rights to acquire trust units were granted pursuant to our trust unit rights incentive plan. The first 33.33% of the rights are exercisable one year from the date of grant and the remainder are exercisable at the rate of 33.33% each year thereafter. Rights expire five years after their date of grant.

### Trust Unit Rights Incentive Plan

We have a trust unit rights incentive plan pursuant to which we provide directors, officers, consultants, employees and other service providers ("**Service Providers**") of us and any of our subsidiaries, including Baytex, with an opportunity to acquire rights to acquire trust units. The maximum number of trust units that can be reserved for the issuance of rights to acquire trust units is currently limited to 10% of the aggregate number of our issued and outstanding trust units plus the number of trust units which may be issued on the exchange of all outstanding exchangeable shares (collectively, the "**Total Units**").

Rights may be granted by our Board from time to time, at its sole discretion, provided that the aggregate number of rights granted to any single holder shall not exceed 1% of the Total Units. In addition: (i) the number of trust units issuable to insiders under the plan, and any other of our security based compensation plans, can not exceed 10% of our issued and outstanding trust units; and (ii) the number of rights issued to insiders, within any one year period, under the plan, and any other of our security based compensation plans, can not exceed 10% of our issued and outstanding trust units. The number of trust units issuable pursuant to the plan to non-management directors is limited to a maximum of 1% of the total outstanding trust units. Rights granted under the plan may not be assigned or transferred by a holder thereof.

Subject to the restrictions on exercise set out in the plan, rights granted under the plan may be exercised during a period (the "**Exercise Period**") not exceeding five (5) years from the date upon which the rights were granted (the "**Grant Date**"), pursuant to vesting schedules determined by our Board in its sole discretion. Subject to extension in certain circumstances, at the expiration of the Exercise Period any rights which have not been exercised shall expire and become null and void.

The grant price (the "**Grant Price**") for any rights granted under the plan is the volume weighted average trading price of the trust units on the Toronto Stock Exchange for the five trading days prior to the Grant Date. The exercise price ("**Exercise Price**") per right will be calculated by deducting from the Grant Price all monthly distributions, on a per trust unit basis, made by us after the Grant Date where all such monthly distributions represent a return of more than 0.833% of our recorded cost of oil and natural gas properties less accumulated depreciation and depletion and any future income tax liability associated with such oil and natural gas properties at the end of that month.



Our directors may amend the plan without unitholder approval; however, the directors are not to be entitled to amend a trust unit incentive right held by an insider to lower the Exercise Price or to extend the Expiry Date. Any amendments are subject to Toronto Stock Exchange approval. Examples of amendments that would be permitted pursuant to this approval include amendments of a "housekeeping" nature, a change to the vesting provisions of a trust unit incentive right or the plan, a change to the termination provisions of a trust unit incentive right or the plan which does not entail an extension beyond the original Expiry Date or the addition of a cashless exercise feature, payable in securities or cash, which provides for a full deduction of the number of underlying securities from the plan reserve.

Upon any holder of rights ceasing to be a Service Provider for any reason whatsoever, other than the death or disability of such holder, during the Exercise Period, all rights which have not vested at such date shall terminate and become null and void, and such holder of Rights shall have until the earlier of: (a) 30 days from the date such holder ceased to be a Service Provider; or (b) the end of the Exercise Period, to exercise the portions of any outstanding Rights which have vested, and at the expiration of such 30 day period, any vested rights which have not been so exercised will terminate and become null and void. Upon the termination of any employee for cause, our Board may, in its sole discretion, determine that all vested rights which have not been exercised shall immediately terminate and become null and void. Upon the death of any individual holder of rights during the Exercise Period, all rights which have not vested at such date shall terminate and become null and void, and the executor, administrator or personal representative of such holder will have until the earlier of: (a) 6 months from the date of the death of such holder; or (b) the end of the Exercise Period, to exercise those outstanding rights which had vested as at the date of death, and at the expiration of such 6 month period, any vested rights which have not been exercised will terminate and become null and void.

Our plan contains anti-dilution provisions and provides for accelerated vesting in certain circumstances.

A copy of our trust unit rights incentive plan has been filed on SEDAR and may be viewed at SEDAR at [www.sedar.com](http://www.sedar.com).

The following table outlines the number of trust units issuable upon the exercise of outstanding rights, the weighted average exercise price of outstanding rights and the number of trust units available for future issuance under our plan as at March 31, 2008.

	<b>Number of Trust Units To Be Issued Upon Exercise Of Outstanding Rights</b>	<b>Weighted-average exercise price of outstanding rights</b>	<b>Number of available trust units available for future issuance under the plan</b>
Trust units under Trust Unit Rights Incentive Plan approved by unitholders <sup>(1)</sup>	6,916,346	\$14.97	1,931,057
Trust units under Trust Unit Rights Incentive Plan not approved by unitholders	N/A	N/A	N/A

Note:

(1) Our trust unit rights incentive plan provides for a 10% rolling maximum.

### Trust Units Rights exercises during the Year Ended December 31, 2007 and Year End Rights Values

The following table sets forth with respect to our Chief Executive Officer, our Chief Financial Officer and the remaining named executive officers, the number of rights exercised and the number of unexercised rights and the value of in-the-money rights based upon the closing price of the trust units of \$19.00 on December 31, 2007.

Name	Securities acquired on exercise (#)	Aggregate value realized (\$)	Unexercised Trust Unit Rights at year-end (#) exercisable / unexercisable	Value of unexercised in-the-money Trust Unit Rights at year-end (\$) exercisable / unexercisable
Raymond T. Chan	Nil	Nil	470,000 / 300,000	5,680,200 / 424,500
W. Derek Aylesworth	Nil	Nil	158,333 / 191,667	1,132,000 / 566,000
Anthony W. Marino	Nil	Nil	353,333 / 226,667	3,964,800 / 339,600
Randal J. Best	64,400	1,210,018	183,100 / 145,000	2,046,021 / 169,800
Steven Brownridge	57,333	845,183	100,000 / 141,667	711,371 / 283,000

### Retirement Plans

We have no retirement plans for our employees.

### Employment Contracts

Baytex has entered into an employment agreement with Mr. Chan which provides that in the event that the executive's employment with Baytex is terminated without cause or upon a change of control of Baytex as defined in the agreement, and subject to certain conditions being met, Mr. Chan may receive a payment equal to 30 months salary, a bonus consideration and other employment benefits. Baytex has also entered into change of control agreements with the other officers. The agreements provide that in the event of a change of control of Baytex as defined, and subject to certain conditions being met, the officers may receive payments equal to 24 months salary, a bonus consideration and other employment benefits.

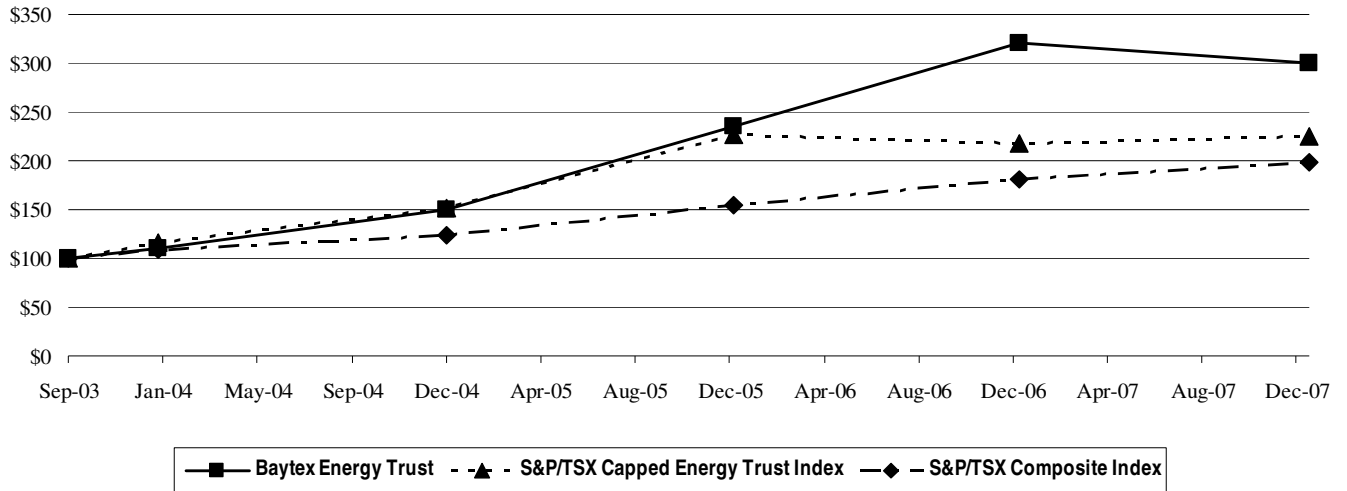
In addition, the employment agreement and change of control agreements allow for the acceleration of un-vested and unexercised trust unit rights. These rights may be exercised for a period of 30 days following the date of termination of employment.

### Liability Insurance Of Directors And Officers

We maintain directors' and officers' liability insurance coverage for losses to Baytex if it is required to reimburse directors and officers, where permitted, and for direct indemnity of directors and officers where corporate reimbursement is not permitted by law. This insurance protects us against liability (including costs), subject to standard policy exclusions, which may be incurred by directors and/or officers acting in such capacity for Baytex. All of our directors and officers are covered by the policy and the amount of insurance applies collectively to all. The cost of this insurance in 2007 was \$640,125 per annum.

### Performance Graph

We began trading on the Toronto Stock Exchange on September 8, 2003. The following graph illustrates changes from September 8, 2003 to December 31, 2007, in our cumulative unitholder return, assuming an initial investment of \$100 in trust units in 2003, compared to the S&P/TSX Capped Energy Trust Index and the S&P/TSX Composite Index, with all dividends and distributions reinvested.



	Sep. 8, 2003	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2007
Baytex Energy Trust	100	109.65	150.06	234.66	326.07	299.47
S&P/TSX Capped Energy Trust Index <sup>(1)</sup>	100	116.26	151.74	226.66	218.23	225.35
S&P/TSX Composite Index <sup>(2)</sup>	100	108.32	124.01	153.93	180.50	198.24

Note:

- (1) The S&P/TSX Capped Energy Trust Index was previously called the S&P/TSX Canadian Energy Trust Index.
- (2) The S&P/TSX Composite Index was previously called the TSE 300 Index.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

### Board of Directors

The majority of our Board is independent. Our Board has determined that John A. Brussa, Edward Chwyl, Naveen Dargan, R.E.T. (Rusty) Goepel and Dale O. Shwed are independent. Raymond T. Chan is not considered to be independent as Mr. Chan is our Chief Executive Officer.

Although our independent directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance, in accordance with the mandate of the Board of Directors as well as the mandate of each of the Audit Committee, Reserves Committee, Governance Committee and Compensation Committee, at the end of or during each meeting of our Board or committee, as applicable, the members of our management who are present at such meeting leave the meeting in order that the independent directors can discuss any necessary matters without management being present.

Our Board has determined that Edward Chwyl, our Chairman, is independent. As our Chairman, Mr. Chwyl provides overall leadership to our Board. Among other things, our Chairman maintains a liaison and communication with all of our directors and the committee chairs to co-ordinate input from directors, and optimize the effectiveness of our Board and its committees and a liaison and communication with our CEO to ensure that our Board receives adequate and regular updates from the CEO on all issues important to the welfare and future of Baytex. Our Chairman is also responsible for the overall management of our Board.

The following directors are presently directors of other issuers that are reporting issuers (or the equivalent):

Director	Names of Other Issuer
John A. Brussa	13222256 Alberta Ltd. (formerly Inex Pharmaceuticals Corporation), 6550568 Canada Inc., BlackWatch Energy Services Operating Corp. (BlackWatch Energy Services Trust), Cirrus Energy Corporation, Crew Energy Inc., Divestco Inc., Endev Energy Inc., Enseco Energy Services Corp., Flagship Energy Inc., Galleon Energy Inc., Harvest Operations Corp. (Harvest Energy Trust), Highpine Oil & Gas Limited, North American Energy Partners Inc., Ontario Energy Savings Corp. (Energy Savings Income Fund), Orleans Energy Ltd., Penn West Petroleum Ltd. (Penn West Energy Trust), Progress Energy Ltd. (Progress Energy Trust), Storm Exploration Inc., Strategic Energy Fund, Trafalgar Energy Ltd. and Yoho Resources Inc.
Raymond T. Chan	TSX Group Inc.
Edward Chwyl	None
Naveen Dargan	Bonnett's Energy Services Ltd. (Bonnett's Energy Service Trust), and Trinidad Drilling Ltd.
R.E.T. (Rusty) Goepel	Amerigo Resources Ltd., AutoCanada Income Fund, Spur Ventures Ltd. and Telus Corporation
Dale O. Shwed	Crew Energy Inc.

## Meeting Attendance

The following is a summary of attendance of our directors at meetings of our Board and its committees for 2007:

Name	Board Meetings Attended	Audit Committee Meetings Attended	Compensation Committee Meetings Attended	Reserves Committee Meetings Attended
John A. Brussa	4/4	-	2/2	1/1
Raymond T. Chan	4/4	6/6	2/2	1/1
Edward Chwyl	4/4	-	2/2	1/1
Naveen Dargan	4/4	6/6	2/2	-
R.E.T. (Rusty) Goepel	4/4	5/6	-	-
Dale O. Shwed	4/4	2/2	-	1/1

Note:

(1) Our Governance Committee did not meet independently of the Compensation Committee in 2007.

## Board Mandate

The mandate of our Board is attached as Schedule "A" hereto.

## Board Committees

Our Board has four committees; the Audit Committee, Compensation Committee, the Reserves Committee and the Governance Committee, all members of whom are independent directors. The Board has accepted overall responsibility for governance, health, safety and environment and no separate committees have been established to deal with these issues.

### *Audit Committee*

The members of the Audit Committee are Naveen Dargan (Chairman), R.E.T. Goepel and Dale O. Shwed. The committee's mandate includes:

- reviewing the annual audited consolidated financial statements and the Auditors' Report thereon prior to submission to our Board for approval;
- reviewing the quarterly consolidated financial statements prior to submission to the Board for approval;
- reviewing the scope of external and internal audits;
- reviewing and discussing accounting and reporting policies and changes in accounting principles;
- reviewing our internal control systems and procedures; and
- meeting with the external auditors independently of our management.

### ***Compensation Committee***

The members of our Compensation Committee are Edward Chwyl (Chairman), John A. Brussa and Naveen Dargan. The committee's mandate is to formulate and make recommendations to our Board in respect of compensation issues relating to our directors and employees and among other duties, the committee:

- reviews our compensation and remuneration policy for our employees and recommends to the Board changes to improve our ability to recruit, retain and motivate employees;
- reviews and recommends to the Board the retainer and fees to be paid to members of the Board;
- reviews and recommends to the Board performance objectives and the compensation package for the CEO;
- recommends to the Board, on the direction of the CEO, the compensation and benefits package for senior management positions within the Corporation;
- reviews management's recommendations for proposed stock option or share purchase plans and make recommendations in respect thereof to the Board;
- administers our trust unit rights incentive plan in accordance with its terms including the grant of trust unit rights in accordance with the terms thereof;
- determines and approve bonuses to be paid to our officers and employees and establishes targets or criteria for the payment of such bonuses, if appropriate; and
- prepares and submits a report of the Compensation Committee for inclusion in our annual disclosure required by applicable securities laws.

A compensation consultant or advisor has not, at any time since the beginning of the year ended December 31, 2007, been retained to assist in determining compensation for any of our directors and officers. See also "*Report On Executive Compensation*" above.

### ***Reserves Committee***

The members of our Reserves Committee are Dale O. Shwed (Chairman), Edward Chwyl and John A. Brussa. Our Reserves Committee's mandate includes:

- reviewing our procedures relating to the disclosure of information with respect to our oil and gas activities including reviewing our procedures for complying with disclosure requirements and restrictions set forth under applicable securities requirements;
- reviewing our procedures for providing information to its independent reserves evaluator;
- meeting, as considered necessary, with management and the independent evaluator, to determine whether any restrictions placed by management affect the ability of the evaluator to report without reservation on our reserves data (as defined in applicable securities legislation) and to review the reserves data and the report thereon of the independent evaluator (if such report is provided);
- reviewing the appointment of the independent evaluator and, in the case of any proposed change to change the independent evaluator, determine the reason therefor and whether there have been any disputes with management;
- providing a recommendation to the Board as to whether to approve the content and/or filing of the statement of the reserves data and other information that may be prescribed by applicable securities requirements including any reports of the independent engineer and of management in connection therewith;
- reviewing our procedures for reporting other information associated with our oil and gas producing activities; and
- generally, reviewing all matters relating to the preparation and public disclosure of estimates of our reserves.

### ***Governance Committee***

The members of our Governance Committee are John A. Brussa, Edward Chwyl and Naveen Dargan. Our Governance Committee's mandate includes:

- the review and approval of the strategic direction of the Trust, its capital and financial plans, as well as implementation and monitoring of appropriate risk management systems;
- monitoring the progress, policies and procedures of the Trust, while providing guidance and advice to management and providing approval for any significant changes in the organizational structure;
- ensuring that the finances and controls of the Trust are appropriate and comply with required standards, including accurate, complete and timely disclosure of information to unitholders, other security holders and regulators; and
- annual reviews of the composition and compensation of the board, and monitoring its effectiveness, continuity and independence while ensuring the requirements of the board are continuously upheld.

### **Orientation and Continuing Education**

No formal education program currently exists for the orientation of new directors. Existing directors provide orientation and education to new members on an informal and *ad hoc* basis. In addition, new directors of the Baytex are given a copy of the mandate of the Board and each of our committees, a copy of our corporate policies, our by-laws as well as agendas and minutes for Board and committee minutes for the preceding 12 months. In addition, new directors receive a presentation by management respecting the nature and operations of our business.

No formal continuing education program currently exists for our directors. Each of our directors has the responsibility for ensuring that he maintains the skill and knowledge necessary to meet his obligations as a director. However, as part of their continuing education, our Board receives management presentations with respect to the operations and risks of our business in connection with our annual budgeting and planning process. In addition, the individual directors identify their continuing education needs through a variety of means, including discussions with management and at Board and committee meetings.

### **Directors Retirement Plan**

We do not have a directors retirement plan.

### **Ethical Business Conduct**

Our Board of Directors has adopted a code of business ethics applicable to all members of Baytex, including directors, officers and employees and a code of ethics for our principal executive officer and senior financial officer (collectively, the "**Code**"), copies of which are available for review at [www.sedar.com](http://www.sedar.com) or on our website at [www.baytex.ab.ca](http://www.baytex.ab.ca). Each employee, officer and director is required to confirm annually that he or she has read, understood and complied with the Code. Any reports of variance from the Code will be reported to the Board. There have been no material change reports filed since the beginning of the year ended December 31, 2007, that pertain to any conduct of a director or executive officer that constitutes a departure from our Code.

In accordance with the *Business Corporations Act* (Alberta), directors who are a party to or are a director or an officer of a person who is a party to a material contract or material transaction or a proposed material contract or proposed material transaction are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction.

Our Board has also adopted a whistleblower policy which provides employees with the ability to report, on a confidential and anonymous basis, any violations within our organization including (but not limited to), criminal conduct, falsification of financial records or unethical conduct. Our Board of Directors believes that providing a

forum for employees, officers and directors to raise concerns about ethical conduct and treating all complaints with the appropriate level of seriousness foster a culture of ethical conduct.

### **Nomination of Directors**

Pursuant to the mandate of our Board, the Board has responsibility for selecting nominees for election to the Board. At present, the Board of Directors does not have a process by which the Board identifies new candidates for Board nomination but rather the identification of new candidates is done on an informal and *ad hoc* basis.

Our Board of Directors does not have a nominating committee composed entirely of independent directors but rather pursuant to the mandate of the Board of Directors, the Board of Directors as a whole is responsible for selecting nominees for election to the Board.

### **Assessments**

We have not commenced a formal process of assessing the board and its committees or the individual directors. To date our Board has satisfied itself that the board, its committees and individual directors are performing effectively through informal discussions.

### **Position Descriptions**

Our Board of Directors has developed written position descriptions for the Chairman of the Board of Directors, the Chairman of each of our Audit Committee, Reserves Committee and Compensation Committee and for our CEO.

## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as disclosed herein, there were no material interests, direct or indirect, of our insiders, proposed nominees for election as directors, or any associate or affiliate of such insiders or nominees since January 1, 2007, or in any proposed transaction, which has affected or would materially affect us.

## **INTEREST OF CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON**

Our management is not aware of any material interest of any director or executive officer or anyone who has held office as such since the beginning of our last financial year or of any associate or affiliate of any of the foregoing in any matter to be acted on at the meeting, except as disclosed herein.

## **ADDITIONAL INFORMATION**

Our financial information is provided in our annual audited consolidated financial statements for the year ended December 31, 2007 and the related management's discussion and analysis of financial condition and results of operations contained in our 2007 annual report. Our annual information form also contains disclosure relating to our audit committee and the fees paid to Deloitte & Touche LLP in 2007. Copies of our annual report, as well as a copy of our annual information form, subsequent interim financial statements and this information circular - proxy statement may be obtained on request without charge from the Chief Financial Officer of Baytex Energy Ltd. at Suite 2200, Bow Valley Square II, 205 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 2V7, telephone (403) 269-4282. These documents and other information relating to us are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **OTHER MATTERS**

Our management knows of no amendment, variation or other matter to come before the meeting other than the matters referred to in the notice of annual and special meeting. However, if any other matter properly comes before the meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person voting the proxy.

Dated: April 3, 2008



## SCHEDULE "A"

### MANDATE OF THE BOARD OF DIRECTORS OF BAYTEX ENERGY LTD.

The Board of Directors (the "**Board**") of Baytex Energy Ltd. (the "**Corporation**") is responsible for the stewardship of the Corporation, any other subsidiaries, partnerships and trusts of Baytex Energy Trust and Baytex Energy Trust to the extent delegated to the Corporation under the trust indenture (collectively, "**Baytex**"). In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of Baytex. In general terms, the Board will:

- in consultation with the chief executive officer of the Corporation (the "**CEO**"), define the principal objectives of Baytex;
- supervise the management of the business and affairs of Baytex with the goal of achieving Baytex's principal objectives as defined by the Board;
- discharge the duties imposed on the Board by applicable laws; and
- for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

Without limiting the generality of the foregoing, the Board will perform the following duties:

#### *Strategic Direction and Capital and Financial Plans*

- require the CEO to present annually to the Board a longer range strategic plan and a shorter range business plan for Baytex's business, which plans must:
  - be designed to achieve Baytex's principal objectives;
  - identify the principal strategic and operational opportunities and risks of Baytex's business; and
  - be approved by the Board as a pre-condition to the implementation of such plans;
- review progress towards the achievement of the goals established in the strategic, operating and capital plans;
- identify the principal risks of Baytex's business and take all reasonable steps to ensure the implementation of the appropriate systems to manage these risks;
- approve the annual operating and capital plans;
- approve acquisitions and dispositions in excess of which require approval pursuant to expenditure limits established by the Board;
- approve the establishment of credit facilities; and
- approve issuances of additional Trust Units, Exchangeable Shares or other instruments to the public.

#### *Monitoring and Acting*

- monitor Baytex's progress towards achieving its goals, and to revise and alter its direction through management in light of changing circumstances;
- monitor overall human resources policies and procedures, including compensation and succession planning;
- appoint the CEO and determine the terms of the CEO's employment with Baytex;
- approve the distribution policy of Baytex;

- ensure systems are in place for the implementation and integrity of Baytex's internal control and management information systems;
- in consultation with the CEO, develop a position description for the CEO;
- evaluate the performance of the CEO at least annually;
- in consultation with the CEO, establish the limits of management's authority and responsibility in conducting Baytex's business;
- in consultation with the CEO, appoint all officers of Baytex and approve the terms of each officer's employment with Baytex;
- develop a system under which succession to senior management positions will occur in a timely manner;
- approve any proposed significant change in the management organization structure of Baytex;
- approve all retirement plans for officers and employees of Baytex;
- in consultation with the CEO, establish a disclosure policy for Baytex;
- generally provide advice and guidance to management; and
- approve all matters relating to a takeover bid for the securities of Baytex.

#### ***Finances and Controls***

- review Baytex's systems to manage the risks of Baytex's business and, with the assistance of management, Baytex's auditors and others (as required), evaluate the appropriateness of such systems;
- monitor the appropriateness of Baytex's capital structure;
- ensure that the financial performance of Baytex is properly reported to unitholders, other security holders and regulators on a timely and regular basis;
- in consultation with the CEO, establish the ethical standards to be observed by all officers and employees of Baytex and use reasonable efforts to ensure that a process is in place to monitor compliance with those standards;
- require that the CEO institute and monitor processes and systems designed to ensure compliance with applicable laws by Baytex and its officers and employees;
- require that the CEO institute, and maintain the integrity of, internal control and information systems, including maintenance of all required records and documentation;
- approve material contracts to be entered into by the Corporation;
- recommend to unitholders of Baytex a firm of chartered accountants to be appointed as Baytex's auditors;
- ensure Baytex's oil and gas reserves report fairly represents the quantity and value of corporate reserves in accordance with generally accepted engineering principles and applicable securities laws; and
- take reasonable actions to gain reasonable assurance that all financial information made public by Baytex (including Baytex's annual and quarterly financial statements) is accurate and complete and represents fairly the Corporation's financial position and performance.

#### ***Governance***

- in consultation with the Chairman of the Board, develop a position description for the Chairman of the Board;
- selecting nominees for election to the Board;
- facilitate the continuity, effectiveness and independence of the Board by, amongst other things:
  - appointing a Chairman of the Board;

- appointing from amongst the directors an audit committee and such other committees of the Board as the Board deems appropriate;
- defining the mandate of each committee of the Board;
- ensuring that processes are in place and are utilized to assess the effectiveness of the Chairman of the Board, the Board as a whole, each committee of the Board and each director; and
- establishing a system to enable any director to engage an outside adviser at the expense of Baytex;
- review annually the composition of the Board and its committees and assess Directors' performance on an ongoing basis, and propose new members to the Board; and
- review annually the adequacy and form of the compensation of directors.

#### ***Delegation***

- the Board may delegate its duties to, and receive reports and recommendations from, any committee of the Board.

#### ***Composition***

- the Board should be composed of at least three individuals elected by the unitholders and exchangeable shareholders at the annual meeting;
- a majority of Board members should be independent Directors (within the meaning of Multilateral Instrument 52-110) and free from any business or other relationship that could impair the exercise of independent judgment;
- members should have or obtain sufficient knowledge of Baytex and the oil and gas business to assist in providing advice and counsel on relevant issues; and
- board members should offer their resignation from the Board to the Chairman of the Board following:
  - change in personal circumstances which would reasonably interfere with the ability to serve as a Director; and
  - change in personal circumstances which would reasonably reflect poorly on Baytex (for example, finding by a Court of fraud, or conviction under Criminal Code or securities legislation).

#### ***Meetings***

- the Board shall meet at least four times per year and/or as deemed appropriate by the Board Chair;
- the Board shall meet at the end of its regular meetings without members of management being present;
- minutes of each meeting shall be prepared;
- the CEO and Chief Financial Officer shall be available to attend all meetings of the Board upon invitation by the Board; and
- Vice-Presidents and such other staff as appropriate to provide information to the Board shall attend meetings at the invitation of the Board.

#### ***Authority***

- the Board shall have the authority to review any corporate report or material and to investigate activity of Baytex and to request any employees to cooperate as requested by the Board; and
- the Board may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling its responsibilities at the expense of Baytex.