



NOTICE OF SPECIAL MEETING OF BAYTEX UNITHOLDERS

to be held December 9, 2010

and

**NOTICE OF PETITION TO THE COURT OF QUEEN'S
BENCH OF ALBERTA**

and

INFORMATION CIRCULAR and PROXY STATEMENT

with respect to a

PLAN OF ARRANGEMENT

involving

**BAYTEX ENERGY TRUST, BAYTEX ENERGY LTD.,
BAYTEX EXCHANGE CO LTD. AND BAYTEX ENERGY CORP.**

October 26, 2010

If you are in doubt as to how to deal with these materials or the matters they describe, please consult your professional advisor. If you require more information with respect to voting your securities of Baytex Energy Trust, please contact Valiant Trust Company toll free at 1-866-313-1872 or by e-mail at: inquiries@valianttrust.com.

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BAYTEX

ENERGY TRUST

October 26, 2010

Dear Unitholders:

You are invited to attend a special meeting (the "**Meeting**") of holders ("**Unitholders**") of trust units ("**Units**") of Baytex Energy Trust (the "**Trust**") to be held in the Devonian Room of the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary Alberta, at 3:00 p.m. (Calgary time) on December 9, 2010. At the Meeting, you will be asked to consider and vote upon (i) a proposed arrangement (the "**Arrangement**") involving the Trust, Baytex Energy Ltd. ("**Baytex**"), Baytex ExchangeCo Ltd. ("**Baytex ExchangeCo**") and Baytex Energy Corp. ("**New Baytex**"), and (ii) the adoption of a share award incentive plan for New Baytex. **If you cannot attend the Meeting, please complete the enclosed form of proxy and submit it as soon as possible.**

Given that the changes made by the Federal Government to tax income trusts will take effect on January 1, 2011, the board of directors and management of Baytex, the administrator of the Trust, have determined that the best course of action for the Trust and its Unitholders is to convert from an income trust to a corporation on or about December 31, 2010. As a result, the Trust and Unitholders can continue to benefit from the current tax structure for income trusts until the end of the year, immediately prior to the change in the Federal Government tax laws that will remove the tax advantages of being a trust rather than a corporation.

If approved, the Arrangement will result in the reorganization of the Trust into New Baytex, which will be a public oil and natural gas exploration, exploitation, development, acquisition and production company, operating under the name "Baytex Energy Corp." which, together with its subsidiaries, will carry on the business presently carried on by the Trust through its subsidiaries. The board of directors and senior management of New Baytex will be comprised of the current members of the board of directors and senior management of Baytex.

Pursuant to the Arrangement, Unitholders will receive, for each one Unit held, one common share ("**New Baytex Share**") of New Baytex. The Arrangement is structured to allow Unitholders to receive New Baytex Shares on a tax deferred basis for Canadian income tax purposes. In addition, subject to the passive foreign investment company ("**PFIC**") rules summarized below under "*Certain United States Federal Income Tax Considerations – Arrangement – PFIC Rules*", a United States holder generally should not recognize a gain or loss upon the exchange of its Units for New Baytex Shares pursuant to the Arrangement.

Upon completion of the Arrangement, it is expected that New Baytex will adopt a monthly dividend policy whereby a dividend will be paid on or about the 15th day of the month that follows the end of each month to shareholders of record at the end of such month. The dividend policy is expected to follow the general corporate philosophy of financial self sufficiency whereby, over the long term, development capital expenditures and dividend payments are planned to be financed from internally generated funds from operations. As such, the amount of future cash dividends, if any, will be subject to the discretion of the board of directors of New Baytex and may vary depending on a variety of factors and conditions existing from time to time, including fluctuations in commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens, foreign exchange rates and the satisfaction of solvency tests imposed by the *Business Corporations Act* (Alberta) for the declaration and payment of dividends. Baytex's practice has been to review the level of the distribution at least annually as capital spending requirements are evaluated. This review has typically occurred in December in connection with the presentation of the annual budget for the ensuing year to the Board of Directors of Baytex, with changes, if any, to the distribution level being announced following that meeting. Under current operating conditions and commodity prices, Baytex believes the current distribution level of \$0.18 per Unit per month can be maintained as a dividend subsequent to the completion of the Arrangement.

The Toronto Stock Exchange has conditionally approved the listing of the New Baytex Shares to be issued and made issuable pursuant to the Arrangement, subject to New Baytex fulfilling the requirements of the Toronto Stock Exchange. Baytex will apply to list the New Baytex Shares to be issued and made issuable pursuant to the Arrangement on the New York Stock Exchange.

The resolution approving the Arrangement and related matters (the "**Arrangement Resolution**") must be approved by not less than two-thirds of the votes cast by the Unitholders voting in person or by proxy at the Meeting. The Arrangement is also subject to the approval of the Court of Queen's Bench of Alberta and receipt of all necessary regulatory and other approvals.

The Arrangement will not result in a change of control for purposes of the Trust's unit rights incentive plan (the "**Incentive Plan**") or for the executive employment agreements with its officers.

In conjunction with the consideration of the Arrangement, Unitholders will also be considering and voting upon the approval of a share award incentive plan for New Baytex, all as more particularly described in the accompanying information circular and proxy statement (the "**Information Circular**") of the Trust. **If the share award incentive plan is approved, no further grants will be made under the Incentive Plan.**

Pursuant to the Arrangement, a new dividend reinvestment plan (the "**New DRIP**") shall become effective, all participants in the Trust's distribution reinvestment plan will be deemed to be participants in the New DRIP without any further action on their part, and all declared but unpaid distributions of the Trust will be automatically applied, on behalf of such deemed participants, to the purchase of New Baytex Shares in accordance with the terms and conditions of the New DRIP.

The board of directors of Baytex, based upon its own investigations, has unanimously concluded that the Arrangement is fair to Unitholders, is in the best interest of the Trust and the Unitholders, and unanimously recommends that Unitholders vote in favour of the Arrangement Resolution.

All of the directors and officers of Baytex, who directly or indirectly own, or exercise control or direction over, an aggregate of 1,594,130 Units, representing approximately 1.4% of the outstanding Units, have indicated that they will vote their Units in favour of the Arrangement Resolution.

The accompanying Information Circular contains a detailed description of the Arrangement and detailed information regarding the Trust, Baytex and New Baytex. Please give this material your careful consideration and, if you require assistance, consult your financial, tax or other professional advisors, or contact Valiant Trust Company at the number listed on the front cover of the Information Circular.

If you are a registered Unitholder and are unable to attend the Meeting in person, please complete and deliver the enclosed form of proxy in order to ensure your representation at the Meeting. Unitholders should also complete and submit the letter of transmittal, which is also enclosed, together with the certificates representing their Units (or instruct their broker or nominee to complete the letter of transmittal on their behalf) in order to receive New Baytex Shares as soon as possible following the effective date of the Arrangement. **If you are a non-registered holder of Units and received these materials through your broker or through another intermediary, please complete and return the voting instruction form provided to you in accordance with the instructions provided by your broker or intermediary.**

On behalf of the board of directors of Baytex, I would like to express our gratitude for the support our Unitholders have demonstrated during our seven years as Baytex Energy Trust. We would also like to thank our employees for their hard work and dedication, which has been the cornerstone of our success in the trust era. We look forward to seeing you at the Meeting, and assuming the Arrangement is approved, to working for you as Baytex Energy Corp.

Yours very truly,

(signed) "*Anthony W. Marino*"

Anthony W. Marino, President and Chief Executive Officer
Baytex Energy Ltd.,
the administrator of Baytex Energy Trust

BAYTEX ENERGY TRUST

**NOTICE OF SPECIAL MEETING OF BAYTEX UNITHOLDERS
to be held December 9, 2010**

NOTICE IS HEREBY GIVEN that pursuant to an order (the "**Interim Order**") of the Court of Queen's Bench of Alberta dated October 26, 2010 a special meeting (the "**Meeting**") of the holders ("**Unitholders**") of trust units ("**Units**") of Baytex Energy Trust (the "**Trust**") will be held in the Devonian Room of the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta, at 3:00 p.m. (Calgary time) on December 9, 2010 for the following purposes:

- (a) to consider pursuant to the Interim Order, and if thought advisable to pass, with or without variation, a special resolution (the "**Arrangement Resolution**"), the full text of which is set forth in **Appendix A** to the accompanying information circular and proxy statement of the Trust dated October 26, 2010 (the "**Information Circular**"), to approve a plan of arrangement under Section 193 of the *Business Corporations Act* (Alberta) and related matters (the "**Arrangement**"), which will result in the reorganization of the Trust into a public oil and natural gas exploration, exploitation, development, acquisition and production company ("**New Baytex**"), all as more particularly described in the Information Circular;
- (b) if the Arrangement Resolution is passed, to consider, and if thought advisable to pass, with or without variation, an ordinary resolution, the full text of which is set forth in the Information Circular, to approve a share award incentive plan for New Baytex, all as more particularly described in the Information Circular and a copy of which is set forth in **Appendix E** to the Information Circular; and
- (c) to transact such further and other business as may properly be brought before the Meeting or any adjournment thereof.

Specific details of the matters to be put before the Meeting are set forth in the Information Circular. A copy of the Plan of Arrangement in respect of the Arrangement is attached as **Exhibit A** to the Arrangement Agreement, which is attached as **Appendix C** to the Information Circular.

The record date (the "**Record Date**") for the determination of Unitholders entitled to receive notice of and to vote at the Meeting is October 20, 2010. Only Unitholders whose names have been entered in the register of Units on the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting. Unitholders who acquire Units after the Record Date will not be entitled to vote such Units at the Meeting. Each Unit outstanding on the Record Date is entitled to one vote at the Meeting.

A Unitholder may attend the Meeting in person or may be represented by proxy. Unitholders who are unable to attend the Meeting or any adjournment thereof in person are requested to date, sign and return the accompanying form of proxy for use at the Meeting or any adjournment thereof. **To be effective, the proxy must be received by Valiant Trust Company at Suite 310, 606 – 4th Street S.W., Calgary, Alberta, T2P 1T1, or by facsimile at (403) 233-2857, in each case not later than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting or any adjournment thereof.**

A proxyholder has discretion under the accompanying form of proxy to consider such further and other business as may properly be brought before the Meeting or any adjournment thereof. Holders of Units who are planning on returning the accompanying form of proxy are encouraged to review the Information Circular carefully before submitting the proxy form.

Registered Unitholders have the right to dissent with respect to the Arrangement Resolution and, if the Arrangement Resolution becomes effective, to be paid the fair value of their Units in accordance with the provisions of Section 191 of the *Business Corporations Act* (Alberta), as modified by the Interim Order. A Unitholder's right to dissent is more particularly described in the Information Circular, and the text of Section 191 of the *Business Corporations Act* (Alberta) and the Interim Order are set forth in Appendices F and B, respectively, to the Information Circular. A dissenting Unitholder must send to the Trust, c/o its counsel, Burnet, Duckworth & Palmer LLP, 1400, 350 – 7th Avenue S.W., Calgary, Alberta, T2P 3N9, Attention: Jeffrey E. Sharpe, a written objection to the Arrangement Resolution, which written objection

must be received by 4:00 p.m. on the second last business day immediately preceding the date of the Meeting or any adjournment thereof.

Failure to strictly comply with the requirements set forth in Section 191 of the *Business Corporations Act* (Alberta), as modified by the Interim Order, may result in the loss of any right to dissent. Persons who are beneficial owners of Units that are registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only the registered holders of Units are entitled to dissent. Accordingly, a beneficial owner of Units desiring to exercise the right to dissent must make arrangements for the Units beneficially owned by such holder to be registered in such holder's name prior to the time the written objection to the Arrangement Resolution is required to be received by the Trust, or alternatively, make arrangements for the registered holder of such Units to dissent on behalf of the holder.

If you are a non-registered holder of Units and you have received these materials through your broker or through another intermediary, please complete and return the voting instruction form provided to you in accordance with the instructions provided by your broker or intermediary.

Dated at the City of Calgary, in the Province of Alberta, this 26th day of October, 2010.

**BY ORDER OF THE BOARD OF DIRECTORS OF
BAYTEX ENERGY LTD.**

(signed) "Murray J. Desrosiers"

Murray J. Desrosiers, Vice President, General Counsel and
Corporate Secretary
Baytex Energy Ltd.,
the administrator of Baytex Energy Trust

IN THE COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE OF CALGARY

IN THE MATTER OF SECTION 193 OF THE *BUSINESS CORPORATIONS ACT*, R.S.A. 2000, c. B-9, AS AMENDED

AND IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING BAYTEX ENERGY TRUST, BAYTEX ENERGY LTD., BAYTEX ENERGY CORP., BAYTEX EXCHANGECO LTD. AND THE UNITHOLDERS OF BAYTEX ENERGY TRUST

NOTICE OF PETITION

NOTICE IS HEREBY GIVEN that a petition (the "**Petition**") has been filed with the Court of Queen's Bench of Alberta, Judicial Centre of Calgary (the "**Court**") on behalf of Baytex Energy Trust (the "**Trust**"), Baytex Energy Ltd. ("**Baytex**"), Baytex Energy Corp. ("**New Baytex**") and Baytex ExchangeCo Ltd. ("**Baytex ExchangeCo**") (collectively, the "**Baytex Parties**") with respect to a proposed arrangement (the "**Arrangement**") under Section 193 of the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended (the "**ABCA**"), involving the Baytex Parties and the holders ("**Unitholders**") of trust units of the Trust, which Arrangement will result in the reorganization of the Trust into a corporation, all as described in greater detail in the Information Circular and Proxy Statement of the Trust dated October 26, 2010 accompanying this Notice of Petition. At the hearing of the Petition, the Baytex Parties intend to seek:

- (a) a declaration that the terms and conditions of the Arrangement, and the procedures relating thereto, are fair to the Unitholders and the other affected persons, both from a substantive and procedural point of view;
- (b) an order approving the Arrangement pursuant to the provisions of Section 193 of the ABCA;
- (c) an order declaring that the registered Unitholders shall have the right to dissent in respect of the Arrangement in accordance with the provisions of Section 191 of the ABCA, as modified by the interim order (the "**Interim Order**") of the Court dated October 26, 2010;
- (d) a declaration that the Arrangement will, upon the filing of the Articles of Arrangement pursuant to the provisions of Section 193 of the ABCA, become effective in accordance with its terms on the dates and at the times specified in the Plan of Arrangement; and
- (e) such other and further orders, declarations and directions as the Court may deem just.

The Court has been advised that its order approving the Arrangement, if granted, will constitute the basis for an exemption from the registration requirements of the *United States Securities Act of 1933*, as amended, provided by Section 3(a)(10) thereof, with respect to the issuance of common shares of New Baytex to Unitholders pursuant to the Arrangement.

AND NOTICE IS FURTHER GIVEN that the said Petition was directed to be heard before a Justice of the Court of Queen's Bench of Alberta, Calgary Courts Centre, 601 – 5th Street S.W., Calgary, Alberta, on the 10th day of December, 2010 at 1:30 p.m. (Calgary time), or as soon thereafter as counsel may be heard. Any Unitholder or any other interested party desiring to support or oppose the Petition may appear at the time of the hearing in person or by counsel for that purpose. **Any Unitholder or any other interested party desiring to appear at the hearing is required to file with the Court of Queen's Bench of Alberta, Judicial Centre of Calgary, and serve upon the Trust on or before noon (Calgary time) on December 10, 2010, a notice of intention to appear, including an address for service in the Province of Alberta, together with any evidence or materials which are to be presented to the Court.** Service on the Trust is to be effected by delivery to the solicitors for the Trust at their address set out below. If any Unitholder or any other such interested party does not attend, either in person or by counsel, at that time, the Court may approve the Arrangement as presented, or may approve it subject to such terms and conditions as the Court shall deem fit, without any further notice.

AND NOTICE IS FURTHER GIVEN that no further notice of the Petition will be given by the Baytex Parties and that in the event the hearing of the Petition is adjourned, only those persons who have appeared before the Court for the application at the hearing shall be served with notice of the adjourned date.

AND NOTICE IS FURTHER GIVEN that the Court, by the Interim Order, has given directions as to the calling and holding of a meeting of Unitholders for the purpose of such Unitholders voting upon a resolution to approve the Arrangement and has directed that registered Unitholders shall have the right to dissent with respect to the Arrangement in a manner consistent with the provisions of Section 191 of the ABCA, as modified by the Interim Order.

AND NOTICE IS FURTHER GIVEN that a copy of the said Petition and other documents in the proceedings will be furnished to any Unitholder or any other interested party requesting the same by the under mentioned solicitors for the Trust upon written request delivered to such solicitors as follows:

Burnet, Duckworth & Palmer LLP
1400, 350 – 7th Avenue S.W.
Calgary, Alberta T2P 3N9
Attention: Jeffrey E. Sharpe

DATED at the City of Calgary, in the Province of Alberta, this 26th day of October, 2010.

**BY ORDER OF THE BOARD OF DIRECTORS OF
BAYTEX ENERGY LTD.**

(signed) "*Murray J. Desrosiers*"

Murray J. Desrosiers, Vice President, General Counsel and
Corporate Secretary
Baytex Energy Ltd.,
the administrator of Baytex Energy Trust

MAKE YOUR VOTE COUNT QUESTIONS AND ANSWERS ON VOTING

As your vote is important to us, we have given you some guidelines on voting your Units. Note that unless otherwise specified, the answers relate to all Unitholders regardless of whether you are a registered or beneficial Unitholder (as explained below).

Q: Am I entitled to vote?

A: If you were a holder of Units at the close of business on **Wednesday, October 20, 2010**, you are entitled to vote at the Meeting, or at any adjournment of that Meeting, on the following items:

- the Arrangement Resolution;
- if the Arrangement Resolution is passed, the approval of the Share Award Incentive Plan; and
- other business, if any, properly brought before the Meeting.

Q: Am I a registered Unitholder?

A: You are a registered Unitholder if you hold any Units in your own name. Your Units are represented by a physical Unit certificate.

Q: Am I a beneficial (non-registered) Unitholder?

A: You are a beneficial Unitholder if your Units are held in an account and are recorded in the name of a nominee (bank, trust company, securities broker or other). Your Units are not represented by a physical Unit certificate but are recorded on an electronic system.

Q: How many votes am I entitled to?

A: You are entitled to one vote for each Unit you hold.

Q: How will the items of business be decided at the Meeting?

A: An affirmative vote of not less than 66⅔% of the votes cast by Unitholders who are represented in person or by proxy at the Meeting is required to approve the Arrangement Resolution. A simple majority of the votes cast (not less than 50% plus one vote) by the Unitholders who are represented in

person or by proxy at the Meeting is required to approve the Share Award Incentive Plan

Q: How do I vote?

A: If you are a **registered Unitholder**, you can vote in person at the Meeting or by proxy.

(a) To vote in person – Do not complete and return the form of proxy but simply attend the Meeting where your vote will be taken and counted. Be sure to register with Valiant Trust Company, our transfer agent and registrar, when you arrive at the Meeting.

(b) To vote by proxy – you can convey your voting instructions by completing your proxy and returning it to Valiant Trust Company. **By doing so your Units will be voted at the Meeting by Anthony W. Marino or W. Derek Aylesworth who are the appointees set forth in the accompanying form of proxy or by such other person as you may specify in your completed proxy.** See below for further details. Instructions as to how to convey your voting instructions are set forth on the back of the form of proxy and should be carefully followed.

(c) If you convey your instructions by **mail**, your instructions must be received by 3:00 p.m. (Calgary time) on the second last business day (Tuesday, December 7, 2010) preceding the day of the Meeting, or any adjournment of that Meeting.

If you are a **beneficial Unitholder**, your nominee will have their own means of conveying voting instructions which should be carefully followed. Most nominees will mail you a voting instruction form that will need to be completed and returned. In addition to conveying voting instructions by mail, a nominee may also provide you with the option to convey your voting instructions by telephone, facsimile or internet.

If you hold your Units both as a registered and beneficial Unitholder, you will need to convey your vote using each of the applicable procedures set forth above applicable to the Units for each type of holding.

Q: As a beneficial Unitholder can I vote in person at the Meeting?

A: Yes, but only if you are appointed as proxyholder in respect of your Units. We do not have the names of the beneficial Unitholders and so, if you attend the Meeting, we will not have a record of the number of Units you beneficially own or your entitlement to vote, unless your nominee has appointed you as proxyholder. To be appointed, you should insert your own name in the space provided on the voting instruction form provided to you by your nominee and carefully follow the instructions provided. Do not otherwise complete the form. This will allow you to attend the Meeting and vote your Units in person. Be sure to register with Valiant Trust Company when you arrive at the Meeting.

Q: Can I appoint a person as proxyholder other than the Management nominees, Anthony W. Marino or W. Derek Aylesworth?

A: Whether or not you attend the Meeting, you have the right to appoint a person, who does not need to be a Unitholder, to represent you and vote your Units in accordance with your voting instructions at the Meeting. To exercise this right, insert the name of the person you wish to act as proxyholder, or complete another proper form of proxy.

Q: Who is soliciting my proxy?

A: Management is soliciting your proxy and the costs of doing so are being borne by the Trust. We have not made a decision to engage proxy solicitation agents to encourage the return of completed proxies by Unitholders and to solicit proxies in favour of the matters to be considered at the Meeting. However, we may do so, and if we do, the costs in respect of such services would be paid by the Trust.

Q: How will my proxy be voted?

A: Your proxyholder, whether it is the Management nominees or another person designated by you, must vote in accordance with the instructions you have given. If you do not convey any instructions and appoint a proxyholder, you can let your proxyholder decide your vote for you. If you do not give any instructions and appoint the Management nominees as proxyholder or your proxyholder does not give specific instructions, your Units will be voted **FOR** the Arrangement Resolution and **FOR** the approval of the Share Award Incentive Plan.

Q: What if there are amendments or variations to the items of business set forth in the notice of Meeting or other matters are brought before the Meeting?

A: The enclosed form of proxy gives the person named in it the authority to use their discretion on voting on amendments or variations of the items set forth in the notice of Meeting and on any other matters properly brought before the Meeting. The Management nominees, if appointed as proxyholder, will vote in accordance with their best judgment pursuant to this discretionary authority.

As at the date of this Information Circular, the Board and Management do not know of any variations or amendments to the proposed items of business or any additional matters which may be presented for consideration at the Meeting.

Q: Can I change my mind once I have submitted my proxy?

A: Yes. You can revoke your proxy at any time before it is acted upon.

As a **registered Unitholder**, if your proxy was submitted by mail, you can revoke it by depositing an instrument in writing executed by you, or by your attorney authorized in writing, or if the Unitholder is a corporation, under corporate seal or by an officer or attorney duly authorized at the registered office of Baytex or with Valiant Trust Company at the address shown on the proxy form.

Instructions can be revoked at any time up to 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting or any adjournment thereof, or by depositing the revoking instrument with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner permitted by law, including personal attendance at the Meeting, or any adjournment of that Meeting.

If an instrument of revocation is deposited with the Chairman of the Meeting, it will not be effective with respect to any item of business that has been voted upon prior to the deposit.

If you are a **beneficial Unitholder**, you should contact your nominee for instructions on how to revoke your proxy.

Q: Who counts the votes?

A: Valiant Trust Company, our transfer agent and registrar, will act as scrutineer at the Meeting.

Q: How are my Units voted if a ballot is called at the Meeting on any of the items of business and a proxyholder other than myself is appointed?

A: Your Units will be voted as you specified in your voting instructions or in your proxy. If no such specification is made then your appointed proxyholder will have discretion to vote your Units. If your appointed proxyholder is the Management nominee, your Units will be voted **FOR** the Arrangement Resolution and **FOR** the Share Award Incentive Plan.

Q: Who can I contact if I have any further questions on voting at the Meeting?

A: You can contact:

Valiant Trust Company, our transfer agent and registrar at:

By Email: inquiries@valianttrust.com

By Telephone: 1-866-313-1872

Q: How do I exchange my Units for Common Shares?

A: A Letter of Transmittal has been provided to all registered Unitholders with this Information Circular. The Letter of Transmittal contains instructions on how Unitholders may obtain Common Share certificates. Beneficial Unitholders whose Units are registered in the name of a broker, dealer, bank, trust company or other nominee should contact their nominee for assistance in exchanging their Units for Common Shares.

INFORMATION CIRCULAR AND PROXY STATEMENT

Introduction

This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of management of Baytex for use at the Meeting and any adjournment thereof. No Person has been authorized to give any information or make any representation in connection with the Arrangement or any other matters to be considered at the Meeting other than those contained in this Information Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.

All summaries of, and references to, the Arrangement in this Information Circular are qualified in their entirety by reference to the complete text of the Plan of Arrangement, a copy of which is attached as **Exhibit A** to the Arrangement Agreement, which agreement is attached as **Appendix C** to this Information Circular. **You are urged to carefully read the full text of the Plan of Arrangement.**

All capitalized terms used in this Information Circular but not otherwise defined herein have the meanings set forth under "*Glossary of Terms*". Information contained in this Information Circular is given as of October 26, 2010 unless otherwise specifically stated.

Forward-Looking Statement Disclaimer

In the interest of providing Unitholders and potential investors with information regarding the Trust and New Baytex, including management's assessment of the Trust's and New Baytex's future plans and operations, certain statements contained and incorporated by reference in this document constitute forward-looking statements or information (collectively "**forward-looking statements**") within the meaning of the "safe harbour" provisions of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "could", "plan", "intend", "should", "believe", "outlook", "potential", "target", "seek", "budget", "predict", "might" and similar words suggesting future events or future performance. All statements other than statements of historical fact may be forward-looking statements. In addition, statements relating to "reserves" or "resources" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated and can be profitably produced in the future.

In particular, this document contains, without limitation, forward-looking statements pertaining to the following: the business strategies, plans and objectives of the Trust and New Baytex, New Baytex's capital expenditure and environmental program and competitive position, distribution and dividend policies and levels, the tax treatment of future dividends, anticipated amendments to Baytex's credit facility upon completion of the Arrangement, expected stock exchange listings and the completion of the Arrangement. In addition, certain of the documents incorporated by reference into this document also contain forward-looking statements. Reference should be made to the forward-looking statement disclaimer contained in each of such documents for a list of certain of the forward-looking statements contained in such documents.

With respect to forward-looking statements contained in this document, we have made assumptions regarding, among other things: the continuation by the board of directors of New Baytex of the present policies of the board of directors of Baytex relating to the management of the business of the Trust, distribution policies (dividend policies in the case of New Baytex), capital expenditure levels, the timing of the completion of the Arrangement and other matters. In addition, many of the forward-looking statements contained in this document are located proximate to assumptions that are specific to those forward-looking statements, and such assumptions should be taken into account when reading such forward-looking statements. Furthermore, with respect to forward-looking statements contained in the documents incorporated by reference into this document, reference should be made to the forward-looking statement disclaimer contained in each of such documents for a list of certain assumptions that have been made in relation to such forward-looking statements.

Although the Trust believes that the expectations reflected in the forward-looking statements contained or incorporated by reference in this document, and the assumptions on which such forward-looking statements are made, are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned not to place undue reliance on forward-looking statements included or incorporated by reference in this document, as there can be no assurance that the plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur, which may cause the Trust's and/or New Baytex's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things: the uncertainty of obtaining required approvals in respect of the Arrangement and the other factors described under "*Risk Factors*" in this Information Circular, "*Risk Factors*" in "*Appendix D – Information Concerning New Baytex*" and "*Risk Factors*" in the Trust AIF, and described in Baytex's public filings available in Canada at www.sedar.com and in the United States at www.sec.gov. Readers are cautioned that this list of risk factors should not be construed as exhaustive. Furthermore, with respect to forward-looking statements contained in the documents incorporated by reference into this document, reference should be made to the forward-looking statement disclaimer contained in each of such documents for a list of certain risk factors that pertain to the forward-looking statements contained in such documents.

The forward-looking statements contained and incorporated by reference in this document speak only as of the date of this document or as of the date specified in the documents incorporated by reference into this document, as the case may be. Except as expressly required by applicable securities laws, the Trust does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained and incorporated by reference in this document are expressly qualified by this cautionary statement.

Supplementary Disclosure – Non-Canadian GAAP Measures

Management of Baytex uses certain key performance indicators ("**KPIs**") and industry benchmarks in this Information Circular and certain of the documents incorporated by reference herein, including without limitation the following: funds from operations; total monetary debt and operating netback to analyze financial and operating performance. Management of Baytex feels that these KPIs and benchmarks are key measures of profitability and overall sustainability for the Trust. These KPIs and benchmarks as presented do not have any standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures for other entities. For further information regarding these KPIs and benchmarks, reference should be made to the documents incorporated by reference herein in which these KPIs and benchmarks are used.

Advice to Beneficial Holders of Units

The information set forth in this section is of significant importance to many Unitholders, as a substantial number of Unitholders do not hold Units in their own name. Unitholders who do not hold their Units in their own name ("**Beneficial Unitholders**") should note that only proxies deposited by Unitholders whose names appear on the records of the registrar and transfer agent for the Trust as the registered holders of Units can be recognized and acted upon at the Meeting. If Units are listed in an account statement provided to a Unitholder by a broker, then in almost all cases those Units will not be registered in the Unitholder's name on the records of the Trust. Such Units will more likely be registered under the name of the Unitholder's broker or an agent of that broker. In Canada, the vast majority of such Units are registered under the name of CDS & Co., the registration name for CDS Clearing and Depository Services Inc., which acts as nominees for many Canadian brokerage firms. Units held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Unitholder. Without specific instructions, the broker/nominees are prohibited from voting Units for their clients. The Trust does not know for whose benefit the Units registered in the name of CDS & Co. are held. The majority of Units held in the United States are registered in the name of Cede & Co., the nominee for the Depository Trust Company, which is the United States equivalent of CDS Clearing and Depository Services Inc.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Unitholders in advance of securityholder meetings. Every intermediary/broker has its own mailing procedures and provides its

own return instructions, which should be carefully followed by Beneficial Unitholders in order to ensure that their Units are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Unitholder by its 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 behalf of the Beneficial Unitholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically mails a scannable voting instruction form in lieu of the form of proxy. The Beneficial Unitholder is requested to complete and return the voting instruction form to them by mail or facsimile. Alternatively, the Beneficial Unitholder can call a toll-free telephone number or access the internet to vote the Units held by the Beneficial Unitholder. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Units to be represented at a meeting. **A Beneficial Unitholder receiving a voting instruction form cannot use that voting instruction form to vote Units directly at the Meeting as the voting instruction form must be returned as directed by Broadridge well in advance of the Meeting in order to have the Units voted.**

Although you may not be recognized directly at the Meeting for the purposes of voting Units registered in the name of your broker or other intermediary, you may attend at the Meeting as a proxyholder for the registered holder and vote your Units in that capacity. If you wish to attend the Meeting and vote your own Units, you must do so as proxyholder for the registered holder. To do this, you should enter your own name in the blank space on the voting instruction form provided to you and return the document to your broker or other intermediary (or the agent of such broker or other intermediary) in accordance with the instructions provided by such broker, intermediary or agent well in advance of the Meeting.

See "*General Proxy Matters*" in this Information Circular.

Information For United States Unitholders

None of the New Baytex Shares to be issued to Unitholders in exchange for their securities under the Arrangement have been or will be registered under the 1933 Act, and such securities will be issued to such Unitholders in reliance on the exemption from registration set forth in Section 3(a)(10) of the 1933 Act. The solicitation of proxies for the Meeting is not subject to the proxy requirements of Section 14(a) of the 1934 Act. Accordingly, the solicitations and transactions contemplated in this Information Circular are made in the United States for securities of a Canadian issuer in accordance with Canadian corporate and securities laws, and this Information Circular has been prepared solely in accordance with disclosure requirements applicable in Canada. Unitholders in the United States should be aware that such requirements are different from those of the United States applicable to registration statements under the 1933 Act and proxy statements under the 1934 Act. Specifically, information concerning the operations of the Trust and its subsidiaries contained or incorporated by reference herein has been prepared in accordance with Canadian disclosure standards, which are not comparable in all respects to United States disclosure standards. The audited and unaudited financial statements of the Trust and the audited financial statements of New Baytex included in or incorporated by reference in this Information Circular have been presented in Canadian dollars, were prepared in accordance with Canadian GAAP, and are subject to Canadian auditing and auditor independence standards, which differ from United States GAAP and auditing and auditor independence standards in certain material respects, and thus may not be comparable to financial statements of United States companies.

In addition, data on oil and gas reserves contained or incorporated by reference in this Information Circular has been prepared in accordance with Canadian disclosure standards, which are not comparable in all respects to United States disclosure standards.

The enforcement by investors of civil liabilities under United States securities laws may be affected adversely by the fact that the Trust and New Baytex are organized under the laws of the Province of Alberta, that their respective officers and directors and trustee (in the case of the Trust), are for the most part residents of countries other than the United States, that certain of the experts named in this Information Circular are residents of countries other than the United States, and that all or substantial portions of the assets of the Trust and New Baytex and such other Persons are, or will be, located outside the United States. As a result, it may be difficult or impossible for Unitholders in the United States to effect service of process within the United States upon the Trust and New Baytex and their respective officers and directors and trustee, or to realize, against them, upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any

state within the United States. In addition, Unitholders in the United States should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States.

The 1933 Act imposes restrictions on the resale of securities received pursuant to the Arrangement by Persons who are "affiliates" of New Baytex after the Arrangement. See "*The Arrangement – Securities Law Matters – United States*" in this Information Circular.

See "*Certain United States Federal Income Tax Considerations*" for certain information concerning the tax consequences of the Arrangement for United States Holders who are United States taxpayers.

THE NEW BAYTEX SHARES ISSUABLE PURSUANT TO THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR SECURITIES REGULATORY AUTHORITIES OF ANY STATE OF THE UNITED STATES, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR SECURITIES REGULATORY AUTHORITIES OF ANY STATE OF THE UNITED STATES PASSED ON THE ADEQUACY OR ACCURACY OF THIS INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

Currency Exchange Rates

All dollar amounts set forth in this Information Circular are in Canadian dollars, except where otherwise indicated. The following table sets forth: (i) the rates of exchange for Canadian dollars, expressed in United States dollars, in effect at the end of each of the periods indicated; (ii) the average of exchange rates in effect during such periods; and (iii) the high and low exchange rates during each such periods, in each case based on the noon rate as reported by the Bank of Canada.

	Nine Months Ended September 30, 2010	Year Ended December 31,		
		2009	2008	2007
Rate at end of Period	0.9711	0.9555	0.8166	1.0120
Average rate during Period	0.9656	0.8757	0.9381	0.9304
High	1.0039	0.9716	1.0289	1.0905
Low	0.9278	0.7692	0.7711	0.8437

On October 26, 2010, the noon rate for \$1.00 Canadian was \$0.9782 United States.

GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Information Circular, including the Summary Information and **Appendix D** hereof. Terms and abbreviations used in the Appendices to this Information Circular, other than **Appendix D**, are defined separately and the terms and abbreviations used below are not used therein, except where otherwise indicated.

"**1933 Act**" means the *United States Securities Act of 1933*, as amended.

"**1934 Act**" means the *United States Securities Exchange Act of 1934*, as amended.

"**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder.

"**AmalgamationCo**" means the corporation formed on the amalgamation of Baytex and Baytex ExchangeCo pursuant to the Arrangement.

"**Amended and Restated Series A Debenture Indenture**" means the amended and restated Series A Debenture Indenture, to be entered into among New Baytex, the Series A Debenture Guarantors and Valiant Trust Company, pursuant to which, among other things, New Baytex shall assume the rights and obligations of the Trust under the Series A Debenture Indenture and the Series A Debenture Guarantors shall ratify and confirm the Guarantees.

"**Arrangement**" means the arrangement pursuant to Section 193 of the ABCA set forth in the Plan of Arrangement as supplemented, modified or amended.

"**Arrangement Agreement**" means the arrangement agreement dated effective as of October 25, 2010 among the Baytex Parties pursuant to which the Baytex Parties have proposed to implement the Arrangement, a copy of which agreement is attached as **Appendix C** to this Information Circular, including any amendments thereto.

"**Arrangement Resolution**" means the special resolution in respect of the Arrangement, in substantially the form attached as **Appendix A** to this Information Circular, to be voted on at the Meeting by the Unitholders.

"**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required by subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been granted giving effect to the Arrangement.

"**Baytex**" means Baytex Energy Ltd., a corporation amalgamated under the ABCA and a wholly-owned subsidiary of the Trust.

"**Baytex Common Shares**" means the common shares in the capital of Baytex.

"**Baytex ExchangeCo**" means Baytex ExchangeCo Ltd., a corporation incorporated under the ABCA and a wholly-owned subsidiary of the Trust.

"**Baytex Parties**" means the Trust, Baytex, Baytex ExchangeCo and New Baytex.

"**Baytex Partnership**" means Baytex Energy Partnership, a general Alberta partnership, the partners of which are Baytex and Baytex Oil & Gas Ltd.

"**Board**" or "**Board of Directors**" means, prior to the completion of the Arrangement, the board of directors of Baytex (the administrator of the Trust), and following the completion of the Arrangement, the board of directors of New Baytex.

"**Business Day**" means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open for business in the City of Calgary, in the Province of Alberta, for the transaction of banking business.

"**Canadian GAAP**" means Canadian generally accepted accounting principles.

"**Certificate**" means the certificate or certificates or confirmation of filing, which may be issued by the Registrar pursuant to Subsection 193(11) of the ABCA giving effect to the Arrangement.

"**Convertible Debentures**" means the 6.5% convertible unsecured debentures of the Trust which are due and payable on December 31, 2010.

"**Court**" means the Court of Queen's Bench of Alberta.

"**Depository**" means Valiant Trust Company, or such other Person as may be designated by Baytex.

"**Dissent Right**" means the right of a registered Unitholder to dissent to the Arrangement Resolution and to be paid the fair value of the Units in respect of which the holder dissents, all in accordance with Section 191 of the ABCA, as modified by the Interim Order.

"**Dissenting Unitholders**" means registered Unitholders who validly exercise Dissent Rights.

"**DRIP**" means the distribution reinvestment plan of the Trust.

"**Effective Date**" means the date the Arrangement becomes effective under the ABCA.

"**Effective Time**" means the time at which Articles of Arrangement are filed with the Registrar on the Effective Date.

"**Final Order**" means the final order of the Court approving the Arrangement to be applied for following the Meeting and to be granted pursuant to the provisions of subsection 193(9) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction.

"**Final Trust Distribution**" means the final cash distribution to be declared on or about December 15, 2010 and to be payable on January 17, 2011 to Unitholders of record on December 31, 2010.

"**Guarantees**" means the guarantee of the Series A Debentures provided by the Series A Debenture Guarantors in the Series A Debenture Indenture.

"**Holder**" means a registered holder of Units immediately prior to the Effective Time or any person who surrenders to the Depository certificates representing Units duly endorsed for transfer to such person.

"**Incentive Plan**" means the trust unit rights incentive plan of the Trust.

"**Incentive Rights**" means rights to acquire Trust Units granted under the Incentive Plan.

"**Income Tracking Unit Plan**" means, collectively, the income tracking unit plan of each of Baytex and Baytex Energy USA Ltd.

"**Information Circular**" means this information circular and proxy statement of the Trust dated October 26, 2010, together with all appendices hereto and all documents incorporated by reference herein, distributed to Unitholders in connection with the Meeting.

"**Interim Order**" means the interim order of the Court dated October 26, 2010 issued under subsection 193(4) of the ABCA containing declarations and directions with respect to the Arrangement and the Meeting and issued pursuant to the petition of the Baytex Parties therefor, a copy of which order is attached as **Appendix B** to this Information Circular, as such order may be affirmed, amended or modified by any court of competent jurisdiction.

"**Letter of Transmittal**" means the letter of transmittal enclosed with this Information Circular pursuant to which Holders of Units are required to deliver to the Depository certificates representing such Units in order to receive certificates representing the New Baytex Shares issuable to them pursuant to the Arrangement.

"**Meeting**" means the special meeting of Unitholders to be held to consider the Arrangement Resolution and certain other matters, and any adjournment(s) thereof.

"**MI 61-101**" means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

"**MST**" means Mountain Standard Time.

"**New Baytex**" means Baytex Energy Corp., a corporation incorporated under the ABCA which will be the new public exploration and development corporation resulting from the reorganization of the Trust.

"**New Baytex Shares**" means the common shares in the capital of New Baytex.

"**New DRIP**" means the dividend reinvestment plan to be implemented by New Baytex pursuant to which the DRIP will be amended and restated to reflect (i) the Arrangement and the implementation of the transactions contemplated by the Plan of Arrangement, including without limitation New Baytex's assumption of the obligations of the Trust under the DRIP, and (ii) such other amendments thereto as shall be approved by the Board of Directors.

"**New Incentive Rights**" means rights to acquire New Baytex Shares issued to holders of Incentive Rights in exchange for such rights in accordance with the terms of the Incentive Plan.

"**NI 51-101**" means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

"**Notice of Meeting**" means the Notice of Special Meeting of Unitholders which accompanies this Information Circular.

"**Notice of Petition**" means the Notice of Petition on behalf of the Baytex Parties to the Court for the Final Order which accompanies this Information Circular.

"**NYSE**" means the New York Stock Exchange.

"**Performance Awards**" means a performance award granted pursuant to the Share Award Incentive Plan.

"**Person**" includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, governmental entity, syndicate or other entity, whether or not having legal status.

"**Plan**" or "**Plan of Arrangement**" means the plan of arrangement attached as **Exhibit A** to **Appendix C** to this Information Circular, as amended or supplemented from time to time in accordance with the terms thereof.

"**Record Date**" means the close of business on October 20, 2010.

"**Registrar**" means the Registrar of Corporations appointed under Section 263 of the ABCA.

"**Regulation S**" means Regulation S under the 1933 Act.

"**Restricted Awards**" means a restricted award granted pursuant to the Share Award Incentive Plan.

"**SEC**" means the United States Securities and Exchange Commission.

"**Series A Debenture Guarantors**" means Baytex, Baytex Oil & Gas Ltd., Baytex Partnership, Baytex Marketing Ltd. and Baytex Energy USA Ltd.

"**Series A Debenture Indenture**" means the trust indenture made as of August 26, 2009 among the Trust, the Series A Debenture Guarantors and Valiant Trust Company.

"**Series A Debentures**" means the 9.15% series A senior unsecured debentures of the Trust due August 26, 2016 and issued pursuant to the Series A Debenture Indenture.

"**SIFT Rules**" has the meaning ascribed thereto in the section entitled "*Background to and Reasons for the Arrangement*".

"**Share Award**" means a Restricted Award or a Performance Award issued pursuant to the terms of the Share Award Incentive Plan.

"**Share Award Incentive Plan**" means the Share Award Incentive Plan of New Baytex to be considered for approval at the Meeting, substantially in the form attached as **Appendix E** to this Information Circular.

"**Share Award Incentive Plan Resolution**" means the ordinary resolution to approve the Share Award Incentive Plan set forth under the heading "*Other Matters to be considered at the Meeting – Approval of the Share Award Incentive Plan*".

"**Sproule**" means Sproule Associates Limited, independent petroleum consultants of Calgary, Alberta.

"**Tax Act**" means the *Income Tax Act*, R.S.C. 1985, c. 1. (5th Supp), as amended, including the regulations promulgated thereunder.

"**Transition Incentive Plan**" means the common share incentive rights plan of New Baytex governing the New Incentive Rights issued in exchange for Incentive Rights in accordance with the terms of the Incentive Plan and the Plan of Arrangement.

"**Trust**" means Baytex Energy Trust, a trust established under the laws of the Province of Alberta and governed by the Trust Indenture.

"**Trust AGM Circular**" means the Information Circular and Proxy Statement of the Trust dated April 6, 2010 relating to the annual meeting of the Unitholders held on May 20, 2010.

"**Trust AIF**" means the Annual Information Form of the Trust dated March 26, 2010 in respect of the Trust's financial year ended December 31, 2009.

"**Trust Indenture**" means the third amended and restated trust indenture of the Trust between the Trustee and Baytex made as of May 20, 2008.

"**Trust Units**" or "**Units**" means the trust units of the Trust.

"**Trustee**" means the trustee of the Trust, presently Valiant Trust Company.

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

"**United States**" or "**U.S.**" means the United States, as defined in Rule 902(l) under Regulation S.

"**United States Holder**" has the meaning ascribed to such term in the section entitled "*Certain United States Federal Income Tax Considerations*" in the Information Circular.

"**Unitholders**" means the holders from time to time of Units.

CONVENTIONS

Certain terms used herein are defined in the "*Glossary of Terms*". Certain other terms used herein but not defined herein are defined in NI 51-101 and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101. References to "\$" or "**Cdn\$**" are to Canadian dollars, references to "**US\$**" are to United States dollars. Unless otherwise indicated, all financial information contained herein has been presented in Canadian dollars in accordance with Canadian GAAP.

SUMMARY INFORMATION

The following is a summary of certain information contained elsewhere in this Information Circular, including the Appendices hereto, and is qualified in its entirety by reference to the more detailed information contained or referred to elsewhere in this Information Circular or in the Appendices hereto. Capitalized terms not otherwise defined herein are defined in the "Glossary of Terms".

The Meeting

The Meeting will be held in the Devonian Room of the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary Alberta, at 3:00 p.m. (Calgary time) on December 9, 2010 for the purposes set forth in the accompanying Notice of Meeting. The business of the Meeting will be to consider and if thought fit to approve: (i) the Arrangement Resolution; (ii) the Share Award Incentive Plan Resolution; and (iii) to transact such further and other business as may properly be brought before the Meeting or any adjournment thereof. See "*The Arrangement*" and "*Other Matters to be Considered at the Meeting*".

The Arrangement

General

The Arrangement will result in the reorganization of the Trust into New Baytex, which will be a public oil and natural gas exploration, exploitation, development, acquisition and production company operating under the name "Baytex Energy Corp." which, together with its subsidiaries, will carry on the business presently carried on by the Trust through its subsidiaries.

The reorganization of the Trust into a corporate structure will allow New Baytex to pursue its strategy of growing its production and asset base through internal property development and acquisitions with the objectives of providing monthly income to its Shareholders and creating long-term value for its Shareholders. See "*Appendix D – Information Concerning New Baytex – Description of Business – Operations*".

New Baytex will retain the current management team and personnel from Baytex and will continue to be led by Raymond T. Chan as Executive Chairman and Anthony W. Marino as President and Chief Executive Officer. The current members of the board of directors of Baytex will form the board of directors of New Baytex. The Arrangement will not trigger any change of control or other termination payments pursuant to any employment agreements or arrangements for the benefit of directors, officers or employees of the Trust or Baytex. See "*Appendix D – Information Concerning New Baytex – Directors and Executive Officers*".

See also "*The Arrangement – Details of the Arrangement – Arrangement Steps*", "*The Arrangement – Arrangement Agreement*", "*The Arrangement – Interests of Certain Persons or Companies in the Matters to be Acted Upon*", "*Certain Canadian Federal Income Tax Considerations*", "*Certain United States Federal Income Tax Considerations*" and "*Appendix D - Information Concerning New Baytex*".

Effect of the Arrangement on Unitholders

Under the Arrangement, Unitholders will receive one New Baytex Share for each one Unit held. See "*The Arrangement – Effect of the Arrangement on Unitholders*" and "*The Arrangement – Procedure for Exchange of Trust Units*".

Dividend Policy of New Baytex

Upon completion of the Arrangement, it is expected that New Baytex will adopt a monthly dividend policy whereby a dividend will be paid on or about the 15th day of the month that follows the end of each month to shareholders of record at the end of such month. The dividend policy is expected to follow the general corporate philosophy of financial self sufficiency whereby, over the long term, development capital expenditures and dividend payments are planned to be financed from internally generated funds from operations. As such, the amount of future cash dividends, if any, will be subject to the discretion of the Board of Directors of New Baytex and may vary depending on a variety

of factors and conditions existing from time to time, including fluctuations in commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens, foreign exchange rates and the satisfaction of solvency tests imposed by the ABCA for the declaration and payment of dividends. Baytex's practice has been to review the level of the distribution at least annually as capital spending requirements are evaluated. This review has typically occurred in December in connection with the presentation of the annual budget for the ensuing year to the Board of Directors of Baytex, with changes, if any, to the distribution level being announced following that meeting. Under current operating conditions and commodity prices, Baytex believes the current distribution level of \$0.18 per Unit per month can be maintained as a dividend subsequent to the completion of the Arrangement. See "*The Arrangement – Dividend Policy of New Baytex*".

Effect of the Arrangement on Holders of Incentive Rights

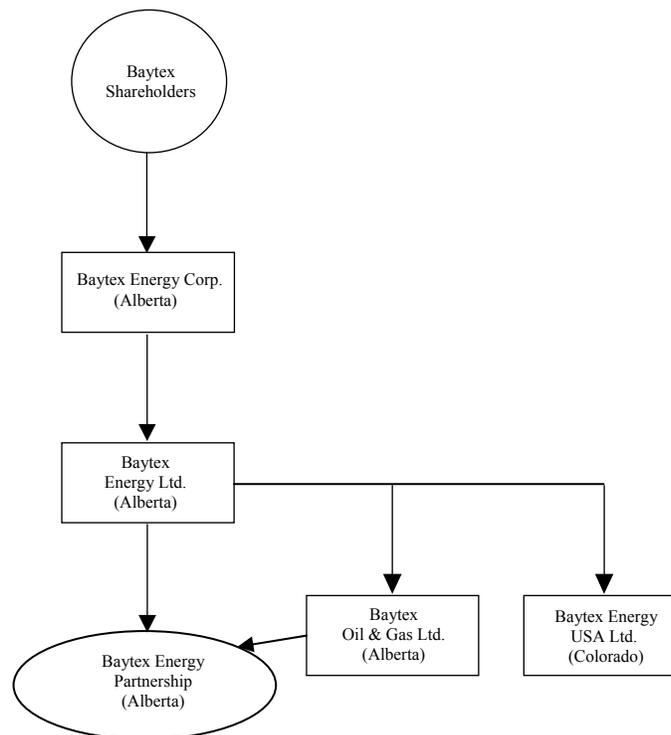
Pursuant to the terms of the Incentive Plan, the Arrangement constitutes a capital reorganization which will result in each holder of Incentive Rights exchanging their Incentive Rights for equivalent rights to acquire New Baytex Shares on a one-for-one basis. The New Incentive Rights will be subject to the terms of the Transition Incentive Plan, which is substantially similar to the Incentive Plan. See "*The Arrangement – Effect of the Arrangement on Holders of Incentive Rights*".

Effect of the Arrangement on the DRIP

Pursuant to the Arrangement, the New DRIP shall become effective, all participants in the DRIP will be deemed to be participants in the New DRIP without any further action on their part, and all declared but unpaid distributions of the Trust will be automatically applied, on behalf of such deemed participants, to the purchase of New Baytex Shares in accordance with the terms and conditions of the New DRIP. See "*The Arrangement – Effect of the Arrangement on the DRIP*".

Post-Arrangement Structure

The following diagram illustrates the simplified organizational structure of New Baytex immediately following the completion of the Arrangement.



Immediately following the completion of the Arrangement, an aggregate of approximately 112.7 million New Baytex Shares will be issued and outstanding (assuming no Dissent Rights are exercised and assuming that no Units are issued subsequent to the date of this Information Circular and prior to the Effective Time).

Background to and Reasons for the Arrangement

On October 31, 2006, the Federal Finance Minister (the "**Minister**") announced the Federal Government's plan to change the tax treatment of income trusts, including oil and gas royalty trusts (the "**SIFT Rules**"). The SIFT Rules will result in a tax being applied at the trust level on distributions of certain income from publicly traded mutual fund trusts at rates of tax comparable to the combined federal and provincial corporate tax and to treat such distributions as dividends to unitholders. The Minister announced that existing trusts would have a four year transition period and generally would not be subject to the new rules until 2011, provided such trusts experienced only "normal growth" and no "undue expansion" before then. The SIFT Rules had an immediate impact on the Canadian capital markets and resulted in a significant decline in trading prices for income trusts, royalty trusts and numerous other Canadian securities. Bill C 52, which received Royal Assent on June 22, 2007, contained legislation implementing the SIFT Rules.

On July 14, 2008, the Minister released specific proposals to amend the Tax Act that were intended to facilitate the conversion of mutual fund trusts into corporations without any undue tax consequences. These proposals were proclaimed in force on March 12, 2009.

Baytex's management and the Board of Directors continuously review the Trust's strategic objectives and options available to it in respect thereof to ensure that the Trust's capital structure is efficient and that Unitholder value is being maximized. Following the initial announcement of the SIFT Rules, management and the Board of Directors have continued to assess the potential impact and significance of the SIFT Rules to the Trust, including the impact upon the Trust's strategic objectives and alternatives. Among other things, management and the Board of Directors considered the various alternatives available to the Trust. Ultimately, management and the Board of Directors concluded that the best alternative available to the Trust was to convert to a corporate structure.

At a meeting held on October 8, 2010, management and the Board of Directors reviewed and discussed the principal terms and conditions of the proposed reorganization of the Trust into a corporate structure. After duly considering the financial and legal aspects and other considerations relating to the proposed reorganization, including the principal terms and conditions of the proposed Arrangement and the Board of Directors' duties and responsibilities to Unitholders and other stakeholders, the Board of Directors unanimously approved proceeding with the proposed conversion of the Trust into a growth and income oriented exploration and production company. At such meeting, the Board of Directors also recommended implementation by New Baytex of the Share Award Incentive Plan.

At a meeting held on October 25, 2010, the Board of Directors unanimously resolved to approve the contents of this Information Circular and its distribution to Unitholders. In connection with these approvals, the Board of Directors concluded that the Arrangement was fair to Unitholders, was in the best interest of the Trust and the Unitholders, and unanimously resolved to recommend that Unitholders vote their Units in favour of the Arrangement. The Board of Directors also authorized Baytex to enter into the Arrangement Agreement, on its own behalf and on behalf of the Trust. The Arrangement Agreement was entered into on October 25, 2010 and the Interim Order was obtained on October 26, 2010.

See "*Background to and Reasons for the Arrangement*".

Benefits of the Arrangement

The Board of Directors and management of Baytex believe that the proposed reorganization of the Trust into a corporate structure will allow New Baytex to pursue its strategy of growing its production and asset base through internal property development and acquisitions with the objectives of providing monthly income to its Shareholders and creating long-term value for its Shareholders. Given the implementation of the SIFT Rules effective December 31, 2010, which result in the elimination of the value of the income fund structure at that time, the Board of Directors and management of Baytex believe that the best opportunity for creating value is to move to a corporate structure effective on or about December 31, 2010, allowing the Trust to continue to benefit from the income trust

structure until the implementation of the SIFT Rules, but thereafter continuing forward as a public corporation. The Board of Directors and management of Baytex believe that the Arrangement provides a number of compelling and strategic benefits, including, without limitation, the expectation that a conversion to a public corporation would:

- permit the Trust's financial and operational performance to be more easily assessed and valued relative to its corporate peers;
- attract new investors and provide a more liquid market for the New Baytex Shares;
- remove the Trust from the uncertainty that exists in the income trust marketplace today as a result of the SIFT Rules;
- be accomplished on a tax-deferred basis for Canadian federal income tax purposes, whereas post-2013 a tax-deferred transaction will not be available under the current federal legislation;
- be expected to be accomplished on a tax-deferred basis for United States federal income tax purposes; and
- better position the Trust to invest in attractive opportunities for growth and expansion.

See "*Background to and Reasons for the Arrangement – Benefits of the Arrangement*".

Recommendation of the Board of Directors

The Board of Directors, based upon its own investigations, has unanimously concluded that the Arrangement is fair to Unitholders, is in the best interest of the Trust and the Unitholders, and unanimously recommends that Unitholders vote in favour of the Arrangement Resolution.

See "*Background to and Reasons for the Arrangement – Recommendation of the Board of Directors*".

Procedure for Exchange of Trust Units

In order to receive their New Baytex Shares following the completion of the Arrangement, holders of Units must deposit with the Depositary (at one of the addresses specified on the last page of the Letter of Transmittal) a validly completed and duly executed Letter of Transmittal (and such other documents and instruments as the Depositary may reasonably require) together with the certificates representing the Holder's Units. The use of the mail to transmit certificates representing Units and the Letter of Transmittal and other relevant documents is at each Holder's risk. The Trust recommends that such certificates and documents be delivered by hand to the Depositary and a receipt therefor be obtained or that registered mail be used. **Holders whose Units are registered in the name of a broker, dealer, bank, trust company or other nominee must contact such party to deposit their Units.**

Provided that the Arrangement becomes effective, from and after 11:59 p.m. MST on December 31, 2010, certificates formerly representing Units that were exchanged under the Plan of Arrangement shall represent only the right to receive upon surrender: (i) certificates representing the New Baytex Shares to which Holders are entitled to receive under the Plan of Arrangement, or as to those Units held by Dissenting Unitholders, other than those Dissenting Unitholders deemed to have participated in the Arrangement, to receive the fair value of the Units represented by such certificates; and (ii) any dividends or distributions with respect to such New Baytex Shares; in each case subject to compliance with the requirements described herein and in the Letter of Transmittal.

Subject to any applicable legislation relating to unclaimed personal property, any certificate formerly representing Units that is not deposited with all other documents as required by the Plan of Arrangement and the Letter of Transmittal on or before the third anniversary of the Effective Date shall cease to represent a right or claim of any kind or nature, including the right of the Holder of such Units to receive New Baytex Shares (and any dividends and distributions thereon). On such date, subject to any applicable legislation relating to unclaimed personal property, such New Baytex Shares (together with all dividends and distributions thereon) shall be returned to New Baytex and such New Baytex Shares shall be cancelled. See "*The Arrangement – Procedure for Exchange of Trust Units*".

Approvals

Unitholder Approval

Pursuant to the Interim Order, the number of votes required to pass the Arrangement Resolution shall be not less than two thirds of the votes cast by Unitholders, either in person or by proxy, at the Meeting. See "*The Arrangement – Approvals – Unitholder Approval*" and "*General Proxy Matters – Procedure and Votes Required*".

Court Approval

Implementation of the Arrangement requires the approval of the Court. The application for the Final Order approving the Arrangement is scheduled for December 10, 2010 at 1:30p.m. (Calgary time), or as soon thereafter as counsel may be heard, at the Calgary Courts Centre, 601 – 5th Street S.W., Calgary, Alberta. On the application, the Court will consider the fairness of the Arrangement. See "*The Arrangement – Approvals – Court Approvals*".

Stock Exchange Listing Approvals

The TSX has conditionally approved the listing of the New Baytex Shares to be issued and made issuable pursuant to the Arrangement, subject to New Baytex fulfilling the requirements of the TSX. Baytex will apply to list the New Baytex Shares to be issued and made issuable pursuant to the Arrangement on the NYSE.

See "*The Arrangement – Approvals – Stock Exchange Listing Approvals*".

Right to Dissent

The following description of the right to dissent and appraisal to which Dissenting Unitholders are entitled is not a comprehensive statement of the procedures to be followed by a Dissenting Unitholder who seeks payment of the fair value of such Dissenting Unitholder's Units and is qualified in its entirety by the reference to the full text of the Interim Order, which is attached to this Information Circular as Appendix B, and the text of Section 191 of the ABCA, which is attached to this Information Circular as Appendix F. A Dissenting Unitholder who intends to exercise the right to dissent and appraisal should carefully consider and comply with the provisions of the ABCA, as modified by the Interim Order. Failure to strictly comply with the provisions of that section, as modified by the Interim Order, and to adhere to the procedures established therein may result in the loss of all rights thereunder.

Pursuant to the Interim Order, a registered Unitholder is entitled, in addition to any other rights the holder may have, to dissent and to be paid the fair value of the Units held by the holder in respect of which the holder dissents, determined as of the close of business on the last Business Day before the day on which the resolution from which such holder dissents was adopted.

Only registered Unitholders may dissent. Persons who are beneficial owners of Units registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that they may only do so through the registered owner of such Units. Accordingly, a beneficial owner of Units desiring to exercise Dissent Rights must make arrangements for the Units beneficially owned by that holder to be registered in the name of the Unitholder prior to the time the written objection to the Arrangement Resolution is required to be received by the Trust or, alternatively, make arrangements for the registered holder of such Units to dissent on behalf of the beneficial Unitholder. In such case, the written objection should set forth the number of Units covered by such written objection.

A Dissenting Unitholder must send to the Trust a written objection to the Arrangement Resolution, which written objection must be received by the Trust, c/o its counsel, Burnet, Duckworth & Palmer LLP, 1400, 350 – 7th Avenue S.W., Calgary, Alberta, T2P 3N9, Attention: Jeffrey E. Sharpe, by 4:00 p.m. (Calgary time) on the second last Business Day immediately preceding the date of the Meeting or any adjournment thereof.

No Unitholder who has voted in favour of the Arrangement Resolution shall be entitled to dissent with respect to the Arrangement. A Dissenting Unitholder may only dissent with respect to all of the Units held by the Dissenting Unitholder, or alternatively may only dissent with respect to all of the Units held by the registered Dissenting Unitholder on behalf of any one beneficial Unitholder that are registered in the name of the registered Dissenting Unitholder.

The Arrangement Agreement provides that, unless otherwise waived, it is a condition to the completion of the Arrangement that holders of not greater than five percent (5%) of the outstanding Units shall have exercised Dissent Rights in respect of the Arrangement that have not been withdrawn as of the Effective Date.

See "*The Arrangement – Right to Dissent*".

Information Concerning the Baytex Parties

The Trust is an open-ended investment trust created on July 24, 2003 under the laws of the Province of Alberta pursuant to the Trust Indenture. The Trustee has been appointed as trustee under the Trust Indenture. The Unitholders are the beneficiaries of the Trust. The Unitholders receive a monthly cash distribution that is derived from the producing oil and gas assets owned by the Trust's subsidiaries.

Baytex is a corporation amalgamated under the laws of the Province of Alberta that carries on the business of oil and natural gas exploration, development, acquisition and production in Western Canada. Baytex is the administrator of the Trust and is a wholly-owned subsidiary of the Trust.

New Baytex was incorporated on October 22, 2010 pursuant to the provisions of the ABCA, as a wholly-owned subsidiary of Baytex, for the sole purpose of participating in the Arrangement and has not carried on any business or conducted any operations to date other than entering into the Arrangement Agreement. See "*Information Concerning New Baytex*" and "*Appendix D - Information Concerning New Baytex*" for a more detailed description of New Baytex both before and after giving effect to the Arrangement.

Baytex ExchangeCo is a corporation formed pursuant to the provisions of the ABCA, as a wholly-owned subsidiary of the Trust. Baytex ExchangeCo is not actively carrying on business.

The head office of each of the Baytex Parties is located at Suite 2800, 520 – 3rd Avenue S.W., Calgary, Alberta, T2P 0R3 and the registered office of each of Baytex, Baytex ExchangeCo and New Baytex is located at Suite 1400, 350 – 7th Avenue S.W., Calgary, Alberta, T2P 3N9.

See "*Information Concerning the Baytex Parties*".

Canadian Federal Income Tax Considerations

This Information Circular contains a summary of the principal Canadian federal income tax considerations applicable to certain Unitholders who transfer their Units to New Baytex and receive New Baytex Shares under the Arrangement. See "*Certain Canadian Federal Income Tax Considerations*". The comments below are qualified in their entirety by reference to such summary.

A Unitholder who transfers a Unit to New Baytex and receives a New Baytex Share under the Arrangement will generally be deemed to have: (i) disposed of the Unit for proceeds of disposition equal to the "cost amount" (as defined in the Tax Act) of such Unit to the Unitholder immediately before the disposition; and (ii) acquired the New Baytex Share received on the exchange at a cost equal to the cost amount to the Unitholder of the particular Unit so exchanged. As a result, Unitholders will generally not realize a capital gain or a capital loss on the transfer of their Units and receipt of New Baytex Shares.

United States Federal Income Tax Considerations

Subject to the PFIC rules summarized below under "*Certain United States Federal Income Tax Considerations – Arrangement – PFIC Rules*", a United States Holder generally should not recognize a gain or loss upon the exchange of its Units for New Baytex Shares pursuant to the Arrangement. Such United States Holder's tax basis in New Baytex Shares received will equal its adjusted tax basis in the Units exchanged therefor and its holding period with respect to such New Baytex Shares will include the holding period for such Units.

Unitholders should read carefully the section entitled "*Certain United States Federal Income Tax Considerations*" in this Information Circular and should consult their own tax advisors regarding the tax considerations applicable to them in their particular circumstances.

The foregoing summary is qualified in its entirety by the more detailed discussion of U.S. federal income tax consequences of the Arrangement set forth under the heading "*Certain United States Federal Income Tax Considerations*".

Other Tax Considerations

This Information Circular does not address any tax considerations of the Arrangement other than certain Canadian and United States federal income tax considerations. Unitholders who are resident in jurisdictions other than Canada or the United States should consult their own tax advisors with respect to the tax implications of the Arrangement, including any associated filing requirements, in such jurisdictions and with respect to the tax implications in such jurisdictions of owning New Baytex Shares after the Arrangement. Unitholders should also consult their own tax advisors regarding provincial, state or territorial tax considerations of the Arrangement or of holding New Baytex Shares.

Timing of Completion of the Arrangement

If the Meeting is held as scheduled and is not adjourned, the Arrangement Resolution is approved by the requisite majority of Unitholders, and the other necessary conditions at that point in time are satisfied or waived, the Baytex Parties will apply for the Final Order approving the Arrangement on December 10, 2010. If the Final Order is obtained on December 10, 2010 in form and substance satisfactory to the Baytex Parties, and all other conditions set forth in the Arrangement Agreement are satisfied or waived, the Trust expects the Effective Date will be on or about December 31, 2010. It is not possible, however, to state with certainty when the Effective Date will occur. The Effective Date could be delayed for a number of reasons, including an objection before the Court at the hearing of the application for the Final Order.

Risk Factors

Other than risk factors relating to the structure of the Trust, risk factors relating to the Trust and its subsidiaries will generally continue to apply to New Baytex after the Effective Date and will not be affected by the Arrangement. The risks associated with the Trust and its subsidiaries are described in the Trust AIF under the heading "*Risk Factors*", which are incorporated by reference into this Information Circular.

There are a number of additional risk factors relating to the Arrangement, the activities of New Baytex and the ownership of New Baytex Shares following the Effective Date which prospective investors should carefully consider. These risk factors are set forth under "*Risk Factors*" in this Information Circular and "*Risk Factors*" in "*Appendix D – Information Concerning New Baytex*".

Unitholders should carefully review and consider all risk factors, as well as the other information contained in the documents forming the Trust's public disclosure record, before making an investment decision. **Unitholders are encouraged to obtain independent legal, tax and investment advice in their jurisdiction of residence with respect to this Information Circular, the consequences of the Arrangement and the holding of Units and New Baytex Shares.**

BACKGROUND TO AND REASONS FOR THE ARRANGEMENT

Background to and Reasons for the Arrangement

On October 31, 2006, the Minister announced the SIFT Rules. The SIFT Rules will result in a tax being applied at the trust level on distributions of certain income from publicly traded mutual fund trusts at rates of tax comparable to the combined federal and provincial corporate tax and to treat such distributions as dividends to unitholders. The Minister announced that existing trusts would have a four year transition period and generally would not be subject to the new rules until 2011, provided such trusts experienced only "normal growth" and no "undue expansion" before then. The SIFT Rules had an immediate impact on the Canadian capital markets and resulted in a significant decline in trading prices for income trusts, royalty trusts and numerous other Canadian securities. Bill C-52, which received Royal Assent on June 22, 2007, contained legislation implementing the SIFT Rules.

On July 14, 2008, the Minister released specific proposals to amend the Tax Act that were intended to facilitate the conversion of mutual fund trusts into corporations without any undue tax consequences. These proposals were proclaimed in force on March 12, 2009.

Baytex's management and the Board of Directors continuously review the Trust's strategic objectives and options available to it in respect thereof to ensure that the Trust's capital structure is efficient and that Unitholder value is being maximized. Following the initial announcement of the SIFT Rules, management and the Board of Directors have continued to assess the potential impact and significance of the SIFT Rules to the Trust, including the impact upon the Trust's strategic objectives and alternatives. Among other things, management and the Board of Directors considered the various alternatives available to the Trust. Ultimately, management and the Board of Directors concluded that the best alternative available to the Trust was to convert to a corporate structure.

At a meeting held on October 8, 2010, management and the Board of Directors reviewed and discussed the principal terms and conditions of the proposed reorganization of the Trust into a corporate structure. After duly considering the financial and legal aspects and other considerations relating to the proposed reorganization, including the principal terms and conditions of the proposed Arrangement and the Board's duties and responsibilities to Unitholders and other stakeholders, the Board of Directors unanimously approved proceeding with the proposed conversion of the Trust into a growth and income oriented exploration and production company. At such meeting, the Board of Directors also recommended implementation by New Baytex of the Share Award Incentive Plan.

At a meeting held on October 25, 2010, the Board of Directors unanimously resolved to approve the contents of this Information Circular and its distribution to Unitholders. In connection with these approvals, the Board of Directors concluded that the Arrangement was fair to Unitholders, was in the best interest of the Trust and the Unitholders, and unanimously resolved to recommend that Unitholders vote their Units in favour of the Arrangement. The Board of Directors also authorized Baytex to enter into the Arrangement Agreement, on its own behalf and on behalf of the Trust. The Arrangement Agreement was entered into on October 25, 2010 and the Interim Order was obtained on October 26, 2010.

Benefits of the Arrangement

The Board of Directors and management of Baytex believe that the proposed reorganization of the Trust into a corporate structure will allow New Baytex to pursue its strategy of growing its production and asset base through internal property development and acquisitions with the objectives of providing monthly income to its Shareholders and creating long-term value for its Shareholders. Given the implementation of the SIFT Rules effective December 31, 2010, which result in the elimination of the value of the income fund structure at that time, the Board of Directors and management of Baytex believe that the best opportunity for creating value is to move to a corporate structure effective on or about December 31, 2010, allowing the Trust to continue to benefit from the income trust structure until the implementation of the SIFT Rules, but thereafter continuing forward as a public corporation. The Board of Directors and management of Baytex believe that the Arrangement provides a number of compelling and strategic benefits, including, without limitation, the expectation that a conversion to a public corporation would:

- permit the Trust's financial and operational performance to be more easily assessed and valued relative to its corporate peers;

- attract new investors and provide a more liquid market for the New Baytex Shares;
- remove the Trust from the uncertainty that exists in the income trust marketplace today as a result of the SIFT Rules;
- be accomplished on a tax-deferred basis for Canadian federal income tax purposes, whereas post-2013 a tax-deferred transaction will not be available under the current federal legislation;
- be expected to be accomplished on a tax-deferred basis for United States federal income tax purposes; and
- better position the Trust to invest in attractive opportunities for growth and expansion.

Recommendation of the Board of Directors

The Board of Directors, based upon its own investigations, has unanimously concluded that the Arrangement is fair to Unitholders, is in the best interest of the Trust and the Unitholders, and unanimously recommends that Unitholders vote in favour of the Arrangement Resolution.

In reaching its conclusions and formulating its recommendation, the Board of Directors considered a number of factors in addition to those described elsewhere in this Information Circular, including, without limitation, the following:

- the purpose and anticipated benefits of the Arrangement described herein (see "*Background to and Reasons for the Arrangement*" and "*Benefits of the Arrangement*" above);
- a conversion to a corporate structure is expected to attract a broader investor base, which may reduce financing costs and increase equity valuations for New Baytex;
- a review of the Trust's strategic objectives and business plan and the optimal structure to maximize Unitholder value;
- the significant decline in trading prices for securities of income trusts, including the Trust, after the announcement of the SIFT Rules and the erosion of the premium that securities of income trusts were previously trading at, which allowed them to raise capital and make acquisitions on a more accretive basis;
- the impact of the SIFT Rules, which will remove the benefits of the trust structure for the Trust and Unitholders at the end of 2010;
- the Trust's need to access capital through bank borrowings and through debt and equity capital markets in order to finance growth opportunities in the most efficient and cost-effective manner;
- the fact that the Arrangement and the restructuring contemplated therein will not trigger any change of control or other payments under employment or similar arrangements for the benefit of directors, officers or employees of the Trust or Baytex, and will not result in the acceleration of the vesting of Incentive Rights;
- the fact that as a result of the structure of the Arrangement, holders of Units will maintain the same proportionate interest in New Baytex, the ongoing corporate entity, as they currently hold in the Trust;
- the fact that holders of New Baytex Shares are expected to receive dividends in the form of "eligible dividends" for the purposes of the Tax Act;
- the Arrangement must receive the approval of the Unitholders and the Court, and the Unitholders will be afforded Dissent Rights in a manner consistent with Section 191 of the ABCA, as modified by the Interim Order; and

- the advice of external legal counsel.

The foregoing discussion of the information and factors considered and given weight by the Board is not intended to be exhaustive. In reaching the determination to approve and recommend the Arrangement Resolution, the Board did not assign any relative or specific weight to the factors that were considered, and individual directors may have given different weight to each factor. There are risks associated with the Arrangement, including that some of the potential benefits set forth in this Information Circular may not be realized or that there may be significant costs associated with realizing such benefits. See "*Risk Factors*" in this Information Circular.

All of the directors and officers of Baytex, who directly or indirectly own, or exercise control or direction over, an aggregate of 1,594,130 Units, representing approximately 1.4% of the outstanding Units, have indicated that they will vote their Units in favour of the Arrangement Resolution.

THE ARRANGEMENT

General

The Arrangement will result in the reorganization of the Trust into New Baytex, which will be a public oil and natural gas exploration, exploitation, development, acquisition and production company, operating under the name "Baytex Energy Corp." which, together with its subsidiaries, will carry on the business presently carried on by the Trust through its subsidiaries.

The reorganization of the Trust into a corporate structure will allow New Baytex to pursue its strategy of growing its production and asset base through internal property development and acquisitions with the objectives of providing monthly income to its Shareholders and creating long-term value for its Shareholders. See "*Appendix D – Information Concerning New Baytex – Description of Business – Operations*".

New Baytex will retain the current management team and personnel from Baytex and will continue to be led by Raymond T. Chan as Executive Chairman and Anthony W. Marino as President and Chief Executive Officer. The current members of the board of directors of Baytex will form the board of directors of New Baytex. The Arrangement will not trigger any change of control or other termination payments pursuant to any employment agreements or arrangements for the benefit of directors, officers or employees of the Trust or Baytex. See "*Appendix D – Information Concerning New Baytex – Directors and Executive Officers*".

Effect of the Arrangement on Unitholders

Under the Arrangement, Unitholders will receive one New Baytex Share for each one Unit held.

Dividend Policy of New Baytex

Upon completion of the Arrangement, it is expected that New Baytex will adopt a monthly dividend policy whereby a dividend will be paid on or about the 15th day of the month that follows the end of each month to shareholders of record at the end of such month. The dividend policy is expected to follow the general corporate philosophy of financial self sufficiency whereby, over the long term, development capital expenditures and dividend payments are planned to be financed from internally generated funds from operations. As such, the amount of future cash dividends, if any, will be subject to the discretion of the Board of Directors of New Baytex and may vary depending on a variety of factors and conditions existing from time to time, including fluctuations in commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens, foreign exchange rates and the satisfaction of solvency tests imposed by the *Business Corporations Act* (Alberta) for the declaration and payment of dividends. Baytex's practice has been to review the level of the distribution at least annually as capital spending requirements are evaluated. This review has typically occurred in December in connection with the presentation of the annual budget for the ensuing year to the Board of Directors of Baytex, with changes, if any, to the distribution level being announced following that meeting. Under current operating conditions and commodity prices, Baytex believes the current distribution level of \$0.18 per Unit per month can be maintained as a dividend subsequent to the completion of the Arrangement.

Although it is expected that dividends of New Baytex will qualify as "eligible dividends" for the purposes of the Tax Act, and thus qualify for the enhanced gross-up and tax credit regime available to certain holders of New Baytex Shares, no assurances can be given that all dividends will be designated as "eligible dividends" or qualify as "eligible dividends".

See "*The Arrangement – Effect of the Arrangement on Unitholders*", "*The Arrangement – Details of the Arrangement – Arrangement Steps*", "*The Arrangement – Procedure for Exchange of Trust Units*", "*Certain Canadian Federal Income Tax Considerations*" and "*Certain United States Federal Income Tax Considerations*".

Effect of the Arrangement on Holders of Incentive Rights

In connection with the formation of the Trust in 2003, the Unitholders approved the adoption of the Incentive Plan pursuant to which Incentive Rights may be granted to the directors, officers, employees and other service providers of the Trust and its subsidiaries. The Incentive Plan was amended in 2005, 2007 and 2009 with the approval of the Unitholders.

As at October 26, 2010, the Trust had an aggregate of 6,152,387 Incentive Rights outstanding under the Incentive Plan. The following table summarizes the number of Incentive Rights granted under the Incentive Plan during 2008, 2009 and 2010 (to October 26):

Period	Incentive Rights Granted	Weighted Average Trust Units Outstanding	Burn Rate⁽¹⁾
2008	2,838,000	91,683,000	3.10%
2009	1,844,000	104,894,000	1.76%
2010 (to October 26) ⁽²⁾	175,400	111,066,000	0.16%

Notes:

- (1) The Burn Rate for a given period is calculated by dividing the number of Incentive Rights granted during such period by the weighted average number of Units outstanding during such period.
- (2) Other than the granting of up to 25,000 Incentive Rights to new employees or other service providers, the Trust will not make any new grants under the Incentive Plan during the period commencing on the date of this Information Circular and ending on December 31, 2010. If the Arrangement Resolution and the Share Award Incentive Plan Resolution are passed by the Unitholders at the Meeting, the Share Award Incentive Plan will become the long term incentive plan for New Baytex, the outstanding Incentive Rights will be exchanged for the New Incentive Rights which will be governed by the terms of the Transition Incentive Plan, the Incentive Plan will be terminated and no further grants will be made under the Transition Incentive Plan. See "*Other Matters to be Considered at the Meeting – Approval of the Share Award Incentive Plan*".

Pursuant to the terms of the Incentive Plan, the Arrangement constitutes a capital reorganization which will result in each holder of Incentive Rights exchanging their Incentive Rights for New Incentive Rights on a one-for-one basis. The New Incentive Rights will be subject to the terms of the Transition Incentive Plan. The Transition Incentive Plan is substantially similar to the Incentive Plan other than amendments necessary to reflect:

- (a) the entitlement of holders to receive New Baytex Shares instead of Trust Units;
- (b) the exercise price, as currently calculated for outstanding Incentive Rights, will be carried forward under the Transition Incentive Plan and, if applicable, future adjustments to the exercise price after the Effective Date will be based on dividends paid on New Baytex Shares rather than distributions paid on Units;
- (c) the ability of holders not subject to taxation in the United States to elect at the time of exercise whether or not they want the exercise price of the New Incentive Rights being exercised to be reduced by the amount of distribution paid on the Units and dividends paid on the New Baytex Shares subsequent to the grant date; and
- (d) the administration of the Transition Incentive Plan will upon completion of the Arrangement be carried out by New Baytex as opposed to Baytex.

For a summary of the Incentive Plan, see the section of the Trust AGM Circular entitled "*Executive Compensation – Trust Unit Rights Incentive Plan*", which is incorporated by reference herein.

The transactions contemplated by the Arrangement will not result in a change of control for purposes of the Incentive Plan.

If the Arrangement Resolution is passed by the Unitholders at the Meeting, the Unitholders will be asked to consider and, if deemed advisable, to approve the Share Award Incentive Plan. See "*Other Matters to be Considered at the Meeting – Approval of the Share Award Incentive Plan*". If the Share Award Incentive Plan Resolution is passed by the Unitholders at the Meeting, the Share Award Incentive Plan will become the long term incentive plan for New Baytex and no further grants will be made under the Transition Incentive Plan.

Effect of the Arrangement on Holders of Income Tracking Units

In November 2009, each of Baytex and Baytex Energy USA Ltd. adopted the Income Tracking Unit Plan which allows them to grant to employees who are U.S. persons a right to receive "tracking units" which are designed to deliver a stream of income equivalent to the distributions paid on the Trust Units.

In the event that the Arrangement is completed, New Baytex will be the successor to the Trust for purposes of the Income Tracking Unit Plan and each time New Baytex declares a dividend on the New Baytex Shares, the accrued value of each "tracking unit" outstanding on the record date for such dividend shall increase by an equivalent amount.

For a summary of the Income Tracking Unit Plan, see the section of the Trust AGM Circular entitled "*Executive Compensation – Income Tracking Unit Plan*", which is incorporated by reference herein.

The transactions contemplated by the Conversion will not result in a change of control for purposes of the Income Tracking Unit Plan.

Effect of the Arrangement on the DRIP

Pursuant to the Arrangement, the New DRIP shall become effective, all participants in the DRIP will be deemed to be participants in the New DRIP without any further action on their part, and all declared but unpaid distributions of the Trust will be automatically applied, on behalf of such deemed participants, to the purchase of New Baytex Shares in accordance with the terms and conditions of the New DRIP.

Effect of the Arrangement on the Series A Debentures

Under the Arrangement and in accordance with the terms of the Series A Debentures, New Baytex, the Series A Debenture Guarantors and Valiant Trust Company will enter into the Amended and Restated Series A Debenture Indenture, pursuant to which, among other things, New Baytex will assume all of the rights and obligations of the Trust under the Series A Debenture Indenture and the Series A Debenture Guarantors shall ratify and confirm the Guarantees.

Effect of the Arrangement on the Convertible Debentures

The Convertible Debentures were issued on June 6, 2005 in the aggregate principal amount of \$100 million. As at October 25, 2010, approximately \$5,070,000 principal amount remains outstanding. The Convertible Debentures are convertible to Units at a conversion price of \$14.75 per Unit and mature at the close of business on December 31, 2010 at which time they are due and payable. Any Convertible Debentures not converted prior to their maturity will be repaid by the Trust in accordance with their terms.

Details of the Arrangement

Arrangement Steps

Pursuant to the Arrangement, commencing after the Effective Time, each of the events set out below shall occur and shall be deemed to occur in the following order on the dates and at the times specified without any further act or formality, except as otherwise provided in the Plan of Arrangement:

Amendment to Trust Indenture

- (a) at 4:57 p.m. on the Effective Date, the Trust Indenture shall be amended to the extent necessary to facilitate the Arrangement and also as provided in the Arrangement Agreement;

Dissenting Unitholders

- (b) at 4:59 p.m. on the Effective Date, the Units held by Dissenting Unitholders who have exercised Dissent Rights which remain valid immediately prior to 4:59 p.m. on the Effective Date shall, as of 4:59 p.m. on the Effective Date, be deemed to have been transferred to the New Baytex and cancelled and cease to be outstanding, and as of 4:59 p.m. on the Effective Date, such Dissenting Unitholders shall cease to have any rights as Unitholders of the Trust other than the right to be paid the fair value of their Units by New Baytex;

Final Distributions to Unitholders

- (c) at 5:00 p.m. on the Effective Date, the Trust shall determine the names of the Unitholders of record at such time and those Unitholders shall be entitled to receive the Distribution declared on or about December 15, 2010 to holders of record on December 31, 2010, which distribution shall be payable on or about January 17, 2011;

Exchange of Units for New Baytex Shares

- (d) at 11:59 p.m. on the Effective Date, each Unit shall be sold, assigned and transferred to New Baytex (free of any claims) in exchange for New Baytex Shares on the basis of one New Baytex Share for each Unit so sold, assigned and transferred;

Stated Capital of the New Baytex Shares

- (e) at 11:59 p.m. on the Effective Date, the aggregate amount allocated to the stated capital in respect of the New Baytex Shares issued under subsection 3.1(d) shall be \$1.4 billion;

Redemption of New Baytex Shares

- (f) at 11:59 p.m. on the Effective Date, the New Baytex Share held by Baytex shall be redeemed by New Baytex for an amount equal to the Baytex Unit Fair Market Value and such New Baytex Share shall be cancelled;

Incentive Plan

- (g) at 11:59 p.m. on the Effective Date:
 - (i) the Transition Incentive Plan shall become effective, and
 - (ii) each Incentive Right shall be exchanged for a New Incentive Right in accordance with the terms of the Incentive Plan;

New DRIP

- (h) at 11:59 p.m. on the Effective Date, the New DRIP shall become effective, all participants in the DRIP will be deemed to be participants in the New DRIP without any further action on their part and any declared but unpaid Distributions to a person deemed to be a participant in the New DRIP will be automatically applied to the purchase of New Baytex Shares in accordance with the terms and conditions of the New DRIP;

Dissolution of the Trust

- (i) at 12:01 a.m. on January 1, 2011, all of the property and assets of the Trust (including, without limitation, the Baytex Common Shares, the Baytex ExchangeCo Common Shares and the Notes) shall be transferred to New Baytex and New Baytex shall assume all of the liabilities and obligations of the Trust (including, without limitation, the liabilities and obligations of the Trust in respect of the Series A Debentures and any declared but unpaid Distributions);
- (j) at 12:01 a.m. on January 1, 2011, New Baytex shall assume all of the obligations of the Trust under the Series A Debentures and the Series A Debenture Indenture, and the Amended and Restated Series A Debenture Indenture shall become effective;
- (k) at 12:01 a.m. on January 1, 2011, the Trust shall be dissolved and shall thereafter cease to exist and the Trust Indenture shall be terminated; and

Amalgamation of Baytex and Baytex ExchangeCo

- (l) at 12:01 a.m. on January 1, 2011, Baytex and Baytex ExchangeCo shall be amalgamated and continued as one corporation, AmalgamationCo, in accordance with the following:
- (i) the stated capital of all of the Baytex ExchangeCo Common Shares shall be reduced, in each case, to \$1.00 in aggregate immediately prior to the amalgamation;
 - (ii) the articles of AmalgamationCo shall be the same as the articles of Baytex ExchangeCo and the name of AmalgamationCo shall be "Baytex Energy Ltd.";
 - (iii) the Baytex ExchangeCo Common Shares shall be cancelled without any repayment of capital;
 - (iv) the Exchangeable Shares held by Baytex ExchangeCo shall be cancelled;
 - (v) the property of each of the amalgamating corporations shall continue to be the property of AmalgamationCo;
 - (vi) AmalgamationCo shall continue to be liable for the obligations of each of the amalgamating corporations;
 - (vii) any existing cause of action, claim or liability to prosecution of each of the amalgamating corporations shall be unaffected;
 - (viii) any civil, criminal or administrative action or proceeding pending by or against each of the amalgamating corporations may be continued to be prosecuted by or against AmalgamationCo;
 - (ix) a conviction against, or ruling, order or judgment in favour of or against, each of the amalgamating corporations may be enforced by or against AmalgamationCo;
 - (x) the Articles of Amalgamation of AmalgamationCo shall be deemed to be the Articles of Incorporation of AmalgamationCo and the Certificate of Amalgamation of AmalgamationCo shall be deemed to be the Certificate of Incorporation of AmalgamationCo;

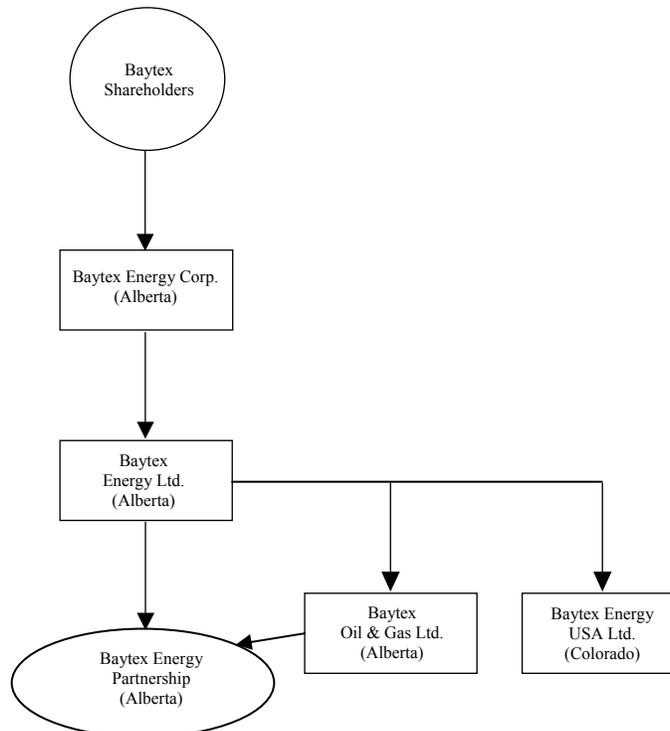
- (xi) the by-laws of AmalgamationCo shall be the by-laws of Baytex ExchangeCo until repealed, amended, altered or added to;
- (xii) the first directors of AmalgamationCo shall be the directors of Baytex;
- (xiii) the first officers of AmalgamationCo shall be the officers of Baytex;
- (xiv) the registered office of AmalgamationCo shall be the registered office of Baytex; and
- (xv) the amalgamation shall be deemed to be effective at 12:01 a.m. on January 1, 2011 and articles of amalgamation shall be filed with the Registrar to be effective on such day;

provided that if any of the foregoing steps fails to occur or be completed then all of such steps will be deemed not to have occurred.

The Baytex Parties each reserve the right to amend, modify and/or supplement the Plan of Arrangement from time to time at any time prior to the Effective Time provided that any such amendment, modification or supplement must be contained in a written document that is: (i) agreed to by each of the Baytex Parties; (ii) filed with the Court and, if made following the Meeting, approved by the Court; and (iii) communicated to Unitholders in the manner required by the Court (if so required). Any amendment, modification or supplement to the Plan of Arrangement may be made following the Effective Time by the agreement of Baytex and New Baytex; provided that, it concerns a matter which, in the reasonable opinion of Baytex and New Baytex is of an administrative nature required to better give effect to the implementation of the Plan of Arrangement and is not adverse to the financial or economic interests of any former holder of Units.

Post Arrangement Structure

The following diagram illustrates the simplified organizational structure of New Baytex immediately following the completion of the Arrangement.



Immediately following the completion of the Arrangement, an aggregate of approximately 112.7 million New Baytex Shares will be issued and outstanding (assuming no Dissent Rights are exercised and assuming that no Units are issued subsequent to the date of this Information Circular and prior to the Effective Time).

Procedure for the Arrangement Becoming Effective

The Arrangement is proposed to be carried out pursuant to the Trust Indenture and Section 193 of the ABCA. The following procedural steps must be taken for the Arrangement to become effective:

- (a) the Arrangement must be approved by the Unitholders voting in person or by proxy at the Meeting;
- (b) the Arrangement must be approved by the Court pursuant to the Final Order;
- (c) all conditions precedent to the Arrangement, including those set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate parties; and
- (d) the Final Order, Articles of Arrangement and related documents, in the form prescribed by the ABCA, must be filed with the Registrar and the Certificate must be issued by the Registrar.

Approvals

Unitholder Approval

Pursuant to the Interim Order, the number of votes required to pass the Arrangement Resolution shall be not less than two thirds of the votes cast by Unitholders, either in person or by proxy, at the Meeting. See "*General Proxy Matters – Procedure and Votes Required – Arrangement Resolution*".

Notwithstanding the foregoing, the Arrangement Resolution proposed for consideration by the Unitholders authorizes the Board of Directors, without further notice to or approval of such Unitholders, subject to the terms of the Arrangement, to amend or terminate the Arrangement Agreement or the Plan of Arrangement, or to revoke the Arrangement Resolution at any time prior to the filing of the Articles of Arrangement giving effect to the Arrangement. The full text of the Arrangement Resolution is attached as **Appendix A** to this Information Circular.

Court Approvals

Interim Order

On October 26, 2010, the Court granted the Interim Order facilitating the calling of the Meeting and prescribing the conduct of the Meeting and other matters. The Interim Order is attached as **Appendix B** to this Information Circular.

Final Order

The ABCA provides that a statutory arrangement requires Court approval. Subject to the terms of the Arrangement Agreement, and if the Arrangement Resolution is approved by Unitholders at the Meeting in the manner required by the Interim Order, the Baytex Parties will make application to the Court for the Final Order.

The application for the Final Order approving the Arrangement is scheduled for December 10, 2010 at 1:30 p.m. (Calgary time), or as soon thereafter as counsel may be heard, at the Calgary Courts Centre, 601 – 5th Street S.W., Calgary, Alberta. At the hearing, any Unitholder and any other interested party who wishes to participate or to be represented or to present evidence or argument may do so, subject to filing with the Court and serving upon the Trust a Notice of Intention to Appear together with any evidence or materials which such party intends to present to the Court **on or before noon (Calgary time) on December 2, 2010. Service of such notice shall be effected by service upon the solicitors for the Trust: Burnet, Duckworth & Palmer LLP, 1400, 350 – 7th Avenue S.W., Calgary, Alberta T2P 3N9 Attention: Jeffrey E. Sharpe. See "*Notice of Petition*".**

The offer and sale of the New Baytex Shares issuable to Unitholders in exchange for their securities pursuant to the Arrangement have not been and will not be registered under the 1933 Act, in reliance upon the exemption from registration provided by Section 3(a)(10) thereof. The Court has been advised that if the terms and conditions of the Arrangement are approved by the Court, the issuance of the New Baytex Shares issuable to Unitholders pursuant to the Arrangement will not require registration under the 1933 Act pursuant to Section 3(a)(10) thereof.

The Trust has been advised by its counsel, Burnet, Duckworth & Palmer LLP, that the Court has broad discretion under the ABCA when making orders with respect to the Arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Arrangement, either as proposed or as amended, in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks fit. Depending upon the nature of any required amendments, the Trust may determine not to proceed with the Arrangement.

Stock Exchange Listing Approvals

The TSX has conditionally approved the listing of the New Baytex Shares to be issued and made issuable pursuant to the Arrangement, subject to New Baytex fulfilling the requirements of the TSX. Baytex will apply to list the New Baytex Shares to be issued and made issuable pursuant to the Arrangement on the NYSE.

Arrangement Agreement

The Arrangement is being effected pursuant to the Arrangement Agreement. The Arrangement Agreement contains covenants and various conditions precedent to completion of the Arrangement.

The Arrangement Agreement is attached as Appendix C to this Information Circular and reference is made thereto for the full text thereof.

Conditions Precedent to the Arrangement

The respective obligations of the Baytex Parties to consummate the transactions contemplated by the Arrangement Agreement, and in particular the Arrangement, are subject to the satisfaction, on or before the Effective Date or such other time specified, of a number of conditions, any of which may be waived by the mutual consent of such parties without prejudice to their right to rely on any other of such conditions. These conditions include:

- (a) the Arrangement Resolution shall have been approved by the requisite number of votes cast by the Unitholders at the Meeting in accordance with the Trust Indenture, the Interim Order and any applicable regulatory requirements;
- (b) the Final Order shall have been granted in form and substance satisfactory to the Baytex Parties, acting reasonably, not later than December 31, 2010, or such later date as the parties may agree to;
- (c) the Articles of Arrangement and all necessary related documents, in form and substance satisfactory to the Baytex Parties, acting reasonably, shall have been accepted for filing by the Registrar together with the Final Order in accordance with subsection 193(9) of the ABCA;
- (d) no material action or proceeding shall be pending or threatened by any person, company, firm, governmental authority, regulatory body or agency and there shall be no action taken under any existing applicable law or regulation, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any court, department, commission, board, regulatory body, government or governmental authority or similar agency, domestic or foreign, that:
 - (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated in the Arrangement Agreement; or
 - (ii) results in a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated in the Arrangement Agreement;

- (e) all necessary material third party and regulatory consents, approvals and authorizations with respect to the transactions contemplated in the Arrangement Agreement shall have been completed or obtained;
- (f) the TSX shall have conditionally approved the listing of the Common Shares to be issued and made issuable pursuant to the Arrangement, subject only to the filing of required documents which cannot be filed prior to the Effective Date;
- (g) the NYSE shall have approved the listing of the Common Shares to be issued and made issuable pursuant to the Arrangement; and
- (h) each of the covenants, acts and undertakings of each of the Baytex Parties to be performed or complied with on or before the Effective Date pursuant to the terms of the Arrangement Agreement shall be duly performed or complied with.

Upon the conditions being fulfilled or waived, the Baytex Parties intend to file a copy of the Final Order and the Articles of Arrangement with the Registrar under the ABCA, together with such other materials as may be required by the Registrar, in order to give effect to the Arrangement.

Amendment and Termination

The Arrangement Agreement may, at any time and from time to time before or after the Meeting, be amended in any respect whatsoever by written agreement of the Baytex Parties without further notice to or authorization on the part of their respective Unitholders or shareholders; provided that any such amendment that changes the consideration to be received by the Unitholders pursuant to the Arrangement is brought to the attention of the Court before approval of the Final Order and is subject to such requirements as may be ordered by the Court.

The Arrangement Agreement shall be terminated: (a) with the mutual agreement of the Baytex Parties; (ii) if the Arrangement shall not have become effective on or before December 31, 2010 or such later date as may be agreed to by the Baytex Parties; and (c) if the Arrangement Agreement is terminated due to the non-fulfilment of the conditions precedent set forth in the Arrangement Agreement, on or before the Effective Date or such other time specified in the Arrangement Agreement.

Timing of Completion of the Arrangement

If the Meeting is held as scheduled and is not adjourned, the Arrangement Resolution is approved by the requisite majority of Unitholders, and the other necessary conditions at that point in time are satisfied or waived, the Baytex Parties will apply for the Final Order approving the Arrangement on December 10, 2010. If the Final Order is obtained on December 10, 2010 in form and substance satisfactory to the Baytex Parties, and all other conditions set forth in the Arrangement Agreement are satisfied or waived, the Trust expects the Effective Date will be on or about December 31, 2010. It is not possible, however, to state with certainty when the Effective Date will occur. The Effective Date could be delayed for a number of reasons, including an objection before the Court at the hearing of the application for the Final Order.

The Plan of Arrangement, upon the filing of the Articles of Arrangement and the issue of the Certificate, will become effective at the Effective Time, and will be binding at and after the Effective Time on: (i) the Unitholders; (ii) the Baytex Parties; (iii) the Trustee; and (iv) all other Persons. Commencing after the Effective Time, each of the events set out in section 3.1 of the Plan of Arrangement will occur in the order, on the dates and at the times specified therein without any further act or formality, except as otherwise provided in the Plan of Arrangement.

Procedure for Exchange of Trust Units

In order to receive their New Baytex Shares following the completion of the Arrangement, Holders of Units must deposit with the Depository (at one of the addresses specified on the last page of the Letter of Transmittal) a validly completed and duly executed Letter of Transmittal (and such other documents and instruments as the Depository may reasonably require) together with the certificates representing the Holder's Units. The use of the mail to transmit certificates representing Units and the Letter of Transmittal and other relevant documents is at each Holder's risk. The

Trust recommends that such certificates and documents be delivered by hand to the Depositary and a receipt therefor be obtained or that registered mail be used. **Holders whose Units are registered in the name of a broker, dealer, bank, trust company or other nominee must contact such party to deposit their Units.**

Provided that the Arrangement becomes effective, from and after 11:59 p.m. MST on December 31, 2010, certificates formerly representing Units that were exchanged under the Plan of Arrangement shall represent only the right to receive upon surrender: (i) certificates representing the New Baytex Shares to which the Holders are entitled to receive under the Plan of Arrangement, or as to those Units held by Dissenting Unitholders, other than those Dissenting Unitholders deemed to have participated in the Arrangement, to receive the fair value of the Units represented by such certificates; and (ii) any dividends or distributions with respect to such New Baytex Shares; in each case subject to compliance with the requirements described herein and in the Letter of Transmittal.

Subject to the provisions of the Letter of Transmittal, New Baytex shall, as soon as practicable following the later of the Effective Date and the date of deposit by a former Holder of Units of a validly completed and duly signed Letter of Transmittal (and such other documents and instruments as the Depositary may reasonably require) and the certificates representing such Units, either: (i) forward or cause to be forwarded by first class mail (postage prepaid) to such former holder at the address specified in the Letter of Transmittal; or (ii) if requested by such holder in the Letter of Transmittal, make available or cause to be made available at the Depositary for pickup by such holder; certificates representing the number of New Baytex Shares issued to such holder under the Arrangement (together with any dividends or distributions with respect thereto).

All monies received by the Depositary on behalf of persons who immediately prior to the Effective Time were registered holders of Units that are exchanged pursuant to the Arrangement shall be either: (a) paid (net of applicable withholding and other taxes) and delivered by the Depositary to such persons as soon as reasonably practicable following receipt of a validly completed and duly signed Letter of Transmittal (and such other documents and instruments as the Depositary may reasonably require) and the certificates representing such Units; or (b) where the person was a registered holder of Units and is deemed to be a participant in the New DRIP, such monies will be applied automatically for the purchase of New Baytex Shares in accordance with the terms and conditions of the New DRIP.

If a certificate representing Units has been lost or destroyed, the Letter of Transmittal should be completed as fully as possible and forwarded, together with a letter describing the loss or destruction, to the Depositary. The Depositary will respond with the replacement requirements, which must be completed and returned to the Depositary.

Subject to any applicable legislation relating to unclaimed personal property, any certificate formerly representing Units that is not deposited with all other documents as required by the Plan of Arrangement and the Letter of Transmittal on or before the third anniversary of the Effective Date shall cease to represent a right or claim of any kind or nature, including the right of the Holder of such Units to receive New Baytex Shares (and any dividends and distributions thereon). On such date, subject to any applicable legislation relating to unclaimed personal property, such New Baytex Shares (together with all dividends and distributions thereon) shall be returned to New Baytex and such New Baytex Shares shall be cancelled.

New Baytex and the Depositary shall be entitled to deduct and withhold from any consideration, dividend or distribution otherwise payable to any former Holder of Units or any Holder of New Baytex Shares, such amounts as either New Baytex or the Depositary are required to deduct and withhold with respect to such payment under the Tax Act or any provision of federal, provincial, territorial, state, local or foreign tax law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes as having been paid to the Holder of the securities in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. To the extent that the amount so required to be deducted or withheld from any payment to a Holder exceeds the cash portion of the consideration otherwise payable to the Holder, New Baytex and the Depositary are authorized under the Plan of Arrangement to sell or otherwise dispose of such portion of the consideration as is necessary to provide sufficient funds to New Baytex and the Depositary, as the case may be, to enable it to comply with such deduction or withholding requirement, and New Baytex and the Depositary shall notify the Holder thereof and remit any unapplied balance of the net proceeds of such sale to such Holder.

All questions as to validity, form, eligibility (including timely receipt) and acceptance of any Units deposited pursuant to the Arrangement will be determined by Baytex (or its successor, New Baytex) in its sole discretion. Depositing Unitholders agree that such determination shall be final and binding. Baytex (or its successor, New Baytex) reserves the absolute right to reject any and all deposits which it determines not to be in proper form or which may be unlawful for it to accept under the laws of any jurisdiction. Baytex (or its successor, New Baytex) reserves the absolute right to waive any defect or irregularity in the deposit of any Units. There shall be no duty or obligation on the Trust, Baytex, New Baytex, the Depositary or any other person to give notice of any defect or irregularity in any deposit of Units and no liability shall be incurred by any of them for failure to give such notice. Baytex (or its successor, New Baytex) reserves the right to permit the procedure for the exchange of securities pursuant to the Arrangement to be completed other than as set forth above.

Should the Arrangement not be completed, any deposited Units will be returned to the depositing Holder at the Trust's expense upon written notice to the Depositary from Baytex by returning the deposited Units (and any other relevant documents) by registered mail in the name of and to the address specified by the Holder in the Letter of Transmittal or, if such name and address is not so specified, in such name and to such address as shown on the register maintained by the Trust's transfer agent.

Right to Dissent

The following description of the right to dissent and appraisal to which Dissenting Unitholders are entitled is not a comprehensive statement of the procedures to be followed by a Dissenting Unitholder who seeks payment of the fair value of such Dissenting Unitholder's Units and is qualified in its entirety by the reference to the full text of the Interim Order, which is attached to this Information Circular as Appendix B, and the text of Section 191 of the ABCA, which is attached to this Information Circular as Appendix F. A Dissenting Unitholder who intends to exercise the right to dissent and appraisal should carefully consider and comply with the provisions of the ABCA, as modified by the Interim Order. Failure to strictly comply with the provisions of that section, as modified by the Interim Order, and to adhere to the procedures established therein may result in the loss of all rights thereunder.

A Court hearing the application for the Final Order has the discretion to alter the rights of dissent described herein based on the evidence presented at such hearing.

Pursuant to the Interim Order, a registered Unitholder is entitled, in addition to any other rights the holder may have, to dissent and to be paid the fair value of the Units held by the holder in respect of which the holder dissents, determined as of the close of business on the last Business Day before the day on which the resolution from which such holder dissents was adopted. **Only registered Unitholders may dissent. Persons who are beneficial owners of Units registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that they may only do so through the registered owner of such Units. Accordingly, a beneficial owner of Units desiring to exercise Dissent Rights must make arrangements for the Units beneficially owned by that holder to be registered in the name of the Unitholder prior to the time the written objection to the Arrangement Resolution is required to be received by the Trust or, alternatively, make arrangements for the registered holder of such Units to dissent on behalf of the beneficial Unitholder. In such case, the written objection, described below, should set forth the number of Units covered by such written objection.**

A Dissenting Unitholder must send to the Trust a written objection to the Arrangement Resolution, which written objection must be received by the Trust, c/o its counsel, Burnet, Duckworth & Palmer LLP, 1400, 350 – 7th Avenue S.W., Calgary, Alberta, T2P 3N9, Attention: Jeffrey E. Sharpe, by 4:00 p.m. (Calgary time) on the second last Business Day immediately preceding the date of the Meeting or any adjournment thereof.

No Unitholder who has voted in favour of the Arrangement Resolution shall be entitled to dissent with respect to the Arrangement. A Dissenting Unitholder may only dissent with respect to all of the Units held by the Dissenting Unitholder, or alternatively may only dissent with respect to all of the Units held by the registered Dissenting Unitholder on behalf of any one beneficial Unitholder that are registered in the name of the registered Dissenting Unitholder.

An application may be made to the Court by New Baytex or by a Dissenting Unitholder to fix the fair value of the Dissenting Unitholder's Units. If such an application to the Court is made by either New Baytex or a Dissenting Unitholder, New Baytex must, unless the Court otherwise orders, send to each Dissenting Unitholder a written offer to pay such person an amount considered by the board of directors of New Baytex to be the fair value of the Units held by such Dissenting Unitholders. The offer, unless the Court otherwise orders, will be sent to each Dissenting Unitholder at least 10 days before the date on which the application is returnable, if New Baytex is the applicant, or within 10 days after New Baytex is served with notice of the application, if a Dissenting Unitholder is the applicant. The offer will be made on the same terms to each Dissenting Unitholder and will be accompanied by a statement showing how the fair value was determined.

A Dissenting Unitholder may make an agreement with New Baytex for the purchase of such holder's Units in the amount of New Baytex's offer (or otherwise) at any time before the Court pronounces an order fixing the fair value of the Units.

A Dissenting Unitholder is not required to give security for costs in respect of an application and, except in special circumstances, will not be required to pay the costs of the application and appraisal. On the application, the Court will make an order fixing the fair value of the Units of all Dissenting Unitholders who are parties to the application, giving judgment in that amount against New Baytex and in favour of each of those Dissenting Unitholders, and fixing the time within which New Baytex must pay that amount payable to the Dissenting Unitholders. The Court may in its discretion allow a reasonable rate of interest on the amount payable to each Dissenting Unitholder calculated from the date on which the Dissenting Unitholder ceases to have any rights as a Unitholder until the date of payment.

On the Arrangement becoming effective, or upon the making of an agreement between New Baytex and the Dissenting Unitholder as to the payment to be made by New Baytex to the Dissenting Unitholder, or the pronouncement of a Court order, whichever first occurs, the Dissenting Unitholder will cease to have any rights as a Unitholder other than the right to be paid the fair value of such Unitholder's Units in the amount agreed to between New Baytex and the Unitholder or in the amount of the judgment, as the case may be. Until one of these events occurs, the Unitholder may withdraw his dissent, or if the Arrangement has not yet become effective the Trust may rescind the Arrangement Resolution, and in either event the dissent and appraisal proceedings in respect of that Unitholder will be discontinued.

New Baytex shall not make a payment to a Dissenting Unitholder under Section 191 of the ABCA if there are reasonable grounds for believing that New Baytex is or would after the payment be unable to pay its liabilities as they become due, or that the realizable value of the assets of New Baytex would thereby be less than the aggregate of its liabilities. In such event, New Baytex shall notify each Dissenting Unitholder that it is lawfully unable to pay Dissenting Unitholders for their Units, in which case the Dissenting Unitholder may, by written notice to New Baytex within 30 days after receipt of such notice, withdraw his written objection, in which case such Unitholder shall, in accordance with the Interim Order, be deemed to have participated in the Arrangement as a Unitholder. If the Dissenting Unitholder does not withdraw his written objection he retains his status as a claimant against New Baytex to be paid as soon as New Baytex is lawfully entitled to do so or, in a liquidation, to be ranked subordinate to creditors but prior to New Baytex's shareholders.

All Units held by Unitholders who exercise their Dissent Rights will, if the holders are ultimately entitled to be paid the fair value thereof, be deemed to be transferred to the Trust in exchange for such fair value as of the Effective Date. If such Unitholders ultimately are not entitled to be paid the fair value for their Units, such Units will be deemed to have been exchanged for New Baytex Shares and such Unitholders will be issued New Baytex Shares on the same basis as all other Unitholders pursuant to the Arrangement.

The above summary does not purport to provide a comprehensive statement of the procedures to be followed by a Dissenting Unitholder who seeks payment of the fair value of their Units. Section 191 of the ABCA requires adherence to the procedures established therein and failure to do so may result in the loss of all rights thereunder. **Accordingly, each Dissenting Unitholder who might desire to exercise the right to dissent and appraisal should carefully consider and comply with the provisions of that section and the Interim Order, the full texts of which are set out in Appendices F and B, respectively, to this Information Circular, and consult their own legal advisor.**

Interests of Certain Persons or Companies in the Matters to be Acted Upon

The directors and officers of Baytex and their associates and affiliates, as a group, beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 1,594,130 Units, representing approximately 1.4% of the outstanding Units. All of the directors and officers of Baytex have indicated that they will vote their securities in favour of the Arrangement Resolution.

Immediately after giving effect to the Arrangement, it is anticipated that the current directors and officers of Baytex and their associates and affiliates, as a group, will beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of approximately 1,594,130 New Baytex Shares, representing approximately 1.4% of the outstanding New Baytex Shares (assuming no Dissent Rights are exercised and assuming that no Units are issued subsequent to the date of this Information Circular and prior to the Effective Time).

The Arrangement will not result in any change of control, termination or other payments being made to any directors, officers or employees of the Trust or Baytex pursuant to employment, change of control or similar agreements or arrangements. In addition, the Arrangement will not constitute a change of control and trigger the acceleration of the vesting of any outstanding Incentive Rights granted pursuant to the Incentive Plan or payment of the accrued value of any "tracking units" granted under the Income Tracking Unit Plan. See *"The Arrangement – Effect of the Arrangement on Holders of Incentive Rights"* and *"The Arrangement – Effect of the Arrangement on Holders of Income Tracking Units"*.

Subject to approval of the Share Award Incentive Plan by Unitholders at the Meeting, directors and officers of New Baytex will be eligible to participate in the Share Award Incentive Plan and may be granted Restricted Awards and/or Performance Awards from time to time thereunder following completion of the Arrangement, subject to the terms and limitations contained in the Share Award Incentive Plan.

No director or executive officer of Baytex or any of its subsidiaries, and no associate or affiliate of any of the foregoing persons, has or had any material interest (direct or indirect) in any transaction in the last three years or any proposed transaction that has materially affected, or will materially affect, the Trust or any of its subsidiaries, except as disclosed above or elsewhere in this Information Circular or in the documents incorporated herein by reference herein.

Securities Law Matters

Canada

All securities to be issued under the Arrangement (including, without limitation, the New Baytex Shares) to Unitholders will be issued in reliance on exemptions from prospectus requirements of applicable Canadian securities laws and, following completion of the Arrangement, the New Baytex Shares will generally be "freely tradeable" (other than as a result of any "control block" restrictions which may arise by virtue of the ownership thereof) under applicable Canadian securities laws of the provinces of Canada.

Pursuant to MI 61-101, the Arrangement is a "downstream transaction". In accordance with MI 61-101, if the Arrangement is a "business combination" or a "related party transaction" then a formal valuation and minority Unitholder approval of the Arrangement would be required unless an exemption is available to the Trust. Since the definition of "business combination" in MI 61-101 specifically excludes a "downstream transaction" and the provisions applying to "related party transactions" do not apply to "downstream transactions", the Trust is not required to obtain a formal valuation or minority approval of the Unitholders of the Arrangement pursuant to MI 61-101. In addition, no "collateral benefit" (as such term is defined in MI 61-101) is being received by any related party to the Trust in connection with the Arrangement.

Judicial Developments

The Plan of Arrangement will be implemented pursuant to Section 193 of the ABCA, which provides that where it is impractical for a corporation to effect an arrangement under any other provisions of the ABCA, a corporation may apply to the Court for an order approving the arrangement proposed by such corporation. Pursuant to this section of

the ABCA, such an application will be made by the Baytex Parties for approval of the Arrangement. See "*The Arrangement – Procedure for the Arrangement Becoming Effective – Court Approvals – Final Order*" above. Although there have been a number of judicial decisions considering this section and its application to various arrangements, there have not been, to the knowledge of the Trust, any recent significant decisions which would apply in this instance. **Unitholders should consult their legal advisors with respect to the legal rights available to them in relation to the Arrangement.**

United States

Status under U.S. securities laws

At the time of the Arrangement, each of the Trust and New Baytex will be a "foreign private issuer" as defined in Rule 3b-4 under the 1934 Act. The Units are currently listed and posted for trading on the NYSE. Baytex will apply to list the New Baytex Shares to be issued and made issuable pursuant to the Arrangement on the NYSE.

Exemption from the registration requirements of the 1933 Act

The New Baytex Shares to be issued under the Arrangement to Unitholders will not be registered under the 1933 Act. The New Baytex Shares will be issued in reliance upon the exemption from registration provided by Section 3(a)(10) of the 1933 Act. Section 3(a)(10) exempts securities issued in exchange for one or more outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by any court of competent jurisdiction, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all persons to whom the securities will be issued have the right to appear and receive timely notice thereof. The Court granted the Interim Order on October 26, 2010 and, subject to the approval of the Arrangement by Unitholders, a hearing on the Arrangement will be held on December 10, 2010 by the Court. See "*The Arrangement – Procedure for the Arrangement Becoming Effective – Court Approvals – Final Order*" above.

Resales of New Baytex Shares within the United States after the completion of the Arrangement

Following the completion of the Arrangement, the New Baytex Shares issuable to Unitholders will be freely tradable in the United States under U.S. federal securities laws, except by persons who will be "affiliates" of New Baytex after the Arrangement. Persons who may be deemed to be "affiliates" of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer.

Persons who are affiliates of New Baytex after the completion of the Arrangement may not sell the New Baytex Shares that they receive in connection with the Arrangement in the absence of registration under the 1933 Act, unless an exemption from registration is available, such as the exemptions contained in Rule 144 or Rule 904 of Regulation S under the 1933 Act.

Affiliates – Rule 144

In general, under Rule 144, persons who are affiliates of New Baytex after the Arrangement will be entitled to sell in the United States, during any three-month period, the New Baytex Shares that they receive in connection with the Arrangement, provided that the number of such securities sold does not exceed the greater of 1% of the then outstanding securities of such class or, if such securities are listed on a United States securities exchange and/or reported through the automated quotation system of a U.S. registered securities association, the average weekly trading volume of such securities during the four calendar week period preceding the date of sale, subject to specified restrictions on manner of sale, requirements, aggregation rules and the availability of current public information about New Baytex. Persons who are affiliates of New Baytex after the Arrangement will continue to be subject to the resale restrictions described in this paragraph for so long as they continue to be affiliates of New Baytex.

Affiliates – Regulation S

In general, under Regulation S, persons who are affiliates of New Baytex solely by virtue of their status as an officer or director of New Baytex may sell their New Baytex Shares outside the United States in an "offshore transaction" if neither the seller, an affiliate nor any person acting on its behalf engages in "directed selling efforts" in the United States and provided that no selling commission, fee or other remuneration is paid in connection with such sale other than the usual and customary broker's commission that would be received by a person executing such transaction as agent. For purposes of Regulation S "directed selling efforts" means "any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered". Also, under Regulation S, an "offshore transaction" includes an offer that is not made to a person in the United States where either: (i) at the time the buy order is originated, the buyer is outside the United States or the seller reasonably believes that the buyer is outside of the United States; or (ii) the transaction is executed in, on or through the facilities of a designated offshore securities market (which would include a sale through the TSX, if applicable). Certain additional restrictions, set forth in Rule 903 of Regulation S, are applicable to sales outside the United States by a holder of New Baytex Shares who is an affiliate of New Baytex after the Arrangement other than by virtue of his or her status as an officer or director of New Baytex.

The foregoing discussion is only a general overview of certain requirements of United States securities laws applicable to the resale of New Baytex Shares received upon completion of the Arrangement. **All holders of such securities are urged to consult with counsel to ensure that the resale of their securities complies with applicable securities legislation.**

Experts

Certain legal matters relating to the Arrangement have been passed upon by Burnet, Duckworth & Palmer LLP on behalf of the Baytex Parties. As at October 25, 2010, the partners and associates of Burnet, Duckworth & Palmer LLP beneficially owned, directly or indirectly, less than 1% of the outstanding Units. John Brussa, a partner of Burnet, Duckworth & Palmer LLP, is a director of Baytex and will, following the completion of the Arrangement, be a director of New Baytex.

As at October 25, 2010, the principals of Sproule do not hold any Units.

Deloitte & Touche LLP, the auditors of the Trust and New Baytex, are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants, Alberta.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Burnet, Duckworth & Palmer LLP, counsel for the Trust, the following is a fair and adequate summary of the principal Canadian federal income tax consequences under the Tax Act generally applicable to a Unitholder in respect of the proposed Arrangement who holds Units as capital property, deals at arm's length with and is not affiliated with the Trust or Baytex, does not use or hold its Units in the course of carrying on a business, and did not acquire the Units in one or more transactions considered to be an adventure or concern in the nature of trade. A Unitholder who is a Canadian resident and might not otherwise be considered to hold its Units as capital property may, in certain circumstances, be entitled to have them, and any other "Canadian security" (as defined in the Tax Act), treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. A Unitholder contemplating making such an election should first consult its own tax advisor. This summary is not applicable to a Unitholder: (i) that is a "financial institution" within the meaning of the Tax Act; (ii) that is a "specified financial institution" within the meaning of the Tax Act; (iii) an interest in which is a "tax shelter investment" for purposes of the Tax Act; or (iv) to whom the "functional currency" (as defined in the Tax Act) reporting rules of the Tax Act apply.

This summary is based upon the provisions of the Tax Act, the current published administrative policies of the Canada Revenue Agency (the "**CRA**") in force as of the date hereof and specific proposals (the "**Tax Proposals**") to amend the Tax Act publicly announced by the Minister of Finance of Canada prior to the date hereof. This summary is not exhaustive of all possible Canadian federal income tax consequences and except for the Tax Proposals does not take into account, or anticipate any changes in law, whether by legislative, regulatory, or judicial action or decision and

does not take into account any provincial, territorial, or foreign tax consequences which may differ significantly from those discussed herein.

This summary is of a general nature only and should not be construed, nor is it intended to be, legal or tax advice, or representations to any particular Unitholder. Accordingly, a Unitholder should consult with its own tax advisor for advice with respect to the tax consequences to it in its particular circumstances.

Holders of Securities Resident in Canada

This portion of the summary is generally applicable to a Unitholder that is, at all relevant times and for the purposes of the Tax Act and any applicable income tax treaty, resident or deemed to be resident in Canada.

Exchange of Units for New Baytex Shares

A holder who exchanges a Trust Unit for a New Baytex Share pursuant to the Arrangement will generally be deemed to have: (i) disposed of the Trust Unit for proceeds of disposition equal to the "cost amount" (as defined in the Tax Act) of such Trust Unit to the holder immediately before the disposition; and (ii) acquired the New Baytex Share received on the exchange at a cost equal to the cost amount to the holder of the particular Trust Unit so exchanged. As a result, such holders will generally not realize a capital gain or a capital loss on the exchange of their Units for New Baytex Shares. The cost of New Baytex Shares must generally be averaged with the adjusted cost base of all other New Baytex Shares held by the holder as capital property for the purposes of determining the adjusted cost base of each New Baytex Share held by such holder.

Dissenting Unitholders

Pursuant to the Arrangement, a Unitholder who validly exercises a right of dissent will be deemed to have transferred such holder's Units to New Baytex and will be entitled to receive a cash payment equal to the fair value of such Units. Such holder will realize a capital gain (or a capital loss) equal to the amount by which the cash payment received (other than interest awarded by a Court) exceeds (or is less than) the aggregate of the adjusted cost base of the Units immediately before the disposition and any reasonable costs associated with the disposition. For a description of the tax treatment of capital gains and capital losses, see "*Holders Resident in Canada - Taxation of Capital Gains and Capital Losses*" below. Interest awarded by a Court to a Dissenting Unitholder will be included in the Dissenting Unitholder's income for the purposes of the Tax Act and such inclusion will generally occur in the taxation year in which the interest award is made. In addition, a Dissenting Unitholder that, throughout the relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax of 6 $\frac{2}{3}$ % on its "aggregate investment income" (as defined in the Tax Act), including interest income.

Dividends on New Baytex Shares

Holders of New Baytex Shares will be required to include in computing their income for a taxation year any taxable dividends received or deemed to be received on such New Baytex Shares.

In the case of a holder that is an individual (other than certain trusts), taxable dividends on New Baytex Shares will be included in a holder's income for the purposes of the Tax Act and will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations. Provided that appropriate designations are made by New Baytex at or prior to the time the dividend is paid, taxable dividends received from a taxable Canadian corporation which are designated by such corporation as "eligible dividends" will be subject to an enhanced gross-up and dividend tax regime in accordance with the rules of the Tax Act.

In the case of a holder of New Baytex Shares that is a corporation, taxable dividends received on the New Baytex Shares will be required to be included in computing the corporation's income for the taxation year in which such dividends are received and will generally be deductible in computing the corporation's taxable income.

A holder of New Baytex Shares that is a "private corporation" (as defined in the Tax Act) or any other corporation resident in Canada and controlled or deemed to be controlled by or for the benefit of an individual or a related group of individuals may be liable under Part IV of the Tax Act to pay a refundable tax of 33 $\frac{1}{3}$ % on dividends received on

the New Baytex Shares to the extent that such dividends are deductible in computing the holder's taxable income. A holder of New Baytex Shares that, throughout the relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax of 6 $\frac{2}{3}$ % on its "aggregate investment income" (as defined in the Tax Act), including any dividends that are not deductible in computing taxable income.

Dispositions of New Baytex Shares

A disposition or deemed disposition of a New Baytex Shares (other than in a tax deferred transaction or a disposition to New Baytex Shares that is not a sale in the open market in the manner in which shares would normally be purchased by any member of the public in the open market), will generally result in the holder realizing a capital gain (or a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the holder of the New Baytex Shares immediately before the disposition. For a description of the tax treatment of capital gains and capital losses, see "*Holders Resident in Canada - Taxation of Capital Gains and Capital Losses*" below.

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a holder in a taxation year must be included in the holder's income for the year, and one-half of any capital loss (an "**allowable capital loss**") realized by a holder in a taxation year can only be deducted from taxable capital gains realized by the holder in that year (subject to and in accordance with rules contained in the Tax Act). Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

A holder that, throughout the relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax of 6 $\frac{2}{3}$ % on its "aggregate investment income" (as defined in the Tax Act), including any taxable capital gains.

If the holder is a corporation, the amount of any capital loss otherwise realized on a disposition or deemed disposition of a share may be reduced by the amount of dividends received or deemed to have been received by it on such share (and in certain circumstances a share exchanged for such share) to the extent and under circumstances prescribed by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns a share or where a trust or partnership of which a corporation is a beneficiary or a member is a member of a partnership or a beneficiary of a trust that owns any such share. Holders to whom these rules may be relevant should consult their own tax advisors.

In the case of a holder that is an individual or in the case of certain trusts, taxable capital gains, if any, may increase such person's liability for minimum tax depending upon their particular circumstances. Holders to whom the alternative minimum tax rules may be relevant should consult their own tax advisors.

Non-Residents of Canada

This portion of the summary applies to a Unitholder who is a Non-Resident of Canada for the purposes of the Tax Act (a "**Non-Resident**"), does not use or hold, and is not deemed to use or hold Units or New Baytex Shares received upon the Arrangement in carrying on a business in Canada and is not an insurer who carries on an insurance business or is deemed to carry on an insurance business in Canada and elsewhere. This summary further assumes that neither the holder's Units nor New Baytex Shares are "taxable Canadian Property" for the purposes of the Tax Act.

A Trust Unit of a mutual fund trust will generally not be considered to be taxable Canadian property to a Non-Resident holder at a particular time unless, at any time during the 60-month period immediately preceding the disposition of the Units: (i) the Non-Resident holder, persons not dealing at arm's length with such Non-Resident holder or the Non-Resident holder together with all such persons, owned 25% or more of the issued Units; and (ii) more than 50% of the fair market value of the Units was derived, directly or indirectly, from one or any combination of real or immovable property situated in Canada, Canadian resource property, timber resource property, or any option in respect of, or interest in, such properties (all as may be defined in the Tax Act). Based on representations of

Baytex, in its capacity as administrator of the Trust as to certain factual matters, the Trust is currently a mutual fund trust for purposes of the Tax Act and is expected to continue to be a mutual fund trust at the time that the Units are exchanged pursuant to the Arrangement.

Provided the New Baytex Shares are listed on a "designated stock exchange" (as defined in the Tax Act, which includes the TSX) at the time of disposition, the New Baytex Shares will generally not constitute taxable Canadian property to a Non-Resident holder at such time unless, at any time during the 60-month period immediately preceding the disposition of the New Baytex Shares: (i) the Non-Resident acquired the New Baytex Share in exchange for a Trust Unit which was taxable Canadian Property or the Non-Resident Holder; or (ii) persons not dealing at arm's length with such Non-Resident holder or the Non-Resident holder together with all such persons, owned 25% or more of the issued shares of any class or series of shares of the capital stock of Baytex; and more than 50% of the fair market value of the New Baytex Shares was derived, directly or indirectly, from one or any combination of real or immovable property situated in Canada, Canadian resource property, timber resource property, or any option in respect of, or interest in, such properties (all as may be defined in the Tax Act).

Non-Resident holders to whom Units or New Baytex Shares may constitute taxable Canadian property should consult their own tax advisors having regard to their particular circumstances.

Holders who are subject to tax, in jurisdictions other than Canada should consult their tax advisors with respect to tax implications of the Arrangement, including any associated filing requirements, in such jurisdictions.

Exchange of Units for New Baytex Shares

A Non-Resident Unitholder who exchanges a Trust Unit for a New Baytex Shares under the Arrangement will generally be deemed to have: (i) disposed of the Trust Unit for proceeds of disposition equal to the "cost amount" (as defined in the Tax Act) of such Trust Unit to the holder immediately before the disposition; and (ii) acquired the New Baytex Share received on the exchange at a cost equal to the cost amount to the holder of the particular Trust Unit so exchanged. As a result, such holder will generally not realize a capital gain or a capital loss on the exchange of their Units for New Baytex Shares.

Where the Units held by a Non-Resident are taxable Canadian property to the Non-Resident, the New Baytex Shares received pursuant to the Arrangement will generally be deemed to be taxable Canadian property to the Non-Resident. This deeming rule will generally cease to apply 60 months following the disposition of the Units pursuant to the Arrangement.

Dissenting Non-Resident Unitholders

Pursuant to the Arrangement, a Non-Resident Unitholder who validly exercises a right of dissent will be deemed to have transferred such holder's Units to New Baytex and will be entitled to receive a cash payment equal to the fair value of the holder's Units. Such Unitholder will be considered to have disposed of such Units for proceeds of disposition equal to the amount of the payment (other than interest awarded by a Court) received by the Unitholder and will realize a capital gain (or a capital loss) equal to the amount by which such cash payment (less any deemed dividend and any amount that represents interest) exceeds (or is exceeded by) the adjusted cost base of such Units to the Unitholder.

A Non-Resident Unitholder who dissents will generally not be liable for tax under the Tax Act in respect of any capital gain realized on a disposition of such Units unless such Units are or are deemed to be "taxable Canadian property" to such Unitholder and the Unitholder is not entitled to relief under an applicable tax treaty between Canada and the Unitholder's country of residence. An amount paid in respect of interest awarded by the Court to a dissenting Non-Resident Unitholder will generally not be subject to Canadian withholding tax.

Dividends on New Baytex Shares

Dividends paid or deemed to be paid to a Non-Resident holder on New Baytex Shares will be subject to Canadian withholding tax at the rate of 25% unless the rate is reduced under the provisions of a tax treaty between Canada and

the Non-Resident holder's jurisdiction of residence. Where the Non-Resident Holder is a United States resident entitled to benefits under the Canada-United States Income Tax Convention, 1980 and is the beneficial owner of the dividends, the rate of Canadian withholding tax applicable to dividends is generally reduced to 15% and may be reduced to 0% for certain tax exempt entities.

Dispositions of New Baytex Shares

A Non-Resident holder will generally not be liable to Canadian income tax on a disposition or deemed disposition of New Baytex Shares unless the New Baytex Shares are, or are deemed to be, "taxable Canadian property" to the Non-Resident holder at the time of disposition and the Non-Resident holder is not entitled to relief under an applicable tax treaty between Canada and the country in which the Non-Resident holder is resident.

Eligibility for Investment

Subject to the provisions of a particular plan, provided the New Baytex Shares are listed on a designated stock exchange (which includes the TSX) at the time of acquisition, or New Baytex Shares continues to qualify as a "public corporation" for the purposes of the Tax Act, New Baytex Shares will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts.

However, the holder of a tax-free savings account that governs a trust which holds New Baytex Shares will be subject to a penalty tax if the holder does not deal at arm's length with New Baytex Shares for the purposes of the Tax Act or the Holder has a significant interest (within the meaning of the Tax Act) in New Baytex Shares or a corporation, partnership or trust with which New Baytex Shares does not deal at arm's length for the purposes of the Tax Act. **Persons who intend to hold New Baytex Shares in their tax-free savings accounts should consult their own tax advisors regarding their particular circumstances.**

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a summary of certain United States federal income tax consequences to United States Holders (as defined below) of the Arrangement and the ownership and disposition of New Baytex Shares received pursuant to the Arrangement. This discussion is based on the United States Internal Revenue Code of 1986, as amended (the "**Code**"), administrative pronouncements, judicial decisions, existing and proposed Treasury Regulations, the Income Tax Convention between the United States and Canada (the "**Tax Convention**") and interpretations of the foregoing, all as of the date hereof. All of the foregoing authorities are subject to change (possibly with retroactive effect), and any such change may result in United States federal income tax consequences to a United States Holder that are materially different from those described below. No rulings from the United States Internal Revenue Service (the "**IRS**") have been or will be sought with respect to the matters described below, and consequently, the IRS may not take a similar view of the consequences described below.

The following discussion does not purport to be a full description of all United States federal income tax considerations that may be relevant to a United States Holder in light of such holder's particular circumstances and only addresses holders that hold Units (and, following the completion of the Arrangement, holders that will hold New Baytex Shares) as capital assets within the meaning of Section 1221 of the Code. Furthermore, this discussion does not address the United States federal income tax considerations applicable to holders subject to special rules, such as: (i) certain financial institutions, real estate investment trusts, regulated investment companies or insurance companies; (ii) tax-exempt organizations, qualified retirement plans, individual retirement accounts or other tax-deferred accounts; (iii) traders in securities that elect to use a mark-to-market method of accounting; (iv) dealers in securities or currencies; (v) persons that own Units (or, following the completion of the Arrangement, persons that will own New Baytex Shares) as part of a straddle, hedge, constructive sale, conversion transaction or other integrated investment; (vi) persons that acquired their Units in connection with the exercise of employee stock options or otherwise as compensation for services; (vii) persons that own directly, indirectly or constructively 5% or more, by voting power or value, of the outstanding equity interests of the Trust (or, following the completion of the Arrangement, persons that will own directly, indirectly or constructively 5% or more, by voting power or value, of the outstanding equity interests of New Baytex); (viii) persons whose "functional currency" is not the United States dollar; (ix) United States expatriates; and (x) persons that are not United States Holders. In addition, this discussion does not address any

United States federal alternative minimum tax, United States federal estate, gift or other non-income tax, or any state, local or non-United States tax consequences of the Arrangement and the ownership and disposition of New Baytex Shares received pursuant to the Arrangement.

As used herein, the term "**United States Holder**" means a beneficial owner of a Unit (or, following the completion of the Arrangement, a beneficial owner of New Baytex Shares) that is: (i) a citizen or individual resident of the United States as determined for United States federal income tax purposes; (ii) a corporation or other entity taxable as a corporation organized in or under the laws of the United States or any political subdivision thereof; (iii) an estate the income of which is subject to United States federal income taxation without regard to the source; or (iv) a trust if a United States court has primary supervision over its administration and one or more United States persons have the authority to control all substantial decisions of the trust, or if the trust has a valid election in effect under applicable Treasury Regulations to be treated as a United States person.

If a pass-through entity, including a partnership or other entity classified as a partnership for United States federal income tax purposes, is a beneficial owner of Units (or, following the completion of the Arrangement, a beneficial owner of New Baytex Shares), the United States federal income tax treatment of an owner or partner generally will depend upon the status of such owner or partner and upon the activities of the pass-through entity. Any owner or partner of a pass-through entity holding Units or New Baytex Shares is urged to consult its own tax advisor.

IRS Circular 230 disclosure: To ensure compliance with requirements imposed by the IRS you are hereby notified that: (a) any discussion of United States federal tax issues in this document is not intended or written by the Trust to be relied upon and cannot be relied upon by you for the purpose of avoiding penalties that may be imposed on you under the Internal Revenue Code; (b) such discussion is written in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) you should seek advice based on your particular circumstances from an independent tax advisor.

Arrangement

General

Subject to the passive foreign investment company ("**PFIC**") rules discussed below, a United States Holder generally should not recognize a gain or loss upon the exchange of its Units for New Baytex Shares pursuant to the Arrangement. This conclusion is based in part on treating the various transactions that constitute the Arrangement as an integrated transaction for United States federal income tax purposes. If the Arrangement does not result in the recognition of a gain or loss, a United States Holder's tax basis in New Baytex Shares received pursuant to the Arrangement generally will equal the United States Holder's adjusted tax basis in its Units exchanged therefor, and the United States Holder's holding period with respect to such New Baytex Shares generally will include the United States Holder's holding period with respect to the Units exchanged therefor pursuant to the Arrangement.

Consequences to a Dissenting U.S. Unitholder

A United States Holder that validly exercises the rights of dissent provided to it under the Interim Order and whose dissent rights remain valid immediately before the Effective Time generally will recognize gain or loss in an amount equal to the difference, if any, between: (i) the amount of U.S. dollars or the fair market value of Canadian currency plus the fair market value of any property received; and (ii) such United States Holder's tax basis in the Units surrendered. Such gain or loss generally will be a capital gain or loss, which will be long-term capital gain or loss if such Units were held for more than one year. Preferential tax rates apply to long-term capital gains of a United States Holder that is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains of a United States Holder that is a corporation. Deductions for capital losses are subject to complex limitations under the Code.

PFIC Rules

The foregoing discussion assumes that the Trust was not a PFIC for any taxable year during which a United States Holder held Units, including the current year. If the Trust were classified as a PFIC, the United States federal income tax consequences of the Arrangement to a United States Holder could be materially different from those described

above. A non-United States entity treated as a corporation for United States federal income tax purposes will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to the applicable "look through" rules, either (i) at least 75% of its gross income is "passive" income, or (ii) at least 50% of the average value of its assets is attributable to assets that produce passive income or are held for the production of passive income. The Trust believes that it has never been a PFIC and does not expect New Baytex to be a PFIC in 2011.

Each United States Holder should consult its own tax advisor regarding the United States federal tax considerations that would be applicable to it if the Trust were classified as a PFIC for any taxable year during which the United States Holder held Units.

Ownership and Disposition of New Baytex Shares

Dividends

Subject to the discussion below under "*PFIC Status of New Baytex*", the gross amount of any distribution of cash or property (other than in liquidation) made to a United States Holder with respect to New Baytex Shares (inclusive of any Canadian withholding tax with respect thereto) generally will be includible in gross income by a United States Holder as dividend income to the extent such distribution is paid out of the current or accumulated earnings and profits of New Baytex as determined under United States federal income tax principles. Dividends will not be eligible for the dividends received deduction generally allowed to a United States corporation on dividends received from a domestic corporation. A distribution in excess of New Baytex's current and accumulated earnings and profits will first be treated as a tax-free return of capital to the extent of a United States Holder's adjusted tax basis in its New Baytex Shares and will be applied against and reduce such basis on a dollar-for-dollar basis (thereby increasing the amount of gain or decreasing the amount of loss recognized on a subsequent disposition of New Baytex Shares). To the extent that such distribution exceeds the United States Holder's adjusted tax basis, the distribution will be treated as capital gain, which will be treated as a long-term capital gain if such United States Holder's holding period in its New Baytex Shares exceeds one year as of the date of the distribution and otherwise will be short-term capital gain.

If New Baytex is eligible for benefits under the Tax Convention (as is expected), under current laws dividends received by non-corporate United States Holders, including individuals, will be "qualified dividend income" to such United States Holders so that, if certain holding period and other requirements (including a requirement that New Baytex is not a PFIC in the year of the dividend or the preceding year) are met, such dividends would be eligible for reduced rates of taxation. The reduced rates of taxation on qualified dividend income are scheduled to expire at the end of 2010. New Baytex is unable to predict whether such rates will be re-enacted in the future.

Sale, Exchange or Other Taxable Disposition of New Baytex Shares

Subject to the discussion below under "*PFIC Status of New Baytex*", for United States federal income tax purposes, a United States Holder will generally recognize gain or loss on the sale, exchange or other taxable disposition of any of its New Baytex Shares in an amount equal to the difference between: (i) the United States dollar value of the amount realized for New Baytex Shares; and (ii) the United States Holder's adjusted tax basis (determined in United States dollars) in New Baytex Shares. Such gain or loss will be a capital gain or loss and will be long-term capital gain if the United States Holder's holding period in the New Baytex Shares sold exceeds one year. Long-term capital gains of non-corporate taxpayers, including individuals, are eligible for taxation at reduced rates. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by a United States Holder will generally be treated as United States source gain or loss for foreign tax credit limitation purposes.

PFIC Status of New Baytex

As discussed above under "*Arrangement – PFIC Rules*", the Trust believes, based on its current operations, that New Baytex will not be a PFIC. However, PFIC status is fundamentally factual in nature, generally cannot be determined until the close of the taxable year in question and is determined annually. If New Baytex were classified as a PFIC for any year during which a United States Holder owns New Baytex Shares received in exchange for such United States Holder's Units (regardless of whether New Baytex continues to be a PFIC), the United States Holder would be subject to special adverse rules, including taxation at maximum ordinary income rates plus an interest charge on both gains on

sale and certain dividends, unless the United States Holder makes an election to be taxed under an alternative regime. In addition, any dividends would not be qualified dividends, and would not be eligible for the reduced rate that currently applies to certain dividends received by United States Holders that are not corporations.

Certain elections may be available to a United States Holder if New Baytex were classified as a PFIC. New Baytex will provide United States Holders with information concerning the potential availability of such elections if New Baytex determines that it is or will become a PFIC.

Other Considerations

Foreign Tax Credit

Any tax withheld by Canadian taxing authorities with respect to distributions on, or proceeds from disposition of, New Baytex Shares may, subject to a number of complex limitations, be claimed as a foreign tax credit against a United States Holder's United States federal income tax liability or may be claimed as a deduction for United States federal income tax purposes. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed with respect to New Baytex Shares will be foreign-source income and will be "passive category income" or "general category income" for purposes of computing the foreign tax credit allowable to a United States Holder, and gain recognized on the sale of New Baytex Shares will generally be treated as United States source for such purposes. Because of the complexity of those limitations, each United States Holder should consult its own tax advisor with respect to the amount of foreign taxes that may be claimed as a credit.

The Receipt of Canadian Currency

Taxable dividends with respect to New Baytex Shares that are paid in Canadian dollars will be included in the gross income of a United States Holder as translated into United States dollars calculated by reference to the exchange rate prevailing on the date of actual or constructive receipt of the dividend, regardless of whether the Canadian dollars are converted into United States dollars at that time. If the Canadian dollars received are not converted into United States dollars on the date of receipt, a United States Holder will have a basis in the Canadian dollars equal to its United States dollar value on the date of receipt. Any United States Holder who receives payment in Canadian dollars and engages in a subsequent conversion or other disposition of the Canadian dollars may have a foreign currency exchange gain or loss that will be treated as ordinary income or loss, and generally will be United States source income or loss for foreign tax credit purposes.

In the case of a cash-basis United States Holder that receives Canadian currency on the sale, exchange or other taxable disposition of New Baytex Shares, the amount realized will be based on the United States dollar value of the Canadian currency received on the settlement date of the disposition. An accrual-basis United States Holder may elect the same treatment required of a cash-basis taxpayer, provided that such election is applied consistently from year to year. This election may not be changed without the consent of the IRS. If an accrual basis United States Holder does not elect to be treated as a cash-basis taxpayer for this purpose, such United States Holder may have a foreign currency gain or loss (in addition to any gain or loss realized on the disposition of its New Baytex Shares) for United States federal income tax purposes because of any difference between the United States dollar value of the currency received prevailing on the date of the disposition and the date of payment (i.e., the settlement date). If the Canadian dollars received are not converted into United States dollars on the date of receipt, a United States Holder will have an initial tax basis in the Canadian dollars equal to their United States dollar value on the date of receipt. Any United States Holder that receives payment in Canadian dollars and engages in a subsequent conversion or other disposition of the Canadian dollars may have a foreign currency exchange gain or loss. Any foreign currency gain or loss realized will be treated as ordinary income or loss and generally will be United States source income or loss for foreign tax credit purposes. If Canadian currency is converted into United States dollars on the date received by the United States Holder, a cash-basis or electing accrual United States Holder should not recognize any gain or loss on such conversion.

United States Holders are urged to consult their own tax advisors concerning the United States tax consequences of acquiring, holding and disposing of Canadian dollars.

Information Reporting and Backup Withholding

Under some circumstances, a United States Holder may be subject to United States information reporting and backup withholding tax on dividends paid on New Baytex Shares or from the disposition of New Baytex Shares. Information reporting and backup withholding will not apply, however, to a United States Holder that is a corporation or is otherwise exempt from information reporting and backup withholding and, when required, demonstrates this fact. Backup withholding also will not apply to a United States Holder that furnishes a correct taxpayer identification number and certifies on a Form W-9 or successor form, under penalty of perjury, that it is not subject to backup withholding, and otherwise complies with applicable requirements of the backup withholding rules. A United States Holder that fails to provide the correct taxpayer identification number on Form W-9 or successor form may be subject to penalties imposed by the IRS. Backup withholding, currently at a 28% rate, is not an additional tax, and any amount withheld under these rules will be allowed as a refund or credit against a United States Holder's United States federal income tax liability if the required information is timely furnished to the IRS.

Recently Enacted Legislation

Newly enacted legislation requires certain United States Holders that are individuals, estates or trusts to pay up to an additional 3.8% tax on, among other things, dividends and capital gains for taxable years beginning after December 31, 2012. In addition, for taxable years beginning after March 18, 2010, new legislation requires certain United States Holders who are individuals that hold certain foreign financial assets (which may include the New Baytex Shares) to report information relating to such assets, subject to certain exceptions.

United States Holders are urged to consult their own tax advisors regarding the possible implications of the recently enacted legislation described above.

OTHER TAX CONSIDERATIONS

This Information Circular does not address any tax considerations of the Arrangement other than certain Canadian and United States federal income tax considerations. Unitholders who are resident in jurisdictions other than Canada or the United States should consult their own tax advisors with respect to the tax implications of the Arrangement, including any associated filing requirements, in such jurisdictions and with respect to the tax implications in such jurisdictions of owning New Baytex Shares after the Arrangement. Unitholders should also consult their own tax advisors regarding provincial, state or territorial tax considerations of the Arrangement or of holding New Baytex Shares.

INFORMATION CONCERNING THE BAYTEX PARTIES

The Trust

General

The Trust is an open-ended investment trust created on July 24, 2003 under the laws of the Province of Alberta pursuant to the Trust Indenture. The Trustee has been appointed as trustee under the Trust Indenture. The Unitholders are the beneficiaries of the Trust. The Unitholders receive a monthly cash distribution that is derived from the producing oil and gas assets owned by the Trust's subsidiaries.

Inter-Corporate Relationships

The following table provides the name, the percentage of voting securities owned by the Trust and the jurisdiction of incorporation, continuance, formation or organization of its subsidiaries either, direct and indirect, as at the date hereof.

	Percentage of voting securities (directly or indirectly)	Jurisdiction of Incorporation/Formation
Baytex Energy Ltd.	100%	Alberta
Baytex Energy Partnership	100%	Alberta
Baytex Oil & Gas Ltd.	100%	Alberta
Baytex Energy USA Ltd.	100%	Colorado

Business of the Trust

The principal undertaking of the Trust is to issue Units, and other securities and to acquire and hold securities of subsidiaries, trust and partnerships, net profits interests, royalties, notes and other interests. The Trust's operating subsidiaries carry on the business of acquiring, developing, exploiting and holding interests in petroleum and natural gas properties and assets related thereto in Canada (primarily in the provinces of British Columbia, Alberta and Saskatchewan) and in the United States (primarily in the states of North Dakota and Wyoming). Cash flow from the business carried on by these subsidiaries is flowed to the Trust by way of interest and principal repayments on debt owing and royalties.

See "*Baytex Energy Trust*", "*General Development of the Business*" and "*Description of Our Business and Operations*" in the Trust AIF, which is incorporated by reference herein.

Baytex

Baytex is a corporation amalgamated under the laws of the Province of Alberta that carries on the business of oil and natural gas exploration, development, acquisition and production in Western Canada. Baytex is the administrator of the Trust and is a wholly-owned subsidiary of the Trust.

Other Baytex Parties

New Baytex was incorporated on October 22, 2010 pursuant to the provisions of the ABCA, as a wholly-owned subsidiary of Baytex, for the sole purpose of participating in the Arrangement and has not carried on any business or conducted any operations to date other than entering into the Arrangement Agreement. See "*Information Concerning New Baytex*" and "*Appendix D - Information Concerning New Baytex*" for a more detailed description of New Baytex both before and after giving effect to the Arrangement.

Baytex ExchangeCo is a corporation formed pursuant to the provisions of the ABCA, as a wholly-owned subsidiary of the Trust. Baytex ExchangeCo is not actively carrying on business.

The head office of each of the Baytex Parties is located at Suite 2800, 520 – 3rd Avenue S.W., Calgary, Alberta, T2P 0R3 and the registered office of Baytex, Baytex ExchangeCo and New Baytex is located at Suite 1400, 350 – 7th Avenue S.W., Calgary, Alberta, T2P 3N9.

Ongoing Acquisition, Disposition, Farm-Out and Financing Activities

Potential Acquisitions

The Trust continues to evaluate potential acquisitions of all types of petroleum and natural gas and other energy-related assets as part of its on-going asset portfolio management program. The Trust is normally in the process of evaluating several potential acquisitions at any one time which individually or in the aggregate could be material. As of the date hereof, the Trust has not reached agreement on the price or terms of any potential material acquisitions. The Trust cannot predict whether any current or future opportunities will result in one or more acquisitions for the Trust.

Potential Dispositions and Farm-Outs

The Trust continues to evaluate potential dispositions of its petroleum and natural gas assets as part of its on-going portfolio asset management program. In addition, the Trust continues to evaluate potential farm-out opportunities with other industry participants in respect of its petroleum and natural gas assets in circumstances where the Trust believes it is prudent to do so based on, among other things, its capital program, development plan timelines and the risk profile of such assets. The Trust is normally in the process of evaluating several potential dispositions of its assets and farm-out opportunities at any one time, which individually or in the aggregate could be material. As of the date hereof, the Trust has not reached agreement on the price or terms of any potential material dispositions or farm-outs. The Trust cannot predict whether any current or future opportunities will result in one or more dispositions or farm-outs for the Trust.

Significant Acquisitions

The Trust has not completed an acquisition during its most recently completed financial year and up to the date of this document that is a significant acquisition for the purposes of Part 8 of National Instrument 51-102. In addition, there are no proposed acquisitions that have progressed to a state where a reasonable person would believe that the likelihood of the acquisition being completed is high and that would be a significant acquisition for the purposes of Part 8 of National Instrument 51-102 if completed as of the date of this Information Circular.

Documents Incorporated by Reference

Information in respect of the Trust and its subsidiaries has been incorporated by reference in this Information Circular from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request, without charge, from the Corporate Secretary of Baytex, at Suite 2800, 520 – 3rd Avenue S.W., Calgary, Alberta, T2P 0R3. In addition, copies of the documents incorporated herein by reference may be obtained from the securities commissions or similar authorities in Canada through the SEDAR website at www.sedar.com and in the United States through the EDGAR website at www.sec.gov. Financial information respecting the Trust is provided in the Trust's financial statements and management's discussion and analysis, which are incorporated herein by reference.

The following documents of the Trust, filed with the various securities commissions or similar authorities in the jurisdictions where the Trust is a reporting issuer, are specifically incorporated by reference into and form an integral part of this Information Circular:

- (a) the Trust AIF;
- (b) the audited comparative consolidated financial statements of the Trust and notes thereto as at and for the fiscal years ended December 31, 2009 and 2008, respectively, together with the report of the auditors thereon;
- (c) the management's discussion and analysis of the financial condition and results of operations of the Trust for the year ended December 31, 2009;
- (d) the unaudited interim consolidated financial statements of the Trust and notes thereto as at and for the three and six month periods ended June 30, 2010;
- (e) the management's discussion and analysis of the financial condition and results of operations of the Trust for the three and six month periods ended June 30, 2010; and
- (f) the Trust AGM Circular.

Any documents of the type described in Section 11.1 of Form 44-101F1 – *Short Form Prospectus*, filed by the Trust with the securities commissions or similar authorities in the provinces of Canada subsequent to the day of this Information Circular and prior to the Effective Date shall be deemed to be incorporated by reference in this Information Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Information Circular to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Circular.

Price Range and Trading Volume of Securities

Trust Units

The Units are listed and traded on the TSX under the symbol BTE.UN and on the NYSE under the symbol BTE. The following sets forth trading information for the Units since its inception in 2003.

	Toronto Stock Exchange			New York Stock Exchange		
	Price Range		Volume Traded	Price Range		Volume Traded
	High (\$)	Low (\$)		High (\$US)	Low (\$US)	
<u>2010</u>						
January	32.02	29.64	6,047,742	31.07	28.49	1,204,090
February	33.74	29.50	5,564,579	32.19	27.56	1,524,980
March	36.80	33.36	10,835,877	36.07	32.13	1,722,818
April	36.31	32.65	7,627,149	36.23	32.05	1,606,149
May	34.67	27.72	11,288,447	34.24	25.64	3,377,651
June	35.07	30.73	9,525,705	34.57	29.15	2,308,171
July	35.12	31.27	6,254,320	34.08	28.92	1,600,207
August	35.49	32.61	8,451,254	33.84	31.17	1,449,539
September	37.86	33.94	7,211,148	36.90	32.62	1,463,922
October (1-25)	38.71	37.12	7,385,335	38.50	35.96	1,857,914

On October 25, 2010, the last trading day prior to the date of this Information Circular, the closing price of the Units was \$38.31 on the TSX and US\$37.55 on the NYSE (as reported by such stock exchanges).

Convertible Debentures

The Convertible Debentures are listed and traded on the TSX under the symbol "BTE.DB". The following table sets forth certain trading information for the Convertible Debentures in 2010 as reported by the TSX.

	Price Range		Volume Traded
	High (\$)	Low (\$)	
<u>2010</u>			
January	215.00	193.54	341.2
February	225.00	207.70	231.3
March	245.82	228.00	283.0
April	244.00	226.89	349.0
May	233.71	221.00	99.0
June	236.89	214.00	107.0
July	235.30	224.12	87.0
August	240.00	225.79	248.0
September	254.75	230.99	98.0
October (1-25)	260.00	256.20	16.0

On October 18, 2010, being the last day on which the Convertible Debentures traded prior to the date of this Information Circular, the closing price of the Convertible Debentures was \$257.02 on the TSX (as reported by the TSX).

Prior Sales

The Trust has not sold or issued any Units or securities convertible into Units during the period from November 16, 2009 to October 15, 2010, inclusive, except as set forth below:

- (a) the Trust issued 1,506,018 Units pursuant to the DRIP at a weighted average issue price of approximately \$30.99 per Unit for aggregate consideration of approximately \$46.7 million;
- (b) the Trust issued 2,535,763 Units on exercise of Incentive Rights granted pursuant to the Incentive Plan at a weighted average issue price of approximately \$11.69 per Unit for aggregate consideration of approximately \$29.7 million;
- (c) the Trust issued 233,263 Units on conversion of Convertible Debentures at an issue price of \$14.75 per Unit for aggregate consideration of approximately \$3.4 million;
- (d) the Trust granted 1,371,375 Incentive Rights exercisable to acquire an equal number of Units pursuant to the Incentive Plan at a weighted average exercise price of \$28.22 per Unit.

Distributions to Unitholders

The following table summarizes the cash distributions per Unit that the Trust has paid since its inception in September 2003:

<u>Month</u> ⁽¹⁾	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
January	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.15	\$0.15	-
February	0.18	0.12	0.18	0.18	0.18	0.15	0.15	-
March	0.18	0.12	0.20	0.18	0.18	0.15	0.15	-
April	0.18	0.12	0.20	0.18	0.18	0.15	0.15	-
May	0.18	0.12	0.20	0.18	0.18	0.15	0.15	-
June	0.18	0.12	0.25	0.18	0.18	0.15	0.15	-
July	0.18	0.12	0.25	0.18	0.18	0.15	0.15	-
August	0.18	0.12	0.25	0.18	0.18	0.15	0.15	-
September	0.18	0.12	0.25	0.18	0.18	0.15	0.15	\$0.15
October ⁽²⁾		0.12	0.25	0.18	0.18	0.15	0.15	0.15
November		0.12	0.25	0.18	0.18	0.15	0.15	0.15
December		0.18	0.18	0.18	0.18	0.15	0.15	0.15
Total		<u>\$1.56</u>	<u>\$2.64</u>	<u>\$2.16</u>	<u>\$2.16</u>	<u>\$1.80</u>	<u>\$1.80</u>	<u>\$0.60</u>

Notes:

- (1) Cash distributions are made on or about the 15th day following the end of each calendar month to the Unitholders of record on or about the last business day of each such calendar month.
- (2) On October 14, 2010, the Trust declared a cash distribution of \$0.18 per Unit which is payable on November 15, 2010 to Unitholders of record on October 29, 2010.

Cash distributions on the Trust Units are paid at the discretion of the Board of Directors and can fluctuate depending on the level of funds from operations. Historical cash distributions may not be reflective of future cash distributions, which will be subject to review by the Board of Directors taking into account our prevailing financial circumstances at the relevant time. See "Additional Information Respecting Baytex Energy Trust – Trust Indenture – Cash Distributions" and "Risk Factors" in the Trust AIF.

Legal Proceedings and Regulatory Actions

There are no legal proceedings that the Trust is or was a party to, or that any of the Trust's property is or was the subject of, during the most recently completed financial year and the current financial year, that were or are material to the Trust, and there are no such material legal proceedings that the Trust knows to be contemplated. For the purposes of the foregoing, a legal proceeding is not considered to be "material" by the Trust if it involves a claim for damages and the amount involved, exclusive of interest and costs, does not exceed 10 percent of the Trust's current assets, provided that if any proceeding presents in large degree the same legal and factual issues as other proceedings pending or known to be contemplated, the Trust has included the amount involved in the other proceedings in computing the percentage.

There were no: (i) penalties or sanctions imposed against the Trust by a court relating to securities legislation or by a security regulatory authority during our most recently completed financial year or during the current financial year; (ii) other penalties or sanctions imposed by a court or regulatory body against the Trust that would likely be considered important to a reasonable investor in making an investment decision; or (iii) settlement agreements the Trust entered into before a court relating to securities legislation or with a securities regulatory authority during the Trust's most recently completed financial year or during the current financial year.

Auditors, Transfer Agents and Registrars

Deloitte & Touche LLP, the auditors of the Trust and New Baytex, are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants, Alberta.

The transfer agent and registrar for the Units in Canada is Valiant Trust Company at its principal offices in Calgary, Alberta and Toronto, Ontario. The transfer agent and registrar for the Units in the United States is Registrar and Transfer Company at its principal office in Cranford, New Jersey.

The transfer agent and registrar for the Convertible Debentures is Valiant Trust Company at its principal offices in Calgary, Alberta and Toronto, Ontario.

INFORMATION CONCERNING NEW BAYTEX

New Baytex was incorporated on October 22, 2010 pursuant to the provisions of the ABCA, as a wholly-owned subsidiary of Baytex, for the sole purpose of participating in the Arrangement and has not carried on any business or conducted any operations to date other than entering into the Arrangement Agreement.

The Arrangement will result in the reorganization of the Trust into New Baytex, which will be a public oil and natural gas exploration, exploitation, development, acquisition and production company operating under the name "Baytex Energy Corp." and which, together with its subsidiaries, will carry on the business presently carried on by the Trust through its subsidiaries.

New Baytex will retain the current management team and personnel from Baytex and will continue to be led by Raymond T. Chan as Executive Chairman and Anthony W. Marino as President and Chief Executive Officer. The current members of the board of directors of Baytex will form the board of directors of New Baytex.

The head office of New Baytex following the completion of the Arrangement will be located at Suite 2800, 520 – 3rd Avenue S.W., Calgary, Alberta, T2P 0R3. The registered office of New Baytex is (and will be following the completion of the Arrangement) located at Suite 1400, 350 – 7th Avenue S.W., Calgary, Alberta, T2P 3N9.

New Baytex will become a reporting issuer in all provinces of Canada and will become subject to the informational reporting requirements under the securities laws of such jurisdictions as a result of the Arrangement.

Reference is made to "*Appendix D - Information Concerning New Baytex*" for a more detailed description of New Baytex.

RISK FACTORS

Other than risk factors relating to the structure of the Trust, risk factors relating to the Trust and its subsidiaries will generally continue to apply to New Baytex after the Effective Date and will not be affected by the Arrangement. The risks associated with the Trust and its subsidiaries are described in the Trust AIF under the heading "*Risk Factors*" which are incorporated by reference into this Information Circular.

There are a number of additional risk factors relating to the Arrangement that prospective investors should carefully consider. These risk factors are described below.

Required Judicial and Regulatory Approvals

Completion of the steps contemplated by the Arrangement Agreement and the Plan of Arrangement requires that the Trust obtain judicial and regulatory approvals. Such approvals include, without limitation, issuance of the Final Order and conditional approval of the TSX and the NYSE for the listing of the New Baytex Shares. Failure to obtain the Final Order, TSX approvals, NYSE approval or other regulatory approvals on terms acceptable to the Board could result in a decision to not proceed with the Arrangement. If any of the required approvals cannot be obtained on terms satisfactory to the Board, or at all, the Arrangement Agreement (including the Plan of Arrangement) may have to be amended in order to mitigate the negative consequence of the failure to obtain any such approval. In the event that the Arrangement Agreement or Plan of Arrangement cannot be amended so as to mitigate the negative consequences of the failure to obtain a required approval or consent, the Arrangement may not proceed. If the Arrangement is not completed, the market price of the Units may be adversely affected. See "*The Arrangement - Arrangement Agreement*".

Failure to Realize Anticipated Benefits of the Arrangement

While the Trust believes that completing the Arrangement will allow it to achieve the benefits described in this Information Circular (see "*Background to and Reasons for the Arrangement - Benefits of the Arrangement*"), there is no guarantee that the Trust will realize any of the benefits, whether as described herein or at all.

There are a number of additional risk factors relating to the activities of New Baytex and the ownership of New Baytex Shares following the Effective Date which prospective investors should carefully consider. These risk factors are set forth in "*Appendix D – Information Concerning New Baytex – Risk Factors*".

Unitholders should carefully review and consider all risk factors, as well as the other information contained in the documents forming the Trust's public disclosure record, before making an investment decision. **Unitholders are encouraged to obtain independent legal, tax and investment advice in their jurisdiction of residence with respect to this Information Circular, the consequences of the Arrangement and the holding of Units and New Baytex Shares.**

OTHER MATTERS TO BE CONSIDERED AT THE MEETING

Approval of the Share Award Incentive Plan

At the Meeting, Unitholders will be asked to consider and, if deemed advisable, approve the adoption of the Share Award Incentive Plan which will authorize the Board of Directors of New Baytex to grant Restricted Awards and Performance Awards to persons who are directors, officers, employees or consultants of New Baytex and its affiliates ("**Service Providers**"). A copy of the Share Award Incentive Plan is set out in **Appendix E** to this Information Circular.

In the event that the Arrangement is not approved by the Unitholders at the Meeting, the Trust will consider the provision of comparable compensation to its Service Providers in the form of cash or by other appropriate arrangements (which may include the resumption of grants under the Incentive Plan).

In the event that the Arrangement is approved and the Share Award Incentive Plan is not approved by Unitholders at the Meeting, New Baytex will consider the provision of comparable compensation to its Service Providers in the form

of cash or by other appropriate arrangements (which may include the resumption of grants under the Transition Incentive Plan).

The following disclosure assumes that the Arrangement is completed and the Share Award Incentive Plan is approved by the Unitholders at the Meeting. **Capitalized terms used but not defined in the following disclosure shall have the meanings ascribed thereto in the Share Award Incentive Plan, a copy of which is set out in Appendix E to this Information Circular.**

Purpose of the Share Award Incentive Plan

The principal purposes of the Share Award Incentive Plan are: (i) to retain and attract qualified Service Providers that New Baytex and its affiliates require; (ii) to promote a proprietary interest in New Baytex by such Service Providers and to encourage such persons to remain in the employ or service of New Baytex and its affiliates and put forth maximum efforts for the success of the business of New Baytex and its affiliates; and (iii) to focus management of New Baytex and its affiliates on operating and financial performance and long-term total shareholder return.

Incentive-based compensation such as the Share Award Incentive Plan is an integral component of compensation for Service Providers. The attraction and retention of qualified Service Providers has been identified as one of the key risks to New Baytex's long-term strategic growth plan. The Share Award Incentive Plan is intended to maintain New Baytex's competitiveness within the North American oil and gas industry to facilitate the achievement of its long-term goals. In addition, this incentive-based compensation is intended to reward Service Providers for meeting certain pre-defined operational and financial goals which have been identified for increasing long-term total shareholder return.

Overview

The Board of Directors of New Baytex has delegated the authority to administer the Share Award Incentive Plan to the Compensation Committee of the Board of Directors of New Baytex (the "**Compensation Committee**").

Under the terms of the Share Award Incentive Plan, any Service Provider may be granted Restricted Awards or Performance Awards. In determining the Service Providers to whom Share Awards may be granted ("**Grantees**"), the number of Common Shares to be covered by each Share Award and the allocation of the Share Award between Restricted Awards and Performance Awards, the Compensation Committee may take into account such factors as it shall determine in its sole discretion, including any one or more of the following factors:

- (a) compensation data for comparable benchmark positions among the Peer Comparison Group;
- (b) the duties, responsibilities, position and seniority of the Grantee;
- (c) the Corporate Performance Measures for the applicable period compared with internally established performance measures approved by the Compensation Committee and/or similar performance measures of members of the Peer Comparison Group for such period;
- (d) the individual contributions and potential contributions of the Grantee to the success of New Baytex;
- (e) any bonus payments paid or to be paid to the Grantee in respect of his or her individual contributions and potential contributions to the success of New Baytex;
- (f) the Fair Market Value or current market price of the Common Shares at the time of such Share Award; and
- (g) such other factors as the Compensation Committee shall deem relevant in its sole discretion in connection with accomplishing the purposes of the Share Award Incentive Plan.

Restricted Awards

Each Restricted Award will entitle the holder to be issued the number of Common Shares designated in the Restricted Award with such Common Shares to be issued as to one-third on each of the first, second and third anniversary dates of the date of grant (or such earlier or later dates as may be determined by the Compensation Committee).

Performance Awards

Each Performance Award will entitle the holder to be issued as to one-third on each of the first, second and third anniversary dates of the date of grant (or such earlier or later dates as may be determined by the Compensation Committee) the number of Common Shares designated in the Performance Award multiplied by a Payout Multiplier.

The Payout Multiplier is determined by the Compensation Committee based on an assessment of the achievement of the pre-defined Corporate Performance Measures in respect of the applicable period. Corporate Performance Measures may include: relative total shareholder return; recycle ratio; activities related to the growth of New Baytex; average production volumes; unit costs of production; total proved reserves; health, safety and environmental performance; the execution of New Baytex's strategic plan and such additional measures as the Compensation Committee shall consider appropriate in the circumstances. The Payout Multiplier for a particular period can be one of 0x (for fourth quartile ranking), 1x (for third quartile ranking), 1.5x (for second quartile ranking) or 2x (for first quartile ranking). For those Performance Awards where the Issue Date is the second or third anniversary of the grant date, the Payout Multiplier will be the arithmetic average of the Payout Multiplier for each of the two or three preceding fiscal years, respectively.

Dividend Equivalents

The Share Award Incentive Plan provides for cumulative adjustments to the number of Common Shares to be issued pursuant to Share Awards on each date that dividends are paid on the Common Shares by an amount equal to a fraction having as its numerator the amount of the dividend per Common Shares and having as its denominator the price, expressed as an amount per Common Share, paid by participants in the New DRIP to reinvest their Dividends in additional Common Shares on the applicable dividend payment date, provided that if New Baytex has suspended the operation of such plan or does not have such a plan, then the Reinvestment Price shall be equal to the Fair Market Value of the Common Shares on the trading day immediately preceding the Dividend Payment Date.

Under the Share Award Incentive Plan, in the case of a non-cash Dividend, including Common Shares or other securities or property, the Compensation Committee will, in its sole discretion and subject to the approval of the Exchange, determine whether or not such non-cash Dividend will be provided to the Share Award holder and, if so provided, the form in which it shall be provided.

Limitation on Common Shares Reserved

The Share Award Incentive Plan provides that the maximum number of Common Shares reserved for issuance from time to time pursuant to Share Awards and pursuant to the Transition Incentive Plan at any time shall not exceed a number of Common Shares equal to 10% of the aggregate number of issued and outstanding Common Shares.

Limitations on Share Awards

The aggregate number of Share Awards granted to any single Service Provider shall not exceed 5% of the issued and outstanding Common Shares, calculated on an undiluted basis. In addition: (i) the number of Common Shares issuable to insiders at any time, under all security based compensation arrangements of New Baytex, shall not exceed 10% of the issued and outstanding Common Shares; and (ii) the number of Common Shares issued to insiders, within any one year period, under all security based compensation arrangements of New Baytex, shall not exceed 10% of the issued and outstanding Common Shares. The number of Common Shares issuable pursuant to the Share Award Incentive Plan to Non-Management Directors, in aggregate, will be limited to a maximum of 0.25% of the issued and outstanding Common Shares and the value of all Share Awards granted to any Non-Management Director during a calendar year, as calculated on the date of grant, cannot exceed \$100,000 (for purposes of monitoring compliance with these limitations, a Payout Multiplier of 1x will be assumed for any Performance Awards).

Issue Dates

If a Grantee is prohibited from trading in securities of New Baytex as a result of the imposition by New Baytex of a trading blackout (a "**Blackout Period**") and the Issue Date of a Share Award held by such Grantee falls within a Blackout Period (or within ten business days following the end of a Blackout Period), then the Issue Date of such Share Award shall be extended to the date that is ten business days following the end of such Blackout Period.

Payment of Share Awards

On the Issue Date, New Baytex shall have the option of settling any amount payable in respect of a Share Award by any of the following methods or by a combination of such methods:

- (a) Common Shares issued from the treasury of New Baytex; or
- (b) with the consent of the Grantee, cash in an amount equal to the aggregate Fair Market Value of such Common Shares that would otherwise be delivered in consideration for the surrender by the Grantee to New Baytex of the right to receive such Common Shares under such Share Award.

The Share Award Incentive Plan does not contain any provisions for financial assistance by New Baytex in respect of Share Awards granted thereunder.

Change of Control

In the event of a Change of Control of New Baytex, the Issue Date(s) applicable to the Share Awards will be accelerated such that the Common Shares to be issued pursuant to such Share Awards will be issued immediately prior to the date upon which the Change of Control is completed and the Payout Multiplier applicable to any Performance Awards shall be determined by the Compensation Committee.

Early Termination Events

Pursuant to the Share Award Incentive Plan, unless otherwise determined by the Compensation Committee or unless otherwise provided in a Share Award Agreement pertaining to a particular Share Award or any written employment or consulting agreement governing a Grantee's role as a Service Provider, the following provisions shall apply in the event that a Grantee ceases to be a Service Provider:

- (a) **Death** - If a Grantee ceases to be a Service Provider as a result of the Grantee's death, the Issue Date for all Common Shares awarded to such Grantee under any outstanding Share Award Agreements shall be accelerated to the Cessation Date, provided that the President and Chief Executive Officer of New Baytex in the case of a Grantee who is not a director or officer and the Compensation Committee in all other cases, taking into consideration the performance of such Grantee and the performance of New Baytex since the date of grant of the Share Award(s), may determine in its sole discretion the Payout Multiplier to be applied to any Performance Awards held by the Grantee.
- (b) **Termination for Cause** - If a Grantee ceases to be a Service Provider as a result of termination for cause, effective as of the Cessation Date all outstanding Share Award Agreements under which Share Awards have been made to such Grantee, whether Restricted Awards or Performance Awards, shall be immediately terminated and all rights to receive Common Shares thereunder shall be forfeited by the Grantee.
- (c) **Voluntary Resignation** - If a Grantee ceases to be a Service Provider as a result of a voluntary resignation, effective as of the day that is fourteen (14) days after the Cessation Date, all outstanding Share Award Agreements under which Share Awards have been made to such Grantee, whether Restricted Awards or Performance Awards, shall be terminated and all rights to receive Common Shares thereunder shall be forfeited by the Grantee.
- (d) **Other Termination** - If a Grantee ceases to be a Service Provider for any reason other than as provided for in (a), (b) and (c) above, effective as of the date that is sixty (60) days after the Cessation Date and

notwithstanding any other severance entitlements or entitlement to notice or compensation in lieu thereof, all outstanding Share Award Agreements under which Share Awards have been made to such Grantee, whether Restricted Awards or Performance Awards, shall be terminated and all rights to receive Common Shares thereunder shall be forfeited by the Grantee.

- (e) Non-Management Directors - If a Grantee who is a Non-Management Director ceases to be a Service Provider as a result of: (A) a voluntary resignation or voluntarily not standing for re-election as a director of New Baytex, such events shall be treated as a voluntary resignation under (c) above; or (B) failing to be re-elected as a director of New Baytex by the Shareholders, such event shall be treated as an other termination under (d) above.

Assignment

Except in the case of death, the right to receive Common Shares pursuant to a Share Award granted to a Service Provider may only be exercised by such Service Provider personally. Except as otherwise provided in the Share Award Incentive Plan, no assignment, sale, transfer, pledge or charge of a Share Award, whether voluntary, involuntary, by operation of law or otherwise, vests any interest or right in such Share Award whatsoever in any assignee or transferee and, immediately upon any assignment, sale, transfer, pledge or charge or attempt to assign, sell, transfer, pledge or charge, such Share Award shall terminate and be of no further force or effect.

Amendment and Termination of Plan

The Share Award Incentive Plan and any Share Awards granted pursuant thereto may, subject to any required approval of the Exchange, be amended, modified or terminated by the Board of Directors of New Baytex without the approval of Shareholders. Notwithstanding the foregoing, the Share Award Incentive Plan or any Share Award may not be amended without Shareholder approval to:

- (a) increase the percentage of Common Shares reserved for issuance pursuant to Share Awards in excess of the 10% limit currently prescribed;
- (b) extend the Issue Date of any Share Awards issued under the Share Award Incentive Plan beyond the latest Issue Date specified in the Share Award Agreement (other than as permitted by the terms and conditions of the Share Award Incentive Plan);
- (c) permit a Grantee to transfer Share Awards to a new beneficial holder other than for estate settlement purposes;
- (d) change the limitations on the granting of Share Awards described above under "Limitations on Share Awards"; and
- (e) change the amending provision of the Share Award Incentive Plan.

In addition, no amendment to the Share Award Incentive Plan or any Share Awards granted pursuant thereto may be made without the consent of a Grantee if it adversely alters or impairs the rights of such Grantee in respect of any Share Award previously granted to such Grantee under the Share Award Incentive Plan.

Approval Requirements

The approval of the Share Award Incentive Plan must be confirmed by a simple majority of the votes cast by Unitholders voting in person or by proxy at the Meeting. **The Board of Directors of New Baytex recommends that Unitholders vote FOR the resolution approving the Share Award Incentive Plan.**

At the Meeting, the Unitholders will be asked to consider and, if deemed advisable, to approve the following ordinary resolution to approve, subject to completion of the Arrangement, the adoption of the Share Award Incentive Plan:

"BE IT RESOLVED as an ordinary resolution of the Unitholders that the Share Award Incentive Plan of Baytex Energy Corp., substantially as set out in Appendix E of the Information Circular and Proxy Statement of Baytex Energy Trust dated October 26, 2010, be and the same is hereby approved and authorized."

It is the intention of the persons named in the enclosed form of proxy, if named as proxy and not expressly directed to the contrary in the form of proxy, to vote those proxies for the approval of the Share Award Incentive Plan.

GENERAL PROXY MATTERS

Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of proxies by the management of the Trust and Baytex to be used at the Meeting. Solicitations of proxies will be primarily by mail, but may also be by newspaper publication, in person or by telephone, fax or oral communication by directors, officers and employees or agents of the Trust or Baytex who will be specifically remunerated therefor. All costs of the solicitation for the Meeting will be borne by the Trust. The Trust has not made a decision to engage proxy solicitation agents to encourage the return of completed proxies by Unitholders and to solicit proxies in favour of the matters to be considered at the Meeting. However, the Trust may do so, and if it does, the costs in respect of such services would be paid by the Trust.

Appointment and Revocation of Proxies

Accompanying this Information Circular is a form of proxy for Unitholders. The persons named in the enclosed form of proxy are directors and officers of Baytex. **A Unitholder desiring to appoint a person (who need not be a Unitholder) to represent such Unitholder at the Meeting, other than the persons designated in the accompanying form of proxy, may do so either by inserting such person's name in the blank space provided in the form of proxy or by completing another form of proxy and, in either case, sending or delivering the completed proxy to the offices of Valiant Trust Company at Suite 310, 606 – 4th Street S.W., Calgary, Alberta, T2P 1T1, or by facsimile at (403) 233-2857, in each case not later than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting or any adjournment thereof.** Failure to so deposit a form of proxy shall result in its invalidation.

A Unitholder who has given a form of proxy may revoke it as to any matter on which a vote has not already been cast pursuant to its authority by an instrument in writing executed by such Unitholder or by his attorney duly authorized in writing or, if the Unitholder is a corporation, by an officer or attorney thereof duly authorized, and deposited either at the above mentioned office of Valiant Trust Company not later than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting or any adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.

The Record Date for the determination of Unitholders entitled to receive notice of and to vote at the Meeting is October 20, 2010. Only Unitholders whose names have been entered in the register of Units on the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting. Unitholders who acquire Units after the Record Date will not be entitled to vote such Units at the Meeting. Each Unit outstanding on the Record Date is entitled to one vote at the Meeting.

Signature of Proxy

The form of proxy must be executed by the Unitholder or his or her attorney authorized in writing, or if the Unitholder is a corporation, the form of proxy should be signed in its corporate name under its corporate seal by an authorized officer whose title should be indicated. A proxy signed by a person acting as attorney or in some other representative capacity should reflect such person's capacity following his or her signature and should be accompanied by the appropriate instrument evidencing qualification and authority to act.

Voting of Proxies

The persons named in the accompanying forms of proxy will vote the Units in respect of which they are appointed in accordance with the direction of the Unitholder appointing them. **In the absence of such direction, the Units will be voted FOR the approval of the Arrangement Resolution and the other matters to be considered at the Meeting.**

Exercise of Discretion of Proxy

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the accompanying Notice of Meeting and this Information Circular and with respect to other matters that may properly come before the Meeting. At the date of this Information Circular, management of Baytex knows of no amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting.

Voting Securities and Principal Holders Thereof

As at October 20, 2010, there were 112,596,941 Units issued and outstanding. To the knowledge of the directors and executive officers of Baytex, as at October 20, 2010, no person or company beneficially owned, or controlled or directed, directly or indirectly, 10% or more of the Units.

Procedure and Votes Required

Arrangement Resolution

The Interim Order provides that each registered Unitholder at the close of business on the Record Date will be entitled to receive notice of, to attend at, and to vote at, the Meeting.

Pursuant to the Interim Order:

- (a) each Unit entitled to be voted at the Meeting will entitle the holder to one vote at the Meeting in respect of the Arrangement Resolution and the other matters to be considered at the Meeting;
- (b) the number of votes required to pass the Arrangement Resolution shall be not less than two-thirds of the votes cast by Unitholders, either in person or by proxy, at the Meeting; and
- (c) a quorum at the Meeting shall consist of two (2) or more persons either present in person or represented by proxy and representing in the aggregate not less than five (5) percent of the outstanding Units. If a quorum is not present at the Meeting or 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 twenty-one (21) days later and to such place and time as may be determined by the Chairman of the Meeting. No notice of the adjourned meeting shall be required and, if at such adjourned Meeting a quorum is not present, the Unitholders present in person, or by proxy, shall be a quorum for all purposes.

Approval of Share Award Incentive Plan

If the Arrangement Resolution is passed, Unitholders will also be asked at the Meeting to consider and, if deemed advisable, approve an ordinary resolution to approve the adoption by New Baytex of the Share Award Incentive Plan. See "*Other Matters to be Considered at the Meeting – Approval of Share Award Incentive Plan*".

ADDITIONAL INFORMATION**Additional Information**

Additional information relating to the Trust may be found on SEDAR at *www.sedar.com* and on EDGAR at *www.sec.gov*. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Trust's securities and securities authorized for issuance under equity compensation plans, is contained in the Trust AGM Circular, which is incorporated by reference herein. Additional financial information is provided in the Trust's financial statements and management's discussion and analysis for its most recently completed financial year and interim period, which are incorporated by reference herein.

Any document referred to in this Information Circular and described as being filed on SEDAR at *www.sedar.com* and on EDGAR at *www.sec.gov* (including those documents referred to as being incorporated by reference in this Information Circular) may be obtained free of charge from us by contacting our Investor Relations Department by telephone (toll free: 1-800-524-5521) or by email (*investor@baytex.ab.ca*).

AUDITORS' CONSENT

We have read the Information Circular and Proxy Statement of Baytex Energy Trust (the "**Trust**") dated October 26, 2010 (the "**Information Circular**") with respect to a plan of arrangement involving the Trust, Baytex Energy Ltd. ("**Baytex**") Baytex Exchangeco Ltd. and Baytex Energy Corp. ("**New Baytex**"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the Information Circular of our report to the Board of Directors of Baytex and to the Unitholders of the Trust on the consolidated balance sheets of the Trust as at December 31, 2009 and 2008 and the consolidated statements of income and comprehensive income, deficit and cash flows for the years then ended. Our report is dated March 15, 2010.

We consent to the inclusion in the Information Circular of our report to the Board of Directors of New Baytex on the balance sheet of New Baytex as at October 26, 2010. Our report is dated October 26, 2010.

(signed) "*Deloitte & Touche LLP*"

Chartered Accountants
Calgary, Canada
October 26, 2010

APPENDIX A

ARRANGEMENT RESOLUTION

"BE IT RESOLVED THAT:

1. the arrangement ("**Arrangement**") under Section 193 of the *Business Corporations Act* (Alberta) substantially as set forth in the Plan of Arrangement (the "**Plan of Arrangement**") attached as **Exhibit A** to **Appendix C** to the Information Circular and Proxy Statement of Baytex Energy Trust (the "**Trust**") dated October 26, 2010 (the "**Information Circular**") and all transactions contemplated thereby, be and are hereby authorized and approved;
2. the arrangement agreement ("**Arrangement Agreement**") dated October 25, 2010 among the Trust, Baytex Energy Ltd. ("**Baytex**"), Baytex ExchangeCo Ltd. and Baytex Energy Corp., a copy of which is attached as **Appendix C** to the Information Circular, together with such amendments or variations thereto made in accordance with the terms of the Arrangement Agreement as may be approved by the persons referred to in paragraph 5 hereof, such approval to be evidenced conclusively by the execution and delivery of any such amendments or variations, is hereby confirmed, ratified and approved;
3. such amendments to the amended and restated trust indenture of the Trust as are necessary to facilitate the Arrangement be and are hereby authorized and approved;
4. notwithstanding that this resolution has been duly passed and/or has received the approval of the Court of Queen's Bench of Alberta (the "**Court**"), the board of directors of Baytex may, without further notice to or approval of the holders of trust units of the Trust, subject to the terms of the Arrangement, amend or terminate the Arrangement Agreement or the Plan of Arrangement or revoke this resolution at any time prior to the filing of the Articles of Arrangement giving effect to the Arrangement; and
5. any director or officer of Baytex is hereby authorized, for and on behalf of Baytex and the Trust, to apply to the Court for a final order in respect of the Arrangement, to execute and deliver Articles of Arrangement and to execute, with or without the corporate seal, and, if, appropriate, deliver all other documents and instruments and do all other things as in the opinion of such director or officer may be necessary or advisable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action."

APPENDIX B

Action No. 1001-15796

INTERIM ORDER

IN THE COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE OF CALGARY

IN THE MATTER OF SECTION 193 OF THE *BUSINESS CORPORATIONS ACT*, R.S.A. 2000, c. B-9, as amended;

AND IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING BAYTEX ENERGY TRUST, BAYTEX ENERGY LTD., BAYTEX ENERGY CORP., BAYTEX EXCHANGECO LTD. AND THE UNITHOLDERS OF BAYTEX ENERGY TRUST

BEFORE THE HONOURABLE) AT THE CALGARY COURTS CENTRE, AT
JUSTICE J. STREKAF) CALGARY, ALBERTA, ON TUESDAY, THE 26TH
IN CHAMBERS) DAY OF OCTOBER, 2010.

INTERIM ORDER

UPON the Petition of Baytex Energy Trust ("**Baytex**" or the "**Trust**"), Baytex Energy Ltd. ("**BEL**"), Baytex Energy Corp. ("**New Baytex**") and Baytex ExchangeCo Ltd. ("**ExchangeCo**") (collectively, the "**Baytex Entities**");

AND UPON reading the Petition and the Affidavit of W. Derek Aylesworth, Chief Financial Officer of BEL, sworn October 25, 2010 and the documents referred to therein (the "**Affidavit**");

AND UPON hearing counsel for the Baytex Entities;

AND UPON noting that the Executive Director of the Alberta Securities Commission (the "**Executive Director**") has been served with notice of this application as required by subsection 193(8) of the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended (the "**ABCA**"), and that the Executive Director neither consents to nor opposes the application;

FOR THE PURPOSES OF THIS ORDER:

- (a) the capitalized terms not defined in this Order shall have the meanings attributed to them in the Information Circular and Proxy Statement of Baytex (the "**Information Circular**"), a draft copy of which is attached as Exhibit A to the Affidavit; and
- (b) all references to "Arrangement" used herein mean the plan of arrangement as described in the Affidavit and in the form attached as Exhibit A to the Arrangement Agreement, which is attached as Appendix A to the Information Circular.

IT IS HEREBY ORDERED AND ADJUDGED THAT:

General

1. The proposed course of action is an "Arrangement" within the definition of the *ABCA* and the Petitioners may proceed with the Arrangement, as described in the Affidavit.
2. Baytex shall seek approval of the Arrangement by the holders ("**Unitholders**") of trust units ("**Trust Units**") of Baytex in the manner set forth below.

Unitholders' Meeting

3. Baytex shall call and conduct a meeting (the "**Meeting**") of Unitholders on or about December 9, 2010. At the Meeting, Unitholders will consider and vote upon the Arrangement Resolution and such other business as may properly be brought before the Meeting or any adjournment thereof, all as more particularly described in the Information Circular.
4. A quorum at the Meeting shall consist of two or more persons either present in person or represented by proxy and representing in the aggregate not less than 5% of the outstanding Trust Units.
5. 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 21 days later and to such place and time as may be determined by the Chairman of the Meeting. No notice of the adjourned Meeting shall be required and, if at such adjourned Meeting a quorum is not present, the Unitholders present in person, or by proxy, shall be quorum for all purposes.
6. Each Trust Unit entitled to be voted at the Meeting will entitle the holder to one vote at the Meeting in respect of the Arrangement Resolution and any other matters to be considered at the Meeting. The Board of Directors of BEL has fixed a record date for the Meeting of October 20, 2010 (the "**Record Date**"). Only Unitholders whose names have been entered on the applicable register of Trust Units on the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting in accordance with this paragraph 6. Holders of Trust Units who acquire their Trust Units after the Record Date will not be entitled to vote such Trust Units.

Conduct of Meeting

7. The Chairman of the Meeting shall be any officer or director of BEL.
8. The only persons entitled to attend and speak at the Meeting shall be the Unitholders or their authorized representatives, BEL's directors and officers, Baytex's auditors and the Executive Director.
9. The number of votes required to pass the Arrangement Resolution shall be not less than two-thirds of the votes cast by the Unitholders, either in person or by proxy, at the Meeting.
10. To be valid a proxy must be deposited with Baytex in the manner described in the Information Circular.
11. The accidental omission to give notice of the Meeting or the non-receipt of the notice shall not invalidate any resolution passed or proceedings taken at the Meeting.

Dissent Rights

12. The registered Unitholders are, subject to the provisions of this Order and the Arrangement, accorded the right of dissent under Section 191 of the *ABCA* with respect to the Arrangement Resolution.

13. In order for a Unitholder (a "**Dissenting Unitholder**") to exercise such right of dissent under subsection 191(5) of the ABCA:
 - (a) the Dissenting Unitholder's written objection to the Arrangement Resolution must be received by Baytex c/o its counsel Burnet Duckworth & Palmer LLP, 1400, 350 – 7th Avenue SW, Calgary, Alberta, T2P 3N9, Attention: Jeffrey E. Sharpe, on or before 4:00 p.m. (Calgary Time) on the second last Business Day prior to the Meeting;
 - (b) a Dissenting Unitholder shall not have voted his or her Trust Units at the Meeting, either by proxy or in person, in favour of the Arrangement Resolution;
 - (c) a holder of Trust Units may not exercise the right of dissent in respect of only a portion of the holder's Trust Units, but may dissent only with respect to all of the Trust Units held by the holder; and
 - (d) the exercise of such right of dissent must otherwise comply with the requirements of Section 191 of the ABCA, as modified by the Interim Order.
14. The fair value of the Trust Units shall be determined as of the close of business on the last Business Day before the day on which the Arrangement is approved by the Unitholders.
15. Subject to further order of this Court, the rights available to the holders of Trust Units under the ABCA and the Arrangement to dissent from the Arrangement Resolution shall constitute full and sufficient rights of dissent for the holders of Trust Units with respect to the Arrangement Resolution.
16. Notice to the holders of Trust Units of their right of dissent with respect to the Arrangement Resolution and to receive, subject to the provisions of the ABCA and the Arrangement, the fair value of their Trust Units shall be sufficiently given by including information with respect to this right as set forth in the Information Circular which is to be sent to Unitholders in accordance with paragraph 17 of this Order.

Notice

17. An Information Circular, substantially in the form attached as Exhibit A to the Affidavit with amendments thereto as counsel for Baytex may determine necessary or desirable (provided such amendments are not inconsistent with the terms of this Order), shall be mailed by prepaid ordinary mail, at least 21 days prior to the date of the Meeting to Unitholders at the addresses for such holders recorded in the records of Baytex at the close of business on the Record Date, and to the directors of BEL and auditors of Baytex. In calculating the 21 day period, the date of mailing shall be included and the date of the Meeting shall be excluded.
18. An Information Circular as described above shall be provided to the Executive Director by prepaid ordinary mail or delivery at least 21 days prior to the Meeting.
19. Delivery of the Information Circular in the manner directed by this Order shall be deemed to be good and sufficient service upon the Unitholders, the directors of BEL and auditors of Baytex and the Executive Director of:
 - (a) the Petition;
 - (b) this Order;
 - (c) the Notice of the Meeting; and
 - (d) the Notice of Petition;

all in substantially the forms set forth in the Information Circular, together with instruments of proxy, voting directions and such other material as Baytex may consider fit.

Final Application

20. Subject to further Order of this Court and provided that the Unitholders have approved the Arrangement and the directors of BEL have not revoked that approval, Baytex may proceed with an application for approval of the Arrangement and the Final Order on December 10, 2010 at 1:30 p.m. or so soon thereafter as counsel may be heard at the Calgary Courts Centre, Calgary, Alberta. Subject to the Final Order, and to the issuance of the Certificate, all Unitholders, Baytex, BEL, ExchangeCo and New Baytex will be bound by the Arrangement in accordance with its terms.
21. Any Unitholder or any other interested party (collectively, an "**Interested Party**") desiring to appear and make submissions at the application for the Final Order is required to file with this Court and serve, upon Baytex, on or before noon (Calgary time) on December 2, 2010, a Notice of Intention to Appear including the Interested Party's address for service, indicating whether such Interested Party intends to support or oppose the application or make submission at the application, together with a summary of the position such Interested Party intends to advocate before the Court and any evidence or materials which are to be presented to the Court. Service of this notice on Baytex shall be effected by service upon the solicitors for Baytex, Burnet, Duckworth & Palmer LLP, Suite 1400, 350 - 7th Avenue S.W., Calgary, Alberta, T2P 3N9, Attention: Jeffrey E. Sharpe.
22. In the event that the application for the Final Order is adjourned, only those parties appearing before this Court for the application for the Final Order, and any Interested Party who served a Notice of Intention to Appear in accordance with paragraph 21 of this Order, shall have notice of the adjourned date.

Leave to Vary Interim Order

23. Baytex is entitled at any time to seek leave to vary this Interim Order upon such terms and the giving of such notice as this Court may direct.

(signed) "J. Streckaf"

J.C.Q.B.A.

ENTERED at Calgary, Alberta,

October 26, 2010

(signed) "S. Lepetich"

Clerk of the Court of Queen's Bench

APPENDIX C

ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT is made as of the 25th day of October, 2010.

AMONG:

BAYTEX ENERGY TRUST, an open-ended unincorporated investment trust formed under the laws of the Province of Alberta (the "**Trust**")

- and -

BAYTEX ENERGY LTD., a body corporate amalgamated under the laws of the Province of Alberta ("**Baytex**")

- and -

BAYTEX EXCHANGE CO LTD., a body corporate incorporated under the laws of the Province of Alberta ("**Baytex ExchangeCo**")

- and -

BAYTEX ENERGY CORP., a body corporate incorporated under the laws of the Province of Alberta ("**New Baytex**")

WHEREAS:

- (a) the parties hereto wish to propose an arrangement with the holders of trust units of the Trust;
- (b) the parties hereto intend to carry out the transactions contemplated herein by way of an arrangement under the ABCA; and
- (c) the parties hereto have entered into this Agreement to provide for the matters referred to in the foregoing recitals and for the other matters relating to such arrangement.

NOW THEREFORE, in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto hereby covenant and agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement, the following terms have the following meanings:

- (a) "**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;
- (b) "**Agreement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to this arrangement agreement (including the exhibits hereto) as supplemented, modified or amended, and not to any particular article, section, schedule or other portion hereof;

- (c) "**Arrangement**" means the proposed arrangement under the provisions of section 193 of the ABCA, on the terms and conditions set forth in the Plan of Arrangement as supplemented, modified or amended;
- (d) "**Arrangement Resolution**" means the special resolution in respect of the Arrangement to be voted on by the Unitholders at the Meeting;
- (e) "**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been granted giving effect to the Arrangement;
- (f) "**Baytex**" means Baytex Energy Ltd., a corporation amalgamated under the ABCA;
- (g) "**Baytex ExchangeCo**" means Baytex ExchangeCo Ltd., a corporation incorporated under the ABCA, and a wholly-owned subsidiary of the Trust;
- (h) "**Baytex Parties**" means, together, the Trust, Baytex, New Baytex and Baytex ExchangeCo;
- (i) "**Board of Directors**" means the board of directors of Baytex;
- (j) "**Business Day**" means a day, other than a Saturday, Sunday or statutory holiday when banks are generally open in the City of Calgary, Alberta, for the transaction of banking business;
- (k) "**Court**" means the Court of Queen's Bench of Alberta;
- (l) "**Effective Date**" means the date the Arrangement becomes effective under the ABCA;
- (m) "**Effective Time**" means the time at which the Articles of Arrangement are filed with the Registrar on the Effective Date;
- (n) "**Final Order**" means the final order of the Court approving the Arrangement pursuant to subsection 193(9) of the ABCA as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (o) "**Governmental Entity**" means any: (i) multinational, federal, provincial, state, regional, municipal, local or other government or any governmental or public department, court, tribunal, arbitral body, commission, board, bureau or agency; (ii) any subdivision, agent, commission, board or authority of any of the foregoing; or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;
- (p) "**Information Circular**" means the information circular and proxy statement to be prepared by the Trust as part of the proxy solicitation materials in respect of the Meeting;
- (q) "**Interim Order**" means the interim order of the Court under subsection 193(4) of the ABCA containing declarations and directions with respect to the Arrangement, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (r) "**Meeting**" means the special meeting of Unitholders to be held to consider the Arrangement Resolution and certain other matters, and any adjournment(s) thereof;
- (s) "**New Baytex**" means Baytex Energy Corp., a corporation incorporated under the ABCA and a wholly-owned subsidiary of Baytex;
- (t) "**New Baytex Shares**" means the common shares in the capital of New Baytex;
- (u) "**NYSE**" means the New York Stock Exchange;

- (v) **"Person"** includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate group, body corporate, corporation, unincorporated association or organization, Governmental Entity, syndicate or other entity, whether or not having legal status;
- (w) **"Plan of Arrangement"** means the plan of arrangement attached hereto as Exhibit A, as amended or supplemented from time to time in accordance with the terms thereof;
- (x) **"Registrar"** means the Registrar of Corporations for the Province of Alberta duly appointed under Section 263 of the ABCA;
- (y) **"subsidiary"** means, with respect to any person, a subsidiary (as that term is defined in the ABCA (for such purposes, if such person is not a corporation, as if such person were a corporation)) of such person and includes any limited partnership, joint venture, trust, limited liability company, unlimited liability company or other entity, whether or not having legal status, that would constitute a subsidiary (as described above) if such entity were a corporation;
- (z) **"Trust"** means Baytex Energy Trust, a trust established under the laws of the Province of Alberta and governed by the Trust Indenture;
- (aa) **"Trust Indenture"** the third amended and restated trust indenture between the Trustee and Baytex made as of May 20, 2008;
- (bb) **"Trustee"** means the trustee of the Trust, presently Valiant Trust Company;
- (cc) **"TSX"** means the Toronto Stock Exchange;
- (dd) **"Unitholders"** means the holders from time to time of the Units; and
- (ee) **"Units"** means the trust units of the Trust.

1.2 Currency

All sums of money, which are referred to in this Agreement, are expressed in lawful money of Canada unless otherwise specified.

1.3 Interpretation Not Affected by Headings

The division of this Agreement into articles, sections and schedules and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.4 Article References

Unless reference is specifically made to some other document or instrument, all references herein to articles, sections and schedules are to articles, sections and schedules of this Agreement.

1.5 Extended Meanings

Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, bodies corporate, trusts, unincorporated organizations, governments, regulatory authorities, and other entities.

1.6 Entire Agreement

This Agreement, together with the exhibit attached hereto, constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, between the parties with respect to the subject matter hereof.

1.7 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of Alberta and the laws of Canada applicable in Alberta and shall be treated in all respects as an Alberta contract.

1.8 Exhibits

Exhibit A annexed to this Agreement, being the Plan of Arrangement, is incorporated by reference into this Agreement and forms a part hereof.

**ARTICLE 2
THE ARRANGEMENT**

2.1 Arrangement

As soon as reasonably practicable, the Baytex Parties shall apply to the Court pursuant to Section 193 of the ABCA for an order approving the Arrangement and in connection with such application shall:

- (a) forthwith file, proceed with and diligently prosecute an application for an Interim Order under Section 193(4) of the ABCA, providing for, among other things, the calling and holding of the Meeting for the purpose of considering and, if deemed advisable, approving the Arrangement Resolution;
- (b) subject to obtaining all necessary approvals of the Unitholders as contemplated in the Interim Order and as may be directed by the Court in the Interim Order, take steps necessary to submit the Arrangement to the Court and apply for the Final Order;
- (c) structure the Arrangement such that the issuance of the New Baytex Shares to Unitholders under the Arrangement qualifies for the exemption from registration provided by Section 3(a)(10) of the *U.S. Securities Act of 1933*, as amended; and
- (d) subject to fulfillment of the conditions set forth herein, deliver to the Registrar Articles of Arrangement and such other documents as may be required to give effect to the Arrangement, whereupon the transactions comprising the Arrangement shall occur and shall be deemed to have occurred in the order and at the times set out therein without any act or formality.

2.2 Baytex Energy Corp.

Baytex has caused New Baytex to be incorporated under the ABCA. Prior to the Effective Time, New Baytex shall not: (i) issue any securities or enter into any agreements to issue or grant options, warrants or rights to purchase any of its securities; or (ii) carry on any business, enter into any transaction or effect any corporate act whatsoever, other than as contemplated herein or as reasonably necessary to carry out the transactions contemplated by the Arrangement.

2.3 Effective Date

The Arrangement shall become effective at the Effective Time on the Effective Date.

**ARTICLE 3
COVENANTS**

3.1 Covenants of the Baytex Parties

Each of the parties covenants and agrees that it will:

- (a) take all reasonable action necessary and cooperate with the other Baytex Parties to give effect to the transactions contemplated by this Agreement and the Plan of Arrangement;
- (b) use all reasonable efforts to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;
- (c) solicit or cause to be solicited proxies to be voted at the Meeting in favour of the Arrangement Resolution and prepare the Information Circular and proxy solicitation materials and any amendments or supplements thereto as required by, and in compliance with, the Interim Order and applicable corporate and securities laws, and file and distribute the same to Unitholders in a timely and expeditious manner in all jurisdictions where the same are required to be filed and distributed;
- (d) convene the Meeting as ordered by the Interim Order and conduct such Meeting in accordance with the Interim Order and as otherwise required by law and the Trust Indenture;
- (e) use all reasonable efforts to cause each of the conditions precedent set forth in Article 4 which are within its control to be satisfied on or before the Effective Date;
- (f) subject to the approval of the Arrangement Resolution by the Unitholders, as required by the Interim Order, submit the Arrangement to the Court and apply for the Final Order;
- (g) carry out the terms of the Final Order to the extent applicable to it;
- (h) upon issuance of the Final Order and subject to the conditions precedent in Article 4, proceed to file the Articles of Arrangement, the Final Order and all related documents with the Registrar pursuant to subsection 193(9) of the ABCA;
- (i) not, except in the ordinary course of business, as previously publicly announced prior to the date hereof or as contemplated in connection with the Plan of Arrangement, merge into or with, or consolidate with, any other person or perform any act or enter into any transaction or negotiation which might interfere or be inconsistent with the consummation of the transactions contemplated by this Agreement;
- (j) until the Effective Date, except as specifically provided for hereunder and in the Arrangement, not alter or amend its constating or governing documents, articles or by-laws or those of its subsidiaries as the same exist at the date of this Agreement in a manner which might interfere with or be inconsistent with the transactions contemplated by this Agreement;
- (k) take all actions and enter into all such agreements as are necessary to complete and give effect to the transactions contemplated by this Agreement and the Arrangement;
- (l) reserve and authorize for issuance the securities issuable by it, if any, as contemplated in the Plan of Arrangement and cause to be reserved and authorized for issuance the securities issuable by each of the Baytex Parties within its control, if any, as contemplated in the Plan of Arrangement and in respect of any share-based compensation arrangements of such Baytex Entity following the Effective Time; and
- (m) prior to the Effective Date, make application to list the New Baytex Shares to be issued or made issuable pursuant to the Arrangement on the TSX and the NYSE.

3.2 Amendments to the Trust Indenture

The parties hereto agree that pursuant to the Arrangement, the Trust Indenture, if necessary, shall be amended in a manner satisfactory to the Baytex Parties, acting reasonably, as necessary to facilitate the Arrangement.

ARTICLE 4 CONDITIONS PRECEDENT

4.1 Mutual Conditions Precedent

The respective obligations of the Baytex Parties to complete the transactions contemplated by this Agreement shall be subject to the fulfilment or satisfaction, on or before the Effective Date or such other time specified, of each of the following conditions, any of which may be waived collectively by them without prejudice to their right to rely on any other condition:

- (a) the Interim Order shall have been granted in form and substance satisfactory to the Baytex Parties, acting reasonably, not later than October 29, 2010 or such later date as the parties hereto may agree and shall not have been set aside or modified in a manner unacceptable to such parties on appeal or otherwise;
- (b) the Arrangement Resolution shall have been approved by the requisite number of votes cast by the Unitholders at the Meeting in accordance with the Trust Indenture, the Interim Order and any applicable regulatory requirements;
- (c) the Final Order shall have been granted in form and substance satisfactory to the Baytex Parties, acting reasonably, not later than December 31, 2010 or such later date as the parties hereto may agree;
- (d) the Articles of Arrangement and all necessary related documents, in form and substance satisfactory to the Baytex Parties, acting reasonably, shall have been accepted for filing by the Registrar together with the Final Order in accordance with subsection 193(9) of the ABCA;
- (e) no material action or proceeding shall be pending or threatened by any person, company, firm, governmental authority, regulatory body or agency and there shall be no action taken under any existing applicable law or regulation, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any court, department, commission, board, regulatory body, government or governmental authority or similar agency, domestic or foreign, that:
 - (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated herein; or
 - (ii) results in a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated herein;
- (f) all necessary material third party and regulatory consents, approvals and authorizations with respect to the transactions contemplated hereby shall have been completed or obtained;
- (g) the TSX shall have conditionally approved the listing of the New Baytex Shares to be issued or made issuable pursuant to the Arrangement, subject only to the filing of required documents which cannot be filed prior to the Effective Date;
- (h) the NYSE shall have approved the listing of the New Baytex Shares to be issued or issuable pursuant to the Arrangement; and

- (i) each of the covenants, acts and undertakings of each of the Baytex Parties to be performed or complied with on or before the Effective Date pursuant to the terms of this Agreement shall be duly performed or complied with.

4.2 Notice and Effect of Failure to Comply with Conditions

- (a) Each of the parties hereto shall give prompt notice to the others of the occurrence, or failure to occur, at any time from the date hereof to the Effective Date of any event or state of facts which occurrence or failure would, or would be likely to, result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by any party hereunder provided, however, that no such notification will affect the conditions to the obligations of the parties hereunder.
- (b) If any of the conditions precedent set forth in Section 4.1 hereof shall not be complied with or waived by the party or parties for whose benefit such conditions are provided on or before the date required for the performance thereof, then a party for whose benefit the condition precedent is provided may, in addition to any other remedies they may have at law or equity, rescind and terminate this Agreement provided that prior to the filing of the Articles of Arrangement for the purpose of giving effect to the Arrangement, the party intending to rely thereon has delivered a written notice to the other party, specifying in reasonable detail all breaches of covenants or other matters which the party delivering such notice is asserting as the basis for the non-fulfillment of the applicable conditions precedent and the party in breach shall have failed to cure such breach within three Business Days of receipt of such written notice thereof (except that no cure period shall be provided for a breach which by its nature cannot be cured). More than one such notice may be delivered by a party.

4.3 Satisfaction of Conditions

The conditions set out in this Article 4 are conclusively deemed to have been satisfied, waived or released when, with the agreement of the parties, Articles of Arrangement are filed under the ABCA to give effect to the Arrangement.

**ARTICLE 5
NOTICES**

5.1 Notices

All notices which may or are required to be given pursuant to any provision of this Agreement shall be given or made in writing and shall be served personally or delivered by facsimile or electronic transmission.

**ARTICLE 6
AMENDMENT AND TERMINATION**

6.1 Amendments

This Agreement may, at any time and from time to time before or after the Meeting, be amended in any respect whatsoever by written agreement of the parties hereto without further notice to or authorization on the part of their respective unitholders or shareholders; provided that any such amendment that changes the consideration to be received by the Unitholders pursuant to the Arrangement is brought to the attention of the Court before approval of the Final Order and is subject to such requirements as may be ordered by the Court.

6.2 Termination

This Agreement shall be terminated in each of the following circumstances:

- (a) the mutual agreement of the parties;
- (b) the Arrangement shall not have become effective on or before December 31, 2010 or such later date as may be agreed to by the parties hereto; and
- (c) termination of this Agreement under Article 4 hereof.

**ARTICLE 7
GENERAL**

7.1 Binding Effect

This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors.

7.2 No Assignment

No party may assign its rights or obligations under this Agreement.

7.3 Exclusivity

None of the covenants of the Trust or Baytex contained herein shall prevent the Board of Directors from responding as required by law to any submission or proposal regarding any acquisition or disposition of assets or any unsolicited proposal to amalgamate, merge or effect an arrangement or any unsolicited acquisition proposal generally or make any disclosure to the Unitholders with respect thereto which in the judgment of the Board of Directors, acting upon the advice of outside counsel, is required under applicable law.

7.4 Equitable Remedies

All representations, warranties and covenants herein or to be given hereunder as to enforceability in accordance with the terms of any covenant, agreement or document shall be qualified as to applicable bankruptcy and other laws affecting the enforcement of creditors' rights generally and to the effect that specific performance, being an equitable remedy, may only be ordered at the discretion of the Court.

7.5 Severability

If any one or more of the provisions or parts thereof contained in this Agreement should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom and:

- (a) the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed; and
- (b) the invalidity, illegality or unenforceability of any provision or part thereof contained in this Agreement in any jurisdiction shall not affect or impair such provision or part thereof or any other provisions of this Agreement in any other jurisdiction.

7.6 Further Assurances

Each party hereto shall, from time to time and at all times hereafter, at the request of another party hereto, but without further consideration, do all such further acts, and execute and deliver all such further documents and instruments as may be reasonably required in order to fully perform and carry out the terms and intent hereof.

7.7 Time of Essence

Time shall be of the essence.

7.8 Liability of the Trust

The parties hereto acknowledge that, except to the extent that Baytex is entering into this Agreement in its own right, it is entering into this Agreement on behalf of the Trust and the obligations of the Trust hereunder shall not be personally binding upon the Trustee or any holder of Units and that any recourse against the Trust, the Trustee, or any holder of Units in any manner in respect of any indebtedness, obligation or liability of the Trust arising hereunder or arising in connection herewith or from the matters to which this agreement relates, if any, including without limitation claims based on negligence or otherwise tortious behaviour, shall be limited to, and satisfied only out of, the Trust Fund (as defined in the Trust Indenture, as amended from time to time).

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1.2 Counterparts

This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together constitute one and the same instrument.

IN WITNESS WHEREOF this Agreement has been executed and delivered by the parties hereto effective as of the date first above written.

BAYTEX ENERGY TRUST, by its administrator,
Baytex Energy Ltd.

Per: (signed) "Anthony W. Marino"
Anthony W. Marino
President and Chief Executive Officer

Per: (signed) "W. Derek Aylesworth"
W. Derek Aylesworth
Chief Financial Officer

BAYTEX ENERGY LTD.

Per: (signed) "Anthony W. Marino"
Anthony W. Marino
President and Chief Executive Officer

Per: (signed) "W. Derek Aylesworth"
W. Derek Aylesworth
Chief Financial Officer

BAYTEX ENERGY CORP.

Per: (signed) "Anthony W. Marino"
Anthony W. Marino
President and Chief Executive Officer

Per: (signed) "W. Derek Aylesworth"
W. Derek Aylesworth
Chief Financial Officer

BAYTEX EXCHANGE CO LTD.

Per: (signed) "Anthony W. Marino"
Anthony W. Marino
President and Chief Executive Officer

Per: (signed) "W. Derek Aylesworth"
W. Derek Aylesworth
Chief Financial Officer

EXHIBIT A

PLAN OF ARRANGEMENT

**under Section 193 of the
*Business Corporations Act (Alberta)***

**ARTICLE 1
INTERPRETATION**

1.1 In this Plan of Arrangement, the following terms have the following meanings:

- (a) "**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;
- (b) "**Amalgamation**" means the amalgamation of Baytex and Baytex ExchangeCo pursuant to the Arrangement;
- (c) "**AmalgamationCo**" means the corporation formed on the amalgamation of Baytex and Baytex ExchangeCo pursuant to the Arrangement;
- (d) "**Amended and Restated Series A Debenture Indenture**" means the amended and restated Series A Debenture Indenture, to be entered into among New Baytex, the Series A Debenture Guarantors and Valiant Trust Company, pursuant to which, among other things, New Baytex shall assume the rights and obligations of the Trust under the Series A Debenture Indenture and the Series A Debenture Guarantors shall ratify and confirm the Guarantees;
- (e) "**Arrangement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to the arrangement pursuant to Section 193 of the ABCA set forth in this Plan of Arrangement as supplemented, modified or amended, and not to any particular article, section or other portion hereof;
- (f) "**Arrangement Agreement**" means the arrangement agreement dated as of October 25, 2010 among the Trust, Baytex, Baytex ExchangeCo and New Baytex providing for the implementation of the Arrangement, as amended, supplemented or restated from time to time;
- (g) "**Arrangement Resolution**" means the special resolution in respect of the Arrangement to be voted on by the Unitholders at the Meeting;
- (h) "**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been granted giving effect to the Arrangement;
- (i) "**Baytex**" means Baytex Energy Ltd., a corporation amalgamated under the ABCA and a wholly-owned subsidiary of the Trust;
- (j) "**Baytex Common Shares**" means the common shares in the capital of Baytex;
- (k) "**Baytex ExchangeCo**" means Baytex ExchangeCo Ltd., a corporation incorporated under the ABCA and a wholly-owned subsidiary of the Trust;
- (l) "**Baytex ExchangeCo Common Shares**" means the common shares in the capital of Baytex ExchangeCo;

- (m) "**Baytex Partnership**" means Baytex Energy Partnership, a general Alberta partnership, the partners of which are Baytex and Baytex Oil & Gas Ltd.;
- (n) "**Baytex Unit Fair Market Value**" means the weighted average trading price of a Unit on the Toronto Stock Exchange for the 10 trading days preceding the Effective Date or, if the Units are not then listed on the Toronto Stock Exchange, on such other stock exchange or automated quotation system on which the Units are listed or quoted, as the case may be, as may be selected by the Board of Directors for such purpose; provided, however, that if in the opinion of the Board of Directors the public distribution or trading activity of Units for that period does not result in a weighted average trading price which reflects the fair market value of a Unit, then the Baytex Unit Fair Market Value shall be determined by the Board of Directors, in good faith and in its sole discretion, and provided further that any such selection, opinion or determination by the Board of Directors shall be conclusive and binding;
- (o) "**Board of Directors**" means the board of directors of Baytex;
- (p) "**Business Day**" means a day, other than a Saturday, Sunday or statutory holiday when banks are generally open in the City of Calgary, Alberta, for the transaction of banking business;
- (q) "**Certificate**" means the certificate or certificates or confirmation of filing, which may be issued by the Registrar pursuant to Subsection 193(11) of the ABCA giving effect to the Arrangement;
- (r) "**Court**" means the Court of Queen's Bench of Alberta;
- (s) "**Depository**" means Valiant Trust Company, or such other Person as may be designated by Baytex;
- (t) "**Dissent Rights**" means the right of a registered Unitholder pursuant to Section 191 of the ABCA and the Interim Order to dissent to the Arrangement Resolution and to be paid the fair value of the Units in respect of which the holder dissents, all in accordance with Section 191 of the ABCA as modified by the Interim Order;
- (u) "**Dissenting Unitholders**" means registered Unitholders who validly exercise Dissent Rights;
- (v) "**Distribution**" means a distribution paid by the Trust in respect of the Units;
- (w) "**DRIP**" means the distribution reinvestment plan of the Trust;
- (x) "**Effective Date**" means the date the Arrangement becomes effective under the ABCA;
- (y) "**Effective Time**" means the time at which the Articles of Arrangement are filed with the Registrar on the Effective Date;
- (z) "**Exchangeable Shares**" means the exchangeable shares of Baytex which are exchangeable for Units;
- (aa) "**Final Order**" means the final order of the Court approving the Arrangement pursuant to subsection 193(9) of the ABCA as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (bb) "**Guarantees**" means the guarantee of the Series A Debentures provided by the Series A Debenture Guarantors in the Series A Debenture Indenture;

- (cc) "**Governmental Entity**" means any: (i) multinational, federal, provincial, state, regional, municipal, local or other government or any governmental or public department, court, tribunal, arbitral body, commission, board, bureau or agency; (ii) any subdivision, agent, commission, board or authority of any of the foregoing; or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;
- (dd) "**Incentive Plan**" means the trust unit rights incentive plan of the Trust;
- (ee) "**Incentive Right**" means a trust unit incentive right granted pursuant to the Incentive Plan;
- (ff) "**Interim Order**" means the interim order of the Court under subsection 193(4) of the ABCA containing declarations and directions with respect to the Arrangement, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (gg) "**Letter of Transmittal**" means the letter of transmittal to be sent to the Unitholders pursuant to which such holders are required to deliver certificates representing their Units in order to receive the New Baytex Shares issuable to them pursuant to the Arrangement;
- (hh) "**Meeting**" means the special meeting of Unitholders to be held to consider the Arrangement Resolution and certain other matters, and any adjournment(s) thereof;
- (ii) "**New Baytex**" means Baytex Energy Corp., a corporation incorporated under the ABCA and a wholly-owned subsidiary of Baytex;
- (jj) "**New Baytex Shares**" means the common shares in the capital of New Baytex;
- (kk) "**New DRIP**" means the dividend reinvestment plan of New Baytex;
- (ll) "**New Incentive Rights**" means rights to acquire New Baytex Shares issued to holders of Incentive Rights in exchange for such rights in accordance with the terms of the Incentive Plan;
- (mm) "**Notes**" means the 12% unsecured subordinated promissory notes issued by Baytex and held by the Trust pursuant to the plan of arrangement completed on September 2, 2003 and other promissory notes issued by Baytex or any of the Trust's other operating entities to the Trust from time to time;
- (nn) "**Person**" includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate group, body corporate, corporation, unincorporated association or organization, Governmental Entity, syndicate or other entity, whether or not having legal status;
- (oo) "**Registrar**" means the Registrar of Corporations for the Province of Alberta duly appointed under Section 263 of the ABCA;
- (pp) "**Series A Debenture Guarantors**" means Baytex, Baytex Oil & Gas Ltd., Baytex Partnership, Baytex Marketing Ltd. and Baytex Energy USA Ltd.;
- (qq) "**Series A Debenture Indenture**" means the trust indenture made as of August 26, 2009 among the Trust, the Series A Debenture Guarantors and Valiant Trust Company;
- (rr) "**Series A Debentures**" means the 9.15% series A senior unsecured debentures of the Trust due August 26, 2016 and issued pursuant to the Series A Debenture Indenture;

- (ss) "**Tax Act**" means the *Income Tax Act* (Canada), as the same may be amended, including the regulations promulgated thereunder;
- (tt) "**Taxable Income**" means the amount, if any, by which the income of the Trust for its taxation year ending December 31, 2010 computed in accordance with the provisions of the Tax Act (other than paragraph 82(1)(b) and subsection 104(6) thereof) exceeds the amount that became payable or was deemed to become payable to Unitholders in the Trust's taxation year ending December 31, 2010 (other than amounts that became payable to Unitholders on a redemption of Units or amounts that constituted returns of capital);
- (uu) "**Transition Incentive Plan**" means the common share rights incentive plan of New Baytex governing the New Incentive Rights issued in exchange for Incentive Rights in accordance with the terms of the Incentive Plan and the Plan of Arrangement;
- (vv) "**Trust**" means Baytex Energy Trust, a trust established under the laws of the Province of Alberta and governed by the Trust Indenture;
- (ww) "**Trust Indenture**" the third amended and restated trust indenture of the Trust between the Trustee and Baytex made as of May 20, 2008;
- (xx) "**Trustee**" means the trustee of the Trust, presently Valiant Trust Company;
- (yy) "**Unitholders**" means the holders from time to time of the Units; and
- (zz) "**Units**" means the trust units of the Trust.

1.2 The division of this Plan of Arrangement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement.

1.3 Unless reference is specifically made to some other document or instrument, all references herein to articles, sections and subsections are to articles, sections and subsections of this Plan of Arrangement.

1.4 Unless the context otherwise required, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders.

1.5 References in this Plan of Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

1.6 References in this Plan to times shall be deemed to be Mountain Standard Time.

ARTICLE 2 ARRANGEMENT AGREEMENT

2.1 This Plan of Arrangement is made pursuant to the Arrangement Agreement.

2.2 This Plan of Arrangement, upon the filing of the Articles of Arrangement and the issue of the Certificate, if any, shall become effective on, and be binding on and after, the Effective Time on: (i) the Unitholders; (ii) the Trust; (iii) the Trustee; (iv) New Baytex; (v) Baytex; and (vi) Baytex ExchangeCo.

2.3 The Articles of Arrangement and Certificate shall be filed and issued, respectively, with respect to this Arrangement in its entirety. The Certificate shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Article 3 has become effective in the sequence and at the times set out therein.

**ARTICLE 3
ARRANGEMENT**

3.1 The Arrangement involves a number of steps, including the following, which will be deemed to occur sequentially at the times specified.

Amendment to Trust Indenture

- (a) at 4:57 p.m. on the Effective Date, the Trust Indenture shall be amended to the extent necessary to facilitate the Arrangement and also as provided in the Arrangement Agreement;

Dissenting Unitholders

- (b) at 4:59 p.m. on the Effective Date, the Units held by Dissenting Unitholders who have exercised Dissent Rights which remain valid immediately prior to 4:59 p.m. on the Effective Date shall, as of 4:59 p.m. on the Effective Date, be deemed to have been transferred to the New Baytex and cancelled and cease to be outstanding, and as of 4:59 p.m. on the Effective Date, such Dissenting Unitholders shall cease to have any rights as Unitholders of the Trust other than the right to be paid the fair value of their Units by New Baytex;

Final Distributions to Unitholders

- (c) at 5:00 p.m. on the Effective Date, the Trust shall determine the names of the Unitholders of record at such time and those Unitholders shall be entitled to receive the Distribution declared on or about December 15, 2010 to holders of record on December 31, 2010, which distribution shall be payable on or about January 17, 2011;

Exchange of Units for New Baytex Shares

- (d) at 11:59 p.m. on the Effective Date, each Unit shall be sold, assigned and transferred to New Baytex (free of any claims) in exchange for New Baytex Shares on the basis of one New Baytex Share for each Unit so sold, assigned and transferred;

Stated Capital of the New Baytex Shares

- (e) at 11:59 p.m. on the Effective Date, the aggregate amount allocated to the stated capital in respect of the New Baytex Shares issued under subsection 3.1(d) shall be \$1.4 billion;

Redemption of New Baytex Shares

- (f) at 11:59 p.m. on the Effective Date, the New Baytex Share held by Baytex shall be redeemed by New Baytex for an amount equal to the Baytex Unit Fair Market Value and such New Baytex Share shall be cancelled;

Incentive Plan

- (g) at 11:59 p.m. on the Effective Date:
 - (i) the Transition Incentive Plan shall become effective, and
 - (ii) each Incentive Right shall be exchanged for a New Incentive Right in accordance with the terms of the Incentive Plan;

New DRIP

- (h) at 11:59 p.m. on the Effective Date, the New DRIP shall become effective, all participants in the DRIP will be deemed to be participants in the New DRIP without any further action on their part and any declared but unpaid Distributions to a person deemed to be a participant in the New DRIP will be automatically applied to the purchase of New Baytex Shares in accordance with the terms and conditions of the New DRIP;

Dissolution of the Trust

- (i) at 12:01 a.m. on January 1, 2011, all of the property and assets of the Trust (including, without limitation, the Baytex Common Shares, the Baytex ExchangeCo Common Shares and the Notes) shall be transferred to New Baytex and New Baytex shall assume all of the liabilities and obligations of the Trust (including, without limitation, the liabilities and obligations of the Trust in respect of the Series A Debentures and any declared but unpaid Distributions);
- (j) at 12:01 a.m. on January 1, 2011, New Baytex shall assume all of the obligations of the Trust under the Series A Debentures and the Series A Debenture Indenture, and the Amended and Restated Series A Debenture Indenture shall become effective;
- (k) at 12:01 a.m. on January 1, 2011, the Trust shall be dissolved and shall thereafter cease to exist and the Trust Indenture shall be terminated; and

Amalgamation of Baytex and Baytex ExchangeCo

- (l) at 12:01 a.m. on January 1, 2011, Baytex and Baytex ExchangeCo shall be amalgamated and continued as one corporation, AmalgamationCo, in accordance with the following:
 - (i) the stated capital of all of the Baytex ExchangeCo Common Shares shall be reduced, in each case, to \$1.00 in aggregate immediately prior to the amalgamation;
 - (ii) the articles of AmalgamationCo shall be the same as the articles of Baytex ExchangeCo and the name of AmalgamationCo shall be "Baytex Energy Ltd.";
 - (iii) the Baytex ExchangeCo Common Shares shall be cancelled without any repayment of capital;
 - (iv) the Exchangeable Shares held by Baytex ExchangeCo shall be cancelled;
 - (v) the property of each of the amalgamating corporations shall continue to be the property of AmalgamationCo;
 - (vi) AmalgamationCo shall continue to be liable for the obligations of each of the amalgamating corporations;
 - (vii) any existing cause of action, claim or liability to prosecution of each of the amalgamating corporations shall be unaffected;
 - (viii) any civil, criminal or administrative action or proceeding pending by or against each of the amalgamating corporations may be continued to be prosecuted by or against AmalgamationCo;
 - (ix) a conviction against, or ruling, order or judgment in favour of or against, each of the amalgamating corporations may be enforced by or against AmalgamationCo;

- (x) the Articles of Amalgamation of AmalgamationCo shall be deemed to be the Articles of Incorporation of AmalgamationCo and the Certificate of Amalgamation of AmalgamationCo shall be deemed to be the Certificate of Incorporation of AmalgamationCo;
- (xi) the by-laws of AmalgamationCo shall be the by-laws of Baytex ExchangeCo until repealed, amended, altered or added to;
- (xii) the first directors of AmalgamationCo shall be the directors of Baytex;
- (xiii) the first officers of AmalgamationCo shall be the officers of Baytex;
- (xiv) the registered office of AmalgamationCo shall be the registered office of Baytex; and
- (xv) the amalgamation shall be deemed to be effective at 12:01 a.m. on January 1, 2011 and articles of amalgamation shall be filed with the Registrar to be effective on such day;

provided that if any of the foregoing steps fails to occur or be completed then all of such steps will be deemed not to have occurred.

3.2 Each of the parties referred to in Section 3.1 shall make the appropriate entries in their securities registers to reflect the matters referred to in Section 3.1.

ARTICLE 4 OUTSTANDING CERTIFICATES

4.1 Subject to Section 3.1(a), after the time of exchange specified in the Plan, certificates formerly representing Units shall represent only the right to receive upon surrender as contemplated by Section 4.2: (a) the certificates representing New Baytex Shares which the former holder of such Units is, subject to this 4.1, entitled to receive pursuant to Article 3; and (b) dividends or distributions with respect thereto pursuant to Section 4.3, subject to compliance with the requirements set forth in this Article 4.

4.2 New Baytex shall, as soon as practicable following the later of the Effective Date and the date of deposit by a former Holder of Units of a validly completed and duly signed Letter of Transmittal (and such other documents and instruments as the Depositary may reasonably require) and the certificates representing such Units, either: (i) forward or cause to be forwarded by first class mail (postage prepaid) to such former holder at the address specified in the Letter of Transmittal; or (ii) if requested by such holder in the Letter of Transmittal, make available or cause to be made available at the Depositary for pickup by such holder; certificates representing the number of New Baytex Shares issued to such holder under the Arrangement (together with any dividends or distributions with respect thereto).

4.3 All monies received by the Depositary on behalf of persons who immediately prior to the Effective Time were registered holders of Units that are exchanged pursuant to the Arrangement shall be either: (a) paid (net of applicable withholding and other taxes) and delivered by the Depositary to such persons as soon as reasonably practicable following receipt of a validly completed and duly signed Letter of Transmittal (and such other documents and instruments as the Depositary may reasonably require) and the certificates representing such Units; or (b) where the person was a registered holder of Units and is deemed to be a participant in the New DRIP, such monies will be applied automatically for the purchase of New Baytex Shares in accordance with the terms and conditions of the New DRIP.

4.4 Subject to any applicable legislation relating to unclaimed personal property, any certificate formerly representing Units that is not deposited with all other documents as provided in Section 4.2 on or before the third anniversary of the Effective Date shall cease to represent a right or claim of any kind or nature, including the right of the holder of the certificate formerly representing such Units to receive New Baytex Shares (and any dividends and distributions thereon). On such date, subject to any applicable legislation relating to unclaimed personal

property, the New Baytex Shares (together with all dividends or distributions thereon) shall be returned to New Baytex and such New Baytex Shares shall be cancelled.

4.5 New Baytex and the Depositary shall be entitled to deduct and withhold from any consideration, dividend or distribution otherwise payable to any former holder of Units or any holder of New Baytex Shares, such amounts as either New Baytex or the Depositary are required to deduct and withhold with respect to such payment under the Tax Act or any provision of federal, provincial, territorial, state, local or foreign tax law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the holder of the securities in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. To the extent that the amount so required to be deducted or withheld from any payment to a holder exceeds the cash portion of the consideration otherwise payable to the holder, New Baytex and the Depositary are hereby authorized to sell or otherwise dispose of such portion of the consideration as is necessary to provide sufficient funds to New Baytex and the Depositary, as the case may be, to enable it to comply with such deduction or withholding requirement and New Baytex and the Depositary shall notify the holder thereof and remit any unapplied balance of the net proceeds of such sale.

ARTICLE 5 DISSENTING UNITHOLDERS

5.1 Each registered holder of Units shall have the right to dissent with respect to the Arrangement in accordance with the Interim Order. A Dissenting Unitholder shall, at the time specified in the Plan, cease to have any rights as a holder of Units and shall only be entitled to be paid the fair value of the holder's Units. A Dissenting Unitholder who is paid the fair value of the holder's Units shall be deemed to have transferred the holder's Units to New Baytex for cancellation in accordance with the Plan, notwithstanding the provisions of section 191 of the ABCA. A Dissenting Unitholder who for any reason is not entitled to be paid the fair value of the holder's Units shall be treated as if the holder had participated in the Arrangement on the same basis as a non-dissenting holder of Units, notwithstanding the provisions of section 191 of the ABCA. The fair value of the Units shall be determined as of the close of business on the last Business Day before the day on which the Arrangement is approved by the holders of Units at the Meeting or, if not the same day, the day the last approval is obtained; but in no event shall the Trust or New Baytex be required to recognize such Dissenting Unitholder as a Unitholder after the time specified in the Plan and the names of such holders shall be removed from the applicable register of Unitholders as at the time specified in the Plan of Arrangement. For greater certainty, in addition to any other restrictions in section 191 of the ABCA, no person who has voted in favour of the Arrangement shall be entitled to dissent with respect to the Arrangement.

ARTICLE 6 AMENDMENTS

6.1 New Baytex, Baytex, Baytex ExchangeCo and the Trust each reserve the right to amend, modify and/or supplement this Plan of Arrangement from time to time at any time prior to the Effective Time provided that any such amendment, modification or supplement must be contained in a written document that is:

- (a) agreed to by each of New Baytex, Baytex, Baytex ExchangeCo and the Trust;
- (b) filed with the Court and, if made following the Meeting, approved by the Court; and
- (c) communicated to Unitholders in the manner required by the Court (if so required).

6.2 Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Time by the agreement of Baytex and New Baytex; provided that, it concerns a matter which, in the reasonable opinion of Baytex and New Baytex is of an administrative nature required to better give effect to the implementation of the Plan of Arrangement and is not adverse to the financial or economic interests of any former holder of Units.

APPENDIX D

INFORMATION CONCERNING NEW BAYTEX

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NOTICE TO READER

Unless otherwise defined herein, all capitalized words and phrases used in this Appendix have the meaning given to such words and phrases in the "*Glossary of Terms*" in the Information Circular.

FORWARD-LOOKING STATEMENTS

This Appendix contains forward-looking statements. All statements other than statements of historical fact contained in this Appendix are forward-looking statements. Reference is made to "*Forward-Looking Statement Disclaimer*" in the body of the Information Circular for information regarding forward-looking statements. The forward-looking statements contained in this Appendix are expressly qualified in their entirety by the cautionary statements set forth in the body of this Information Circular under "*Forward-Looking Statement Disclaimer*". The forward-looking statements included in this Appendix are made as of the date of this Information Circular and neither the Trust nor New Baytex undertakes any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

CORPORATE STRUCTURE

Name, Address and Incorporation

New Baytex was incorporated on October 22, 2010 pursuant to the provisions of the ABCA, as a wholly-owned subsidiary of Baytex, for the sole purpose of participating in the Arrangement and has not carried on any business or conducted any operations to date other than entering into the Arrangement Agreement. Following the Arrangement, New Baytex will carry on the business presently carried on by the Trust through its subsidiaries.

The head and principal office of New Baytex is located at Suite 2800, 520 – 3rd Avenue S.W., Calgary, Alberta, T2P 0R3 and its registered office is located at Suite 1400, 350 – 7th Avenue S.W., Calgary, Alberta, T2P 3N9.

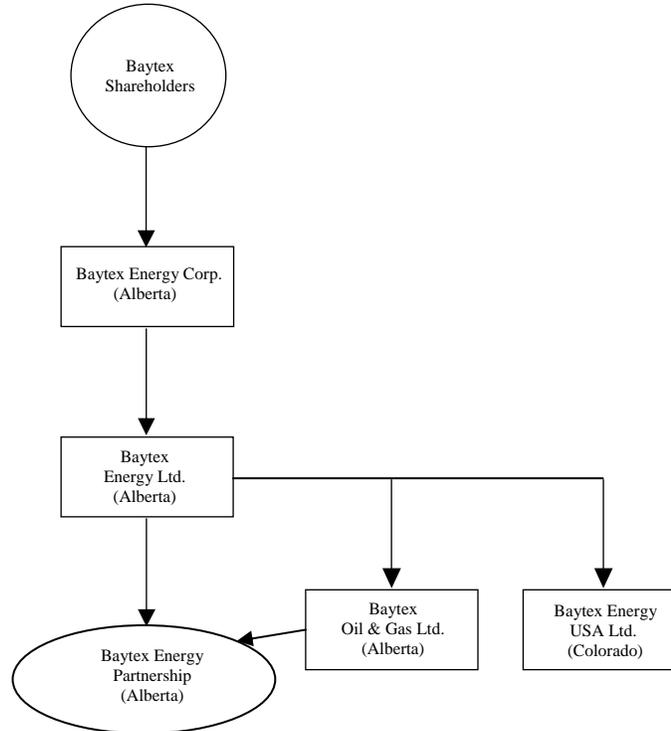
Intercorporate Relationships

The following are the names, the percentage of votes attaching to all voting securities to be beneficially owned, or controlled or directed, directly or indirectly, by New Baytex, and the jurisdiction of incorporation, continuance, formation or organization of New Baytex's material subsidiaries after giving effect to the Arrangement.

	Percentage of voting securities (directly or indirectly)	Jurisdiction of Incorporation/Formation
Baytex Energy Ltd.	100%	Alberta
Baytex Energy Partnership	100%	Alberta
Baytex Oil & Gas Ltd.	100%	Alberta
Baytex Energy USA Ltd.	100%	Colorado

Organizational Structure

The following diagram sets forth the simplified organizational structure of New Baytex immediately following completion of the Arrangement:



GENERAL DEVELOPMENT OF THE BUSINESS

General

Pursuant to the Arrangement, New Baytex will, directly or indirectly, acquire all of the assets and will assume all of the liabilities of the Trust and the Trust will be dissolved. Unitholders (other than Dissenting Unitholders) will be the shareholders of New Baytex.

New Baytex will become a reporting issuer in certain Canadian jurisdictions and will become subject to the informational reporting requirements under the securities laws of such jurisdictions as a result of the Arrangement.

The TSX has conditionally approved the listing of the New Baytex Shares to be issued and made issuable pursuant to the Arrangement, subject to New Baytex fulfilling the requirements of the TSX. Baytex will apply to list the New Baytex Shares to be issued and made issuable pursuant to the Arrangement on the NYSE.

Three-Year History

For a description of the general development of the business of the Trust over the last three completed financial years, see the section of the Trust AIF entitled "*General Development of Our Business – History and Development*", which is incorporated by reference in this Information Circular. For a description of the business to be carried on by New Baytex following completion of the Arrangement, see "*Description of the Business*" in this Appendix.

DESCRIPTION OF THE BUSINESS

General

Following completion of the Arrangement, New Baytex will carry on the business currently carried on by the Trust through its subsidiaries. New Baytex will be an Alberta-based company engaged in the business of oil and natural gas exploration, exploitation, development, acquisition and production.

Statement of Reserves Data and Other Oil and Gas Information

A description of the assets to be owned by New Baytex following completion of the Arrangement, including the oil and natural gas reserves attributable to them, is provided in the following sections of the Trust AIF, which are incorporated by reference in this Information Circular: "*Appendix A – Report of Management and Directors on Oil and Gas Disclosure*", "*Appendix B – Report on Reserves Data by Independent Qualified Reserves Evaluator*", "*Description of Our Business and Operations – Statement of Reserves Data and Other Oil and Natural Gas Information*" and "*Description of Our Business and Operations – Other Oil and Gas Information*".

Business Plans

New Baytex will be a public oil and natural gas exploration, exploitation, development, acquisition and production company.

New Baytex's activities will be directed towards growing its production and asset base through internal property development and acquisitions with the objectives of providing monthly income to its Shareholders and creating long-term value for its Shareholders. This will be pursued through a combination of investing capital to enhance the value of New Baytex's assets, operating New Baytex's producing oil and gas properties in a low cost manner to maximize the recovery of reserves, and through making monthly dividends to Shareholders. New Baytex will direct its efforts to increase the value of its assets through development drilling and associated development activities and enhanced oil recovery activities as well as by the periodic acquisition of undeveloped and producing oil and gas properties. New Baytex will seek to acquire oil and natural gas producing properties and primarily participate in development activities that are generally considered to be of a low risk nature in the oil and gas industry. Also, a percentage of each year's capital budget will be devoted to moderate risk development and lower risk exploration opportunities on New Baytex's properties.

New Baytex's proposed management team is comprised of a proven team of professional management in all key operational areas of the organization including a team experienced in providing organic growth through full cycle exploration, exploitation and development. See "*Directors and Executive Officers*" in this Appendix.

Ongoing Acquisition and Disposition Activities

Potential Acquisitions

New Baytex expects to evaluate potential acquisitions of all types of petroleum and natural gas and other energy-related assets as part of its on-going asset portfolio management program. The Trust is normally in the process of evaluating several potential acquisitions at any one time which individually or together could be material. As of the date hereof, the Trust has not reached agreement on the price or terms of any potential material acquisitions and cannot predict whether any current or future opportunities will result in one or more acquisitions for New Baytex.

Potential Dispositions and Farm-Outs

New Baytex expects to evaluate potential dispositions of its petroleum and natural gas assets as part of its on-going portfolio asset management program. In addition, New Baytex expects to evaluate potential farm-out opportunities with other industry participants in respect of its petroleum and natural gas assets in circumstances where New Baytex believes it is prudent to do so based on, among other things, its capital program, development plan timelines and the risk profile of such assets. The Trust is normally in the process of evaluating several potential dispositions

of its assets and farm-out opportunities at any one time, which individually or together could be material. As of the date hereof, the Trust has not reached agreement on the price or terms of any potential material dispositions or farm-outs and cannot predict whether any current or future opportunities will result in one or more dispositions or farm-outs for New Baytex.

Environmental Policies

New Baytex will have an active program to monitor and comply with all environmental laws, rules and regulations applicable to its operations. New Baytex's policies will require that all employees and contractors report all breaches or potential breaches of environmental laws, rules and regulations to senior management and all applicable governmental authorities. Any material breaches of environmental laws, rules and regulations must be reported to the Board of Directors of New Baytex.

Competitive Conditions

The oil and natural gas industry is intensely competitive in all its phases. New Baytex will compete with numerous other participants in the acquisitions of properties with longer life reserves, properties with exploitation and development opportunities and undeveloped land. New Baytex's competitors will include resource companies, which have greater financial resources, staff and facilities than those of New Baytex. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. New Baytex anticipates that its competitive position will be equivalent to that of other oil and gas issuers of similar size and at a similar stage of development.

Bankruptcy and Similar Procedures

There have been no bankruptcy, receivership or similar proceedings against the Trust or Baytex, or any voluntary receivership, bankruptcy or similar proceeding by the Trust or Baytex within the three most recently completed financial years or proposed for New Baytex for the current financial year.

Material Restructuring Transactions

Other than the Arrangement, there have been no material restructuring transactions of the Trust or Baytex within the three most recently completed financial years or currently proposed for New Baytex for the current financial year.

MANAGEMENT'S DISCUSSION AND ANALYSIS AND FINANCIAL STATEMENTS

If the Arrangement is completed, the business of the Trust through its subsidiaries will continue to be carried on as before the completion of the Arrangement. New Baytex's financial position, risks and outlook after the Arrangement is completed will be substantially the same as those outlined in management's discussion and analysis of the financial condition and results of operation of the Trust for the year ended December 31, 2009 and for the six months ended June 30, 2010 (the "**MD&A**") and in the Trust AIF, each of which is incorporated by reference in this Information Circular.

Since the Arrangement does not constitute a change of control for accounting purposes, the financial statements of New Baytex will reflect the assets and liabilities of the Trust at the respective carrying amounts; however, any change to the interpretation of a change of control for tax purposes could result in a change to the carrying amount of future income tax balances. Changes to the carrying amount of future income tax balances will be charged to future income tax expense and may result in a reduction to shareholders' equity and these changes may be material.

In 2011, New Baytex will begin to report its financial results under International Financial Reporting Standards ("**IFRS**"). For information regarding the impact that IFRS will have on New Baytex's accounting policies and financial statements see, "*Changes in Accounting Policies – International Financial Reporting Standards (IFRS)*" in the MD&A, which is incorporated by reference into this Information Circular.

DIVIDEND RECORD AND POLICY

New Baytex has never declared or paid any cash dividends on the New Baytex Shares

Upon completion of the Arrangement, it is expected that New Baytex will adopt a monthly dividend policy whereby a dividend will be paid on or about the 15th day of the month that follows the end of each month to shareholders of record at the end of such month. The dividend policy is expected to follow the general corporate philosophy of financial self sufficiency whereby, over the long term, development capital expenditures and dividend payments are planned to be financed from internally generated funds from operations. As such, the amount of future cash dividends, if any, will be subject to the discretion of the Board of Directors of New Baytex and may vary depending on a variety of factors and conditions existing from time to time, including fluctuations in commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens, foreign exchange rates and the satisfaction of solvency tests imposed by the ABCA for the declaration and payment of dividends. Baytex's practice has been to review the level of the distribution at least annually as capital spending requirements are evaluated. This review has typically occurred in December in connection with the presentation of the annual budget for the ensuing year to the Board of Directors of Baytex, with changes, if any, to the distribution level being announced following that meeting. Under current operating conditions and commodity prices, Baytex believes the current distribution level of \$0.18 per Unit per month can be maintained as a dividend subsequent to the completion of the Arrangement.

Although it is expected that dividends of New Baytex will qualify as "eligible dividends" for the purposes of the Tax Act, and thus qualify for the enhanced gross-up and tax credit regime available to certain holders of New Baytex Shares, no assurances can be given that all dividends will be designated as "eligible dividends" or qualify as "eligible dividends".

See "*The Arrangement – Effect of the Arrangement on Unitholders*", "*The Arrangement – Details of the Arrangement – Arrangement Steps*", "*The Arrangement – Procedure for Exchange of Trust Units*", "*Certain Canadian Federal Income Tax Considerations*" and "*Certain United States Federal Income Tax Considerations*".

Pursuant to the Arrangement, the New DRIP shall become effective, all participants in the DRIP will be deemed to be participants in the New DRIP without any further action on their part, and all declared and unpaid distributions of the Trust will be automatically applied, on behalf of such deemed participants, to the purchase of New Baytex Shares in accordance with the terms and conditions of the New DRIP.

DESCRIPTION OF CAPITAL STRUCTURE

General

The authorized capital of New Baytex consists of an unlimited number of common shares without nominal or par value (defined in the Information Circular as "**New Baytex Shares**") and 10,000,000 preferred shares ("**Preferred Shares**"), without nominal or par value, issuable in series. A description of the share capital of New Baytex is set forth below.

The inclusion of Preferred Shares in the authorized capital of New Baytex was done to provide it with the flexibility to raise a limited amount of capital in the form of preferred shares. At the present time, management of New Baytex is not aware of any financing structures for oil and gas companies that involve the issuance of preferred shares. The Preferred Shares will not be utilized as a defense to any take-over bid.

New Baytex Shares

Holders of New Baytex Shares are entitled to notice of, to attend and to one vote per share held at any meeting of the shareholders of the corporation (other than meetings of a class or series of shares of the corporation other than the New Baytex Shares as such).

Holders of New Baytex Shares will be entitled to receive dividends as and when declared by the Board of Directors of New Baytex on the New Baytex Shares as a class, subject to prior satisfaction of all preferential rights to

dividends attached to shares of other classes of shares of New Baytex ranking in priority to the New Baytex Shares in respect of dividends.

Holders of New Baytex Shares will be entitled in the event of any liquidation, dissolution or winding-up of New Baytex, whether voluntary or involuntary, or any other distribution of the assets of the corporation among its shareholders for the purpose of winding-up its affairs, and subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to all shares of other classes of shares of New Baytex ranking in priority to the New Baytex Shares in respect of return of capital on dissolution, to share rateably, together with the holders of shares of any other class of shares of the corporation ranking equally with the New Baytex Shares in respect of return of capital on dissolution, in such assets of New Baytex as are available for distribution.

Preferred Shares

The Preferred Shares may be issued in one or more series, at any time or from time to time. Before any shares of a particular series are issued, the Board of Directors of New Baytex will fix the number of shares that will form such series and will, subject to the limitations set out in the preferred share terms described below, fix the designation, rights, privileges, restrictions and conditions to be attached to the Preferred Shares of such series, including, but without in any way limiting or restricting the generality of the foregoing, the rate, amount or method of calculation of dividends thereon, the time and place of payment of dividends, the consideration for and the terms and conditions of any purchase for cancellation, retraction or redemption thereof, conversion or exchange rights (if any), and whether into or for securities of New Baytex or otherwise, voting rights attached thereto (if any), the terms and conditions of any share purchase or retirement plan or sinking fund, and restrictions on the payment of dividends on any shares other than Preferred Shares or payment in respect of capital on any shares in the capital of New Baytex or creation or issue of debt or equity securities; the whole subject to filing of Articles of Amendment setting forth a description of such series including the designation, rights, privileges, restrictions and conditions attached to the shares of such series. Notwithstanding the foregoing: (a) the Board of Directors of New Baytex may at any time or from time to time change the rights, privileges, restrictions and conditions attached to unissued shares of any series of Preferred Shares; and (b) other than in the case of a failure to declare or pay dividends specified in any series of the Preferred Share, the voting rights attached to the Preferred Shares will be limited to one vote per Preferred Share at any meeting where the Preferred Shares and New Baytex Shares vote together as a single class.

The Preferred Shares of each series will rank on a parity with the Preferred Shares of every other series with respect to accumulated dividends and return of capital. The Preferred Shares will be entitled to a preference over the New Baytex Shares and over any other shares of New Baytex ranking junior to the Preferred Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of New Baytex, whether voluntary or involuntary, or any other distribution of the assets of New Baytex among its shareholders for the purpose of winding-up its affairs. If any cumulative dividends or amounts payable on a return of capital are not paid in full, the Preferred Shares of all series will participate rateably in respect of such dividends, including accumulations, if any, in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full, and in respect of any repayment of capital in accordance with the sums that would be payable on such repayment of capital if all sums so payable were paid in full; provided, however, that in the event of there being insufficient assets to satisfy in full all such claims as aforesaid, the claims of the holders of the Preferred Shares with respect to repayment of capital will first be paid and satisfied and any assets remaining thereafter shall be applied towards the payment in satisfaction of claims in respect of dividends. The Preferred Shares of any series may also be given such other preferences not inconsistent with the terms of the Preferred Shares over the New Baytex Shares and any other shares ranking junior to the Preferred Shares as may be determined in the case of each such series of Preferred Shares.

The rights, privileges, restrictions and conditions attaching to the Preferred Shares may be repealed, altered, modified, amended or amplified or otherwise varied only with the sanction of the holders of the Preferred Shares given in such manner as may then be required by law, subject to a minimum requirement that such approval be given by resolution passed by the affirmative vote of a least two-thirds of the votes cast at a meeting of holders of Preferred Shares duly called for such purpose and held upon at least 21 days' notice at which a quorum is present comprising at least two persons present, holding or representing by proxy at least 10% per cent of the outstanding Preferred Shares or by a resolution in writing of all holders of the outstanding Preferred Shares. If any such quorum is not present within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to a

date being not less than 7 days later and at such time and place as may be appointed by the chairman and at such meeting a quorum will consist of that number of shareholders present in person or represented by proxy. The formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those which may from time to time be prescribed in the by-laws of New Baytex with respect to meetings of Shareholders. On every vote taken at every such meeting or adjourned meeting each holder of a Preferred Share shall be entitled to one vote in respect of each one dollar of stated value of Preferred Shares held.

Series A Debentures

Pursuant to the Arrangement and in accordance with the terms of the Series A Debentures, New Baytex, the Series A Debenture Guarantors and Valiant Trust Company will enter into the Amended and Restated Series A Debenture Indenture, pursuant to which, among other things, New Baytex will assume all of the rights and obligations of the Trust under the Series A Debenture Indenture and the Series A Debenture Guarantors will ratify and confirm the Guarantees. See "*Additional Information Respecting Baytex Energy Trust – Series A Debentures*" in the Trust AIF and note 5 to the Trust's financial statements for the six months ended June 30, 2010, which are incorporated by reference in this Information Circular, for a description of the material terms of the Series A Debentures.

CONSOLIDATED CAPITALIZATION

The following table sets forth, as at June 30, 2010, the consolidated capitalization of the Trust before giving effect to the completion of the Arrangement and the pro forma consolidated capitalization of New Baytex after giving effect to the Arrangement.

For further information, see the interim financial statements of the Trust and notes thereto for the six months ended June 30, 2010, which are incorporated by reference in this Information Circular and the "*Financial Statements of New Baytex*" attached as **Schedule A** to this Appendix.

	<u>The Trust</u>	<u>New Baytex</u>
	<u>As at June 30, 2010 before giving effect to the Arrangement</u>	<u>As at June 30, 2010 after giving effect to the Arrangement</u>
	(amounts in \$000s, except where noted)	(amounts in \$000s, except where noted)
Debt:		
Existing Secured Credit Facilities ⁽¹⁾⁽²⁾	341,919	341,919
Series A Debentures ⁽³⁾	150,000	150,000
Convertible Debentures ⁽⁴⁾	5,864	5,864
Unitholders'/Shareholders' Capital:		
Convertible Debentures ⁽⁴⁾	282	282
Trust Units (unlimited) ⁽⁵⁾	1,336,356 (111,259,000 Units)	-
New Baytex Shares (unlimited) ⁽⁶⁾⁽⁷⁾	-	1,336,356 (111,259,000 New Baytex Shares)
Preferred Shares (10,000,000)	-	-

Notes:

- (1) As at June 30, 2010, Baytex had a credit agreement with a syndicate of chartered banks for facilities totalling \$550 million (the "**Existing Secured Credit Facilities**"). The Existing Secured Credit Facilities are secured by a floating charge and a security interest over all of Baytex's and its subsidiaries' current and after acquired real and personal property and are guaranteed by the Trust and other material subsidiaries. The Existing Secured Credit Facilities consist of an operating loan and a 364-day revolving loan, mature on June 30, 2011 (subject to one year term out following the revolving period), can be drawn in either Canadian or United States funds and bear interest at the agent bank's prime lending rate, bankers' acceptance rates plus applicable margins or LIBOR rates plus applicable margins. The Existing Secured Credit Facilities contain restrictions on Baytex's ability to make distributions to the Trust, including the declaration or payment of any dividend or distribution to the Trust as the holder of the capital stock of Baytex and the

payment of interest or principal on subordinated debt owed to the Trust. Baytex and its subsidiaries are restricted from making distributions to the Trust when (i) a default or event of default under the Existing Secured Credit Facilities has occurred and is continuing, (ii) distributions would be reasonably expected to have a material adverse effect on or impair the ability of Baytex to fulfill its financial obligations to its lenders under the Existing Secured Credit Facilities, or (iii) outstanding loans under the Existing Secured Credit Facilities exceed the borrowing base set by the lenders thereunder until such time as such outstanding loans are reduced below the borrowing base. Assuming that the Arrangement is completed, the Existing Secured Credit Facilities will be amended to provide similar restrictions on Baytex's ability to make distributions to New Baytex. The borrowing base is generally re-determined by the lenders on a semi-annual basis and upon the acquisition or disposition of assets beyond certain defined limits. See also "*Risk Factors – Risks Related to our Revenues – We may be subject to refinancing risk and increased debt service charges*" in the Trust AIF. Baytex is in compliance in all material respects with the terms of the agreements governing its credit facilities.

- (2) Does not include working capital deficit of \$56 million as at June 30, 2010.
- (3) The Series A Debentures were issued on August 26, 2009, bear interest at a rate of 9.15% and mature on August 26, 2016. For information regarding the Series A Debentures, see the Trust AIF and note 5 to the Trust's financial statements for the six months ended June 30, 2010, which are incorporated by reference in this Information Circular. See also "*The Arrangement – Effect of the Arrangement on the Series A Debentures*".
- (4) The Convertible Debentures were issued on June 6, 2005 in the aggregate principal amount of \$100 million. The amounts shown in the table above reflect both the debt and equity portions of unconverted Convertible Debentures as disclosed on the Trust's June 30, 2010 balance sheet. Under Canadian GAAP, consistently applied, the Convertible Debentures are included as a liability, net of the fair value of the conversion feature, which is included as equity. Over the term of the Convertible Debentures, the liability will accrete up to the principal balance of the outstanding Convertible Debentures at the end of their term with the accretion charged to interest expense. The Convertible Debentures are convertible to Units at a conversion price of \$14.75 per Unit. The Convertible Debentures mature on December 31, 2010 at which time they are due and payable. The Convertible Debentures are redeemable at the option of the Trust at a price of \$1,050 per Convertible Debenture after December 31, 2008 and on or before December 31, 2009 and at a price of \$1,025 per Convertible Debenture after December 31, 2009 and before maturity, in each case, plus accrued and unpaid interest thereon, if any. See "*The Arrangement – Effect of the Arrangement on the Convertible Debentures*".
- (5) In addition, as at June 30, 2010, 6,994,000 Units were reserved for issuance under the Incentive Plan and 400,000 Units were reserved for issuance on conversion of the outstanding Convertible Debentures. For information regarding the Incentive Plan, see note 10 to the Trust's financial statements for the six months ended June 30, 2010 and "*Executive Compensation – Trust Unit Rights Incentive Plan*" in the Trust AGM Circular, which are incorporated by reference in this Information Circular.
- (6) Assumes that the same number of Units is outstanding on the Effective Date as was outstanding on June 30, 2010 and that no Dissent Rights are exercised.
- (7) Pursuant to the Arrangement, the aggregate amount allocated to the stated capital in respect of the New Baytex Shares issued under the Arrangement will initially be set at \$1.4 billion.

EQUITY COMPENSATION PLANS

Transition Incentive Plan

Pursuant to the terms of the Incentive Plan, the Arrangement constitutes a capital reorganization which will result in each holder of Incentive Rights exchanging their Incentive Rights for equivalent rights to acquire New Baytex Shares on a one-for-one basis. If the Arrangement Resolution and the Share Award Incentive Plan Resolution are passed by the Unitholders at the Meeting, the outstanding Incentive Rights will be exchanged for the New Incentive Rights which will be governed by the terms of the Transition Incentive Plan, the Incentive Plan will be terminated and no further grants will be made under the Transition Incentive Plan.

The transactions contemplated by the Arrangement will not result in a change of control for purposes of the Incentive Plan. See "*The Arrangement – Effect of the Arrangement on Holders of Incentive Rights*".

Share Award Incentive Plan

If the Arrangement Resolution and the Share Award Incentive Plan Resolution are passed by the Unitholders at the Meeting, the Share Award Incentive Plan will become the long term incentive plan for New Baytex. A copy of the Share Award Incentive Plan is set out in **Appendix E** to the Information Circular and a detailed description of the Share Award Incentive Plan is provided in the Information Circular under the heading "*Other Matters to be Considered at the Meeting – Approval of the Share Award Incentive Plan*".

In the event that the Arrangement is not approved by the Unitholders at the Meeting, the Trust will consider the provision of comparable compensation to its directors, officers, employees or consultants and those of its affiliates in the form of cash or by other appropriate arrangements (which may include the resumption of grants under the Incentive Plan).

In the event that the Arrangement is approved and the Share Award Incentive Plan is not approved by Unitholders at the Meeting, New Baytex will consider the provision of comparable compensation to its directors, officers, employees or consultants and those of its affiliates in the form of cash or by other appropriate arrangements (which may include the resumption of grants under the Transition Incentive Plan).

PRIOR SALES

No securities of New Baytex have been issued prior to the date hereof other than one New Baytex Share issued to Baytex for aggregate consideration of \$40 on October 22, 2010 in connection with the organization of New Baytex.

TRADING PRICE AND VOLUME

The New Baytex Shares are not currently traded or quoted on a Canadian marketplace. The TSX has conditionally approved the listing of the New Baytex Shares to be issued and made issuable pursuant to the Arrangement, subject to New Baytex fulfilling the requirements of the TSX. Baytex will apply to list the New Baytex Shares to be issued and made issuable pursuant to the Arrangement on the NYSE.

ESCROWED SECURITIES

No securities of any class of securities of New Baytex are anticipated to be held in escrow following the completion of the Arrangement.

PRINCIPAL SHAREHOLDERS

Immediately following completion of the Arrangement, to the best of knowledge of the directors and officers of Baytex as of the date of the Information Circular, there is no person or company who will beneficially own, directly or indirectly, or exercise control or direction, over securities carrying more than 10% of the voting rights attached to any class of voting securities of New Baytex.

DIRECTORS AND EXECUTIVE OFFICERS

Directors and Executive Officers

Following the completion of the Arrangement, it is anticipated that Board of Directors of New Baytex will be comprised of all of the current members of the Board of Directors of Baytex and that the executive officers of New Baytex will be the same as the current executive officers of Baytex. See "*Additional Information Respecting Baytex Energy Ltd. – Management of the Trust*" in the Trust AIF and "*Matters to be Acted Upon at the Meeting – Election of Directors of Baytex*" in the Trust AGM Circular, each of which are incorporated by reference in this Information Circular.

After giving effect to the Arrangement, and based on certain assumptions, the number of New Baytex Shares beneficially owned, directly or indirectly, by all of the proposed directors and executive officers of New Baytex and their associates following completion of the Arrangement will be an aggregate of approximately 1,594,130 New Baytex Shares (approximately 1.4% of the issued and outstanding New Baytex Shares).

Personnel

After giving effect to the Arrangement, the current employees of Baytex will be the employees of New Baytex. As of October 15, 2010, Baytex had 150 employees in its Calgary head office, 16 employees in its Denver office and 51 employees in its field operations.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

The proposed directors and executive officers of New Baytex are currently compensated by Baytex. New Baytex's compensation policies are expected to be similarly structured to those of Baytex. See "*Director Compensation*", "*Compensation Discussion and Analysis*" and "*Executive Compensation*" in the Trust AGM Circular, which is incorporated by reference in this Information Circular. See also "*Other Matters to be Considered at the Meeting – Approval of the Share Award Incentive Plan*" in the Information Circular.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Following completion of the Arrangement, it is expected that there will exist no indebtedness of the directors or executive officers of New Baytex, or any of their associates, to New Baytex, nor any indebtedness of any of such persons to another entity which will be the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by New Baytex.

AUDIT COMMITTEE AND CORPORATE GOVERNANCE

Following the completion of the Arrangement it is anticipated that New Baytex will substantially adopt the Audit Committee and corporate governance policies of Baytex. See "*Statement of Corporate Governance Practises*" and "*Schedule A – Baytex Energy Ltd. – Board of Directors – Mandate and Terms of Reference*" in the Trust AGM Circular and "*Audit Committee Information*" in the Trust AIF, each of which are incorporated by reference in this Information Circular.

New Baytex has adopted by-laws relating generally to the conduct of its business and affairs. The by-laws provide that, among other things, two persons present and holding or representing by proxy, twenty-five percent (25%) of the New Baytex Shares entitled to vote at a meeting of Shareholders, shall be a quorum. **A complete copy of the by-laws of New Baytex are attached as Schedule B to this Appendix.**

INDUSTRY REGULATIONS

Industry regulations related to the business of the Trust will generally apply to New Baytex after the completion of the Arrangement and will not be affected by the Arrangement. In the event the Arrangement is completed, the business and operations of New Baytex will be subject to various industry regulations as set forth under the heading "*Industry Conditions*" in the Trust AIF, which is incorporated by reference in this Information Circular. **Investors should carefully consider the information contained herein and in the materials incorporated by reference.**

RISK FACTORS

An investment in New Baytex should be considered highly speculative due to the nature of New Baytex's activities. Investors should carefully consider the following:

Risk factors related to the business of the Trust will generally continue to apply to New Baytex after the completion of the Arrangement and will not be affected by the Arrangement. In the event the Arrangement is completed, the business and operations of, and investment in, New Baytex will be subject to various risk factors set forth under the headings "*Risk Factors*" in the Information Circular and "*Risk Factors*" in the Trust AIF, which is incorporated by reference in the Information Circular. Investors should consider carefully the information contained herein and in the materials incorporated by reference.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of Baytex as at the date hereof, following completion of the Arrangement, there will be no legal proceedings that New Baytex will be a party to, or that any of its property will be the subject of, that will be material to New Baytex, and there are no such material legal proceedings known to be contemplated. See "*Information Concerning the Baytex Parties – Legal Proceedings and Regulatory Actions*" in the Information Circular.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed in the Information Circular or this Appendix, none of the directors or executive officers of Baytex or the proposed directors or executive officers of New Baytex, or any person or company that will be the direct or indirect owner of, or will exercise control or direction of, more than 10% of any class or series of New Baytex's outstanding voting securities, or any associate or affiliate of any of the foregoing persons or companies, has or has had any material interest, direct or indirect, in any past transaction within the three years before the date of the Information Circular or any proposed transaction that has materially affected or will materially affect New Baytex.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Auditors

The auditors of New Baytex are Deloitte & Touche LLP, Chartered Accountants, Calgary, Alberta. Deloitte & Touche LLP are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

Transfer Agent and Registrar

The transfer agent and registrar for the New Baytex Shares in Canada will be Valiant Trust Company at its principal offices in Calgary, Alberta and Toronto, Ontario. The transfer agent and registrar for the New Baytex Shares in the United States will be Registrar and Transfer Company at its principal office in Cranford, New Jersey.

MATERIAL CONTRACTS

The only contracts to which New Baytex or any of its subsidiaries is or will become a party to following completion of the Arrangement, that can reasonably be regarded as material to a proposed investor in the New Baytex Shares, other than contracts entered into in the ordinary course of business, are the following:

- (a) the indenture creating the 12% unsecured promissory notes issued by Baytex and held by the Trust pursuant to the plan of arrangement completed on September 2, 2003 and the promissory note issued thereunder (filed on SEDAR on March 21, 2005);
- (b) the credit agreement (and amendments thereto) in respect of Baytex's syndicated credit facility (filed on SEDAR on March 28, 2008, September 15, 2008, July 9, 2009, August 14, 2009, October 5, 2009, July 15, 2010 and August 31, 2010); and
- (c) the Series A Debenture Indenture (filed on SEDAR on June 9, 2005) and the Amended and Restated Series A Debenture Indenture.

Following completion of the Arrangement, a copy of the above noted material contracts which have not been previously filed will be available on SEDAR at www.sedar.com and may also be inspected at the registered office of New Baytex located at 1400, 350 – 7th Avenue S.W., Calgary, Alberta, T2P 3N9 during normal business hours.

SCHEDULE A

FINANCIAL STATEMENTS OF NEW BAYTEX

Auditors' Report

To the Board of Directors of Baytex Energy Corp.

We have audited the balance sheet of Baytex Energy Corp. (the "**Corporation**") as at October 26, 2010. This balance sheet is the responsibility of the Corporation's management. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, this balance sheet presents fairly, in all material respects, the financial position of the Corporation as at October 26, 2010 in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
October 26, 2010

(signed) "*Deloitte & Touche LLP*"
Chartered Accountants

BAYTEX ENERGY CORP.
BALANCE SHEET
As at October 26, 2010

	\$
Assets	
Cash	40
Shareholder's Equity	
Common Shares (Note 2)	40

Approved by the Board of Directors

(signed) "*Anthony W. Marino*"
Director

(signed) "*W. Derek Aylesworth*"
Director

BAYTEX ENERGY CORP.
NOTES TO THE BALANCE SHEET
As at October 26, 2010

1. Incorporation and Basis of Presentation

Baytex Energy Corp. (the "**Corporation**") was incorporated under the provisions of the *Business Corporations Act* (Alberta) on October 22, 2010. Its purpose is to ultimately become the publicly traded parent company of Baytex Energy Ltd. ("**BEL**") pursuant to a Plan of Arrangement associated with the conversion of Baytex Energy Trust (the "**Trust**") from a trust structure to a corporation (the "**Arrangement**").

The Corporation has issued 1 Common Share to BEL for cash consideration of \$40. Other than the issuance of the Common Share, the Corporation has engaged in no other activities and it will remain inactive until the proposed Arrangement is completed. This balance sheet has been prepared in accordance with Canadian generally accepted accounting principles.

On October 25, 2010, the Board of Directors of BEL, on behalf of the Trust as administrator, and on behalf of BEL, approved the Arrangement. If the Arrangement is approved by the Trust's unitholders and the Court of Queen's Bench of Alberta, unitholders of the Trust will receive 1 Common Share of the Corporation for each trust unit held. The Arrangement will be accounted as a continuity of interests. After the completion of the Arrangement, the consolidated financial statements of the Corporation will reflect the assets and liabilities of the Trust at their respective carrying amounts in the accounts of the Trust. It is expected that the Arrangement will be completed on or about December 31, 2010.

2. Share Capital

The Corporation is authorized to issue an unlimited number of voting Common Shares and 10,000,000 preferred shares. As at October 26, 2010, there was 1 Common Share outstanding.

SCHEDULE B

BY-LAWS OF NEW BAYTEX

BY-LAW NO. 1

**A BY-LAW RELATING GENERALLY TO THE CONDUCT OF THE AFFAIRS OF
BAYTEX ENERGY CORP.**

CONTENTS

Article	Subject
One	Interpretation
Two	Business of Baytex
Three	Directors
Four	Committees
Five	Protection of Directors and Officers
Six	Shares
Seven	Dividends
Eight	Meetings of Shareholders
Nine	Notices
Ten	Effective Date and Repeal

IT IS HEREBY ENACTED as By-law No. 1 of Baytex Energy Corp. ("**Baytex**") as follows:

**ARTICLE 1
INTERPRETATION**

1.1 Definitions

In the by-laws of Baytex, unless the context otherwise requires:

- (a) "**Act**" means the *Business Corporations Act* (Alberta), and any statute that may be substituted therefor, as from time to time amended;
- (b) "**articles**" means the articles attached to the Certificate of Incorporation of Baytex as from time to time amended or restated;
- (c) "**board**" means the board of directors of Baytex;
- (d) "**by-laws**" means this by-law and all other by-laws of Baytex from time to time in force and effect;
- (e) "**meeting of shareholders**" means any meeting of shareholders, including any meeting of one or more classes or series of shareholders;
- (f) "**recorded address**" means, in the case of a shareholder, the address as recorded in the securities register; in the case of joint shareholders, the address appearing in the securities register in respect of such joint holding or the first address so appearing if there are more than one; and, in the case of a director, officer, auditor or member of a committee of the board, his or her latest address as recorded in the records of Baytex; and

- (g) **"signing officer"** means any person authorized to sign any document on behalf of Baytex pursuant to these by-laws or by a resolution of the board.

Save as aforesaid, words and expressions defined in the Act have the same meanings when used herein; and words importing the singular number include the plural and vice versa; words importing gender include the masculine, feminine and neuter genders; and words importing persons include individuals, bodies corporate, partnerships, trusts and unincorporated organizations.

1.2 Conflict with the Act or the Articles

To the extent of any conflict between the provisions of the by-laws and the provisions of the Act or the articles, the provisions of the Act or the articles shall govern.

1.3 Headings

The headings used throughout the by-laws are inserted for convenience of reference only and are not to be used as an aid in the interpretation of the by-laws.

1.4 Invalidity of any Provision of By-laws

The invalidity or unenforceability of any provision of the by-laws shall not affect the validity or enforceability of the remaining provisions of the by-laws.

ARTICLE 2 BUSINESS OF BAYTEX

2.1 Corporate Seal

The corporate seal of Baytex, if any, shall be in such form as the board may from time to time by resolution approve.

2.2 Financial Year

The financial year of Baytex shall end on such date in each year as the board may from time to time by resolution determine.

2.3 Execution of Instruments

Agreements, contracts, deeds, transfers, assignments, obligations, certificates and other instruments may be signed on behalf of Baytex by two directors or officers of Baytex. In addition, the board may from time to time direct the manner in which and the person or persons by whom any instrument or instruments may or shall be signed. Any signing officer may affix the corporate seal to any instrument requiring the same.

2.4 Banking Arrangements

The banking business of Baytex including, without limitation, the borrowing of money and the giving of security therefor, shall be transacted with such banks, trust companies or other bodies corporate or organizations as may from time to time be authorized by the board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of powers as the board may from time to time prescribe or authorize.

2.5 Voting Rights in Other Bodies Corporate

The signing officers may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by Baytex. Such instruments, certificates or other evidence shall be in favour of such person or persons as may be determined by the persons executing such proxies or arranging for the issuance of voting certificates or such other evidence of the right to exercise such voting rights. In addition, the board or, failing the board, the signing officers may from time to time direct the manner in which and the person or persons by whom any particular voting rights or class of voting rights may or shall be exercised.

2.6 Insider Trading Reports and Other Filings

Any one officer or director of Baytex may execute and file on behalf of Baytex insider trading reports and other filings of any nature whatsoever required under applicable corporate or securities laws.

ARTICLE 3 DIRECTORS

3.1 Number of Directors

Subject to the limitation and requirements provided in the articles, the number of directors of Baytex shall be determined from time to time by resolution of the shareholders or the board.

3.2 Calling and Notice of Meetings

Meetings of the board shall be called and held at such time and at such place as the board, the chairman of the board, the chief executive officer or any two directors may determine, and the secretary or any other officer shall give notice of meetings when directed or authorized by such persons. Notice of each meeting of the board shall be given in the manner provided in the Act to each director not less than 24 hours before the time when the meeting is to be held, provided that, if a quorum of directors is present, the board may without notice hold a meeting immediately following an annual meeting of shareholders. Notice of a meeting of the board may be given verbally, in writing or by electronic means, telephone or any other means of communication. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting, except where required by the Act. Notwithstanding the foregoing, the board may from time to time by resolution fix a day or days in any month or months for regular meetings of the board at a place and hour to be named, in which case, provided that a copy of any such resolution is sent to each director forthwith after being passed and forthwith after each director's appointment, no other notice shall be required for any such regular meeting except where the Act requires specification of the purpose or the business to be transacted thereat.

Notice of any meeting of directors or the time for the giving of any such notice or any irregularity in any meeting or in the notice thereof may be waived by any director verbally at a meeting of the board, in writing or by electronic means to the Corporation or in any other manner, and any such waiver may be validly given either before or after the meeting to which such waiver relates. Attendance of a director at any meeting of directors is a waiver of notice of such meeting, except when a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

3.3 Place of Meetings

Meetings of the board may be held at any place in or outside Alberta. A director who attends a meeting of directors, in person or by electronic means, telephone or other communication facilities that permit all persons participating in the meeting to hear each other, is deemed to have consented to the location of the meeting except when the director attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully held.

3.4 Meetings by Electronic Means

A director may participate in a meeting of the board or of a committee of the board by electronic means, telephone or other communication facilities that permit all persons participating in the meeting to hear each other. A director participating in such a meeting in such manner shall be considered present at the meeting and at the place of the meeting.

3.5 Quorum

The quorum for the transaction of business at any meeting of the board shall consist of a majority of directors.

3.6 Meeting Chair

The chairman of any meeting of the board shall be the chairman of the board or the executive chairman of the board if the chairman of the board is not present. If the chairman of the board and the executive chairman of the board are not present, the directors present shall choose one of their number to be chairman.

3.7 Action by the Board

At all meetings of the board every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes, the chairman of the meeting shall not be entitled to a second or casting vote. The powers of the board may be exercised by resolution passed at a meeting at which a quorum is present or by resolution in writing signed by all the directors who would be entitled to vote on that resolution at a meeting of the board. Resolutions in writing may be signed in counterparts and may be executed and delivered by email or facsimile transmission. Resolutions in writing shall become effective on the date set forth therein.

3.8 Adjourned Meeting

Any meeting of directors may be adjourned from time to time by the chairman of the meeting, with the consent of the meeting, to a fixed time and place. The adjourned meeting shall be duly constituted if a quorum is present and if it is held in accordance with the terms of the adjournment. If there is no quorum present at the adjourned meeting, the original meeting shall be deemed to have terminated forthwith after its adjournment.

3.9 Remuneration and Expenses

The directors shall be paid such remuneration for their services as the board may from time to time determine. The directors shall also be entitled to be reimbursed for reasonable travelling and other expenses properly incurred by them in attending meetings of the board or any committee thereof. Nothing herein contained shall preclude any director from serving Baytex in any other capacity and receiving remuneration therefor.

3.10 Chairman and Lead Independent Director

The board from time to time may appoint a chairman of the board and/or a lead independent director from among its members.

3.11 Officers

The board from time to time may appoint one or more officers of Baytex and, without prejudice to rights under any employment contract, may remove any officer of Baytex. The powers and duties of each officer of Baytex shall be those determined from time to time by the board and, in the absence of such determination, shall be those usually incidental to the office held.

3.12 Agents and Attorneys

The board shall have the power from time to time to appoint agents or attorneys for Baytex in or outside Canada with such powers of management or otherwise (including the power to sub- delegate) as may be thought fit.

ARTICLE 4 COMMITTEES

4.1 Transaction of Business

The powers of any committee of directors may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all the members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. At all meetings of committees every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes, the chairman of the meeting shall not be entitled to a second or casting vote. Resolutions in writing may be signed in counterparts and may be executed and delivered by email or facsimile transmission. Resolutions in writing shall become effective on the date set forth therein.

4.2 Procedure

Unless otherwise determined by the board, a quorum for meetings of any committee shall be a majority of its members, unless the mandate of the committee otherwise provides, the board shall appoint the chairman of any committee, and the rules for calling, holding, conducting and adjourning meetings of the committee shall be the same as those governing the board. Each member of a committee shall serve during the pleasure of the board and, in any event, only so long as he or she shall be a director. The directors may fill vacancies in a committee by appointment from among their members. Provided that a quorum is maintained, the committee may continue to exercise its powers notwithstanding any vacancy among its members.

ARTICLE 5 PROTECTION OF DIRECTORS AND OFFICERS

5.1 Limitation of Liability

No director or officer for the time being of Baytex shall be liable for the acts, receipts, neglects or defaults of any other director, officer or employee, or for joining in any receipt or act for conformity, or for any loss, damage or expense happening to Baytex through the insufficiency or deficiency of title to any property acquired by Baytex or for or on behalf of Baytex or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to Baytex shall be placed or invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or corporation, including any person, firm or corporation with whom or with which any moneys, securities or effects shall be lodged or deposited, or for any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets of or belonging to Baytex or for any other loss, damage or misfortune whatsoever which may happen in the execution of the duties of his or her respective office or trust or in relation thereto unless the same shall happen by or through his or her failure to exercise the powers and to discharge the duties of his or her office honestly, in good faith and with a view to the best interests of Baytex and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

5.2 Indemnity

Baytex hereby indemnifies, to the maximum extent permitted under the Act, each director and officer and each former director and officer, and may indemnify a person who acts or acted at Baytex's request as a director or officer of a body corporate of which Baytex is or was a shareholder or creditor, and their heirs and legal representatives, against all costs, charges and expenses, including any amount paid to settle an action or satisfy a judgment, reasonably incurred by him or her in respect of any civil, criminal or administrative action or proceeding

to which he or she is made a party by reason of being or having been a director or officer of Baytex or such body corporate.

5.3 Insurance

Baytex may purchase and maintain insurance for the benefit of any person against any liability incurred by him or her:

- (a) in his or her capacity as a director or officer of Baytex, except where the liability relates to his or her failure to act honestly and in good faith with a view to the best interests of Baytex; or
- (b) in his or her capacity as a director or officer of another body corporate where he or she acts or acted in that capacity at Baytex's request, except where the liability relates to his or her failure to act honestly and in good faith with a view to the best interests of the body corporate.

ARTICLE 6 SHARES

6.1 Non-recognition of Trusts

Subject to the provisions of the Act, Baytex may treat as the absolute owner of any share the person in whose name the share is registered in the securities register as if that person had full legal capacity and authority to exercise all rights of ownership, irrespective of any indication to the contrary through knowledge or notice or description in Baytex's records or on the share certificate.

6.2 Joint Shareholders

If two or more persons are registered as joint holders of any share:

- (a) Baytex shall record only one address on its books for such joint holders; and
- (b) the address of such joint holders for all purposes with respect to Baytex shall be their recorded address,

and any one of such persons may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such share.

ARTICLE 7 DIVIDENDS

7.1 Dividend Cheques

A dividend payable in cash shall be paid by cheque of Baytex or of any dividend paying agent appointed by the board, to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to such registered holder at the shareholder's recorded address, unless such holder otherwise directs and Baytex agrees to follow such direction. In the case of joint holders the cheque shall, unless such joint holders otherwise direct and Baytex agrees to follow such direction, be made payable to the order of all of such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which Baytex is required to and does withhold.

7.2 Non-receipt of Cheques

In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, Baytex shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.

7.3 Unclaimed Dividends

Any dividend unclaimed after the last business day prior to the third anniversary the date on which the same has been declared to be payable shall be forfeited and shall revert to Baytex and shall have been deemed to be transferred to Baytex on such date.

ARTICLE 8 MEETINGS OF SHAREHOLDERS

8.1 Chairman, Secretary and Scrutineers

The chairman of any meeting of shareholders, who need not be a shareholder of Baytex, shall be the first of the chairman of the board, any director who is present at the meeting or an officer who is present at the meeting (in order of seniority). If no such officer is present and willing to act as chairman within fifteen minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be chairman. The chairman shall conduct the proceedings at the meeting in all respects and the chairman's decision in any matter or thing, including, but without in any way limiting the generality of the foregoing, any question regarding the validity or invalidity of any instruments of proxy and any question as to the admission or rejection of a vote, shall be conclusive and binding upon the shareholders. The secretary of any meeting of shareholders shall be the secretary of Baytex, provided that, if Baytex does not have a secretary or if the secretary of Baytex is absent, the chairman shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. The board may from time to time appoint in advance of any meeting of shareholders one or more persons to act as scrutineers at such meeting and, in the absence of such appointment, the chairman may appoint one or more persons to act as scrutineers at any meeting of shareholders. Scrutineers so appointed may, but need not be, shareholders, directors, officers or employees of Baytex.

8.2 Persons Entitled to be Present

The only persons entitled to be present at a meeting of shareholders shall be:

- (a) those entitled to vote at such meeting;
- (b) the directors, officers and auditors of Baytex;
- (c) others who, although not entitled to vote, are entitled or required under any provision of the Act, the articles or the by-laws to be present at the meeting;
- (d) legal counsel to Baytex when invited by Baytex to attend the meeting; and
- (e) any other person on the invitation of the chairman or with the consent of the meeting.

8.3 Quorum

A quorum for the transaction of business at any meeting of shareholders shall be at least two persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxy or representative for an absent shareholder so entitled, and representing in the aggregate not less than 25% of the outstanding shares of Baytex carrying voting rights at the meeting.

8.4 Representatives

The authority of an individual to represent a body corporate or association at a meeting of shareholders of Baytex shall be established by depositing with Baytex a certified copy of the resolution of the directors or governing body of the body corporate or association, as the case may be, granting such authority, or in such other manner as may be satisfactory to the chairman of the meeting.

8.5 Action by Shareholders

The shareholders shall act by ordinary resolution unless otherwise required by the Act, articles or by-laws. In case of an equality of votes either upon a show of hand or upon a poll, the chairman of the meeting shall not be entitled to a second or casting vote.

8.6 Show of Hands

Upon a show of hands every persons who is present and entitled to vote shall have one vote. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is required or demanded, a declaration by the chairman of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question.

8.7 Ballots

A ballot required or demanded shall be taken in such manner as the chairman shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares which they are entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

8.8 Meetings by Electronic Means

With the consent of the chairman of the meeting or the consent (as evidenced by a resolution) of the persons present and entitled to vote at the meeting, a shareholder or any other person entitled to attend a meeting of shareholders may participate in the meeting by electronic means, telephone or other communication facilities that permit all persons participating in the meeting to hear each other, and a person participating in such a meeting by those means shall be considered present at the meeting and at the place of the meeting.

**ARTICLE 9
NOTICES****9.1 Omissions and Errors**

The accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the board or the non receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

9.2 Persons Entitled by Death or Operation of Law

Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholder from whom the shareholder derives title to such share prior to the shareholder's name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which the shareholder became so entitled) and prior to such person furnishing to Baytex the proof of authority or evidence of the shareholder's entitlement prescribed by the Act.

**ARTICLE 10
EFFECTIVE DATE AND REPEAL**

10.1 Effective Date

This by-law shall come into force when made by the board in accordance with the Act.

10.2 Repeal

All previous by-laws of Baytex are repealed as of the coming into force of this by-law. Such repeal shall not affect the previous operation of any by-law so repealed or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under, or the validity of any contract or agreement made pursuant to, or the validity of any articles or predecessor charter documents of Baytex obtained pursuant to, any such by-law prior to its repeal.

Made by the board the 22nd day of October, 2010.

(signed) "Murray J. Desrosiers"
Secretary

Confirmed by the shareholders in accordance with the Act the 22nd day of October, 2010.

(signed) "Murray J. Desrosiers"
Secretary

APPENDIX E

SHARE AWARD INCENTIVE PLAN

BAYTEX ENERGY CORP.

Share Award Incentive Plan

The Board of Directors of Baytex Energy Corp. (the "**Corporation**") has adopted this Share Award Incentive Plan (the "**Plan**") to govern the issuance of Share Awards to Service Providers.

1. Purposes

The principal purposes of the Plan are as follows:

- (a) to retain and attract qualified Service Providers that the Corporation and Baytex Affiliates require;
- (b) to promote a proprietary interest in the Corporation by such Service Providers and to encourage such persons to remain in the employ or service of the Corporation and Baytex Affiliates and put forth maximum efforts for the success of the affairs of the Corporation and the business of the Baytex Affiliates; and
- (c) to focus management of the Corporation and Baytex Affiliates on operating and financial performance and long-term Total Shareholder Return.

2. Definitions

As used in this Plan, the following words and phrases shall have the meanings indicated:

- (a) "**Adjustment Ratio**" means, with respect to any Share Award, the ratio used to adjust the number of Common Shares to be issued on the applicable Issue Dates pertaining to such Share Award determined in accordance with the terms of the Plan; and, in respect of each Share Award, the Adjustment Ratio shall initially be equal to one, and shall be cumulatively adjusted thereafter by increasing the Adjustment Ratio on each Dividend Payment Date, effective on the day following the Dividend Record Date, by an amount, rounded to the nearest five decimal places, equal to a fraction having as its numerator the Dividend, expressed as an amount per Common Share, paid on that Dividend Payment Date, and having as its denominator the Reinvestment Price;
- (b) "**Baytex Affiliate**" means a corporation, partnership, trust or other entity that is controlled by the Corporation or that is controlled by the same person that controls the Corporation. For purposes of this definition, a person (the first person) is considered to control another person (the second person) if the first person, directly or indirectly, has the power to direct the management and policies of the second person by virtue of: (i) ownership of or direction over voting securities in the second person, (ii) a written agreement or indenture, (iii) being the general partner or controlling the general partner of the second person, or (iv) being the trustee of the second person;
- (c) "**Black-Out Period**" means a period of time imposed by the Corporation upon certain designated persons during which those persons may not trade in any securities of the Corporation;
- (d) "**Board**" means the board of directors of the Corporation as it may be constituted from time to time;
- (e) "**Cessation Date**" means the date that is the earlier of:
 - (i) the date of the Service Provider's termination or resignation, as the case may be; or

- (ii) the date that the Service Provider ceases to be in the active performance of the usual and customary day-to-day duties of the Service Provider's position or job,

regardless of whether adequate or proper advance notice of termination or resignation shall have been provided in respect of such cessation of being a Service Provider;

(f) "**Change of Control**" means:

- (i) a successful "take-over bid" (as defined in the *Securities Act* (Alberta), as amended from time to time), pursuant to which the "offeror" as a result of such take-over bid beneficially owns, directly or indirectly, in excess of 50% of the outstanding Common Shares; or

- (ii) any change in the beneficial ownership or control of the outstanding securities or other interests which results in:

- (I) a person or group of persons "acting jointly or in concert" (as defined in the *Securities Act* (Alberta), as amended from time to time), or;

- (II) an "affiliate" or "associate" (each as defined in the *Business Corporations Act* (Alberta), as amended from time to time) of such person or group of persons;

holding, owning or controlling, directly or indirectly, more than 30% of the outstanding voting securities or other interests of the Corporation; or

- (iii) Incumbent Directors no longer constituting a majority of the Board; or

- (iv) the completion of an arrangement, merger or other form of reorganization of the Corporation where the holders of the outstanding voting securities or interests of the Corporation immediately prior to the completion of the arrangement, merger or other form of reorganization will hold 50% or less of the outstanding voting securities or interests of the continuing entity upon completion of the arrangement, merger or other form of reorganization; or

- (v) the winding up or termination of the Corporation or the sale, lease or transfer of all or substantially all of the directly or indirectly held assets of the Corporation to any other person or persons (other than pursuant to an internal reorganization or in circumstances where the business of the Corporation is continued and where the securityholdings in the continuing entity and the constitution of the board of directors or similar body of the continuing entity is such that the transaction would not be considered a "Change of Control" if paragraphs (ii) and (iii) above were applicable to the transaction), or

- (vi) any determination by a majority of the Board that a Change of Control has occurred or is about to occur and any such determination shall be binding and conclusive for all purposes of the Plan;

provided that a Change of Control shall be deemed not to have occurred if a majority of the Board, in good faith, determines that a Change of Control was not intended to occur in the particular circumstances in question and any such determination shall be binding and conclusive for all purposes of the Plan;

(g) "**Committee**" has the meaning set forth in Section 3 hereof;

(h) "**Common Shares**" means common shares of the Corporation;

- (i) **"Corporate Performance Measures"** for any period that the Committee in its sole discretion shall determine, means the performance measures to be taken into consideration in granting Share Awards under the Plan and determining the Payout Multiplier in respect of any Performance Award, which may include, without limitation, the following:
 - (i) Relative Total Shareholder Return;
 - (ii) Recycle Ratio;
 - (iii) activities related to growth of the Corporation and the Baytex Affiliates;
 - (iv) average production volumes of the Corporation and the Baytex Affiliates;
 - (v) unit costs of production of the Corporation and the Baytex Affiliates;
 - (vi) total proved reserves (on a net basis) of the Corporation and the Baytex Affiliates;
 - (vii) key leading and lagging indicators of health, safety and environmental performance of the Corporation and the Baytex Affiliates;
 - (viii) the execution of the Corporation's strategic plan as determined by the Board; and
 - (ix) such additional measures as the Committee or the Board, in its sole discretion, shall consider appropriate in the circumstances;
- (j) **"Dividend"** means any dividend paid by the Corporation in respect of the Common Shares, whether in the form of cash or Common Shares, expressed as an amount per Common Share;
- (k) **"Dividend Payment Date"** means any date that a Dividend is paid to Shareholders;
- (l) **"Dividend Record Date"** means the applicable record date in respect of any Dividend used to determine the Shareholders entitled to receive such Dividend;
- (m) **"Exchange"** means the TSX and such other stock exchange(s) on which the Common Shares are then listed and posted for trading from time to time;
- (n) **"Expiry Date"** means the fifth anniversary of the grant date of the Restricted Award or the Performance Award, as applicable, or such other date as determined by the Committee in its sole discretion, provided that in no circumstances shall the Expiry Date exceed seven (7) years from the applicable grant date;
- (o) **"Fair Market Value"** means the volume weighted average of the prices at which the Common Shares traded on the TSX (or, if the Common Shares are not then listed and posted for trading on the TSX or are then listed and posted for trading on more than one stock exchange, on such stock exchange on which the Common Shares are then listed and posted for trading as may be selected for such purpose by the Committee in its sole discretion) for the five (5) trading days on which the Common Shares traded on the said exchange immediately preceding such date. In the event that the Common Shares are not listed and posted for trading on any stock exchange, the Fair Market Value shall be the fair market value of the Common Shares as determined by the Committee in its sole discretion, acting reasonably and in good faith. If initially determined in United States dollars, the Fair Market Value shall be converted into Canadian dollars at an exchange rate selected and calculated in the manner determined by the Committee from time to time acting reasonably and in good faith;
- (p) **"Grantees"** has the meaning set forth in Section 4 hereof;

- (q) **"Incumbent Directors"** means any member of the Board who was a member of the Board at the effective date of the Plan and any successor to an Incumbent Director who was recommended or elected or appointed to succeed any Incumbent Director by the affirmative vote of the Board, including a majority of the Incumbent Directors then on the Board, prior to the occurrence of a transaction, transactions, elections or appointments giving rise to a Change of Control;
- (r) **"Issue Date"** means, with respect to any Share Award, the date upon which Common Shares awarded thereunder shall be issued to the Grantee of such Share Award;
- (s) **"Leave of Absence"** means a Service Provider being absent from active employment or active service as a result of sabbatical, disability, education leave, maternity or parental leave, or any other form of leave approved by the Committee;
- (t) **"Non-Management Director"** means a director of the Corporation who is not an officer or employee of the Corporation or a Baytex Affiliate;
- (u) **"Payout Multiplier"** means the payout multiplier determined by the Committee in accordance with Section 6(d) hereof;
- (v) **"Peer Comparison Group"** means, generally, public Canadian oil and gas issuers that in the opinion of the Committee are competitors of the Corporation and which shall be determined from time to time by the Committee in its sole discretion;
- (w) **"Performance Award"** means an award of Common Shares under the Plan designated as a "Performance Award" in the Share Award Agreement pertaining thereto, which Common Shares shall be issued on the Issue Date(s) determined in accordance with Section 6(c)(ii) hereof, subject to adjustment pursuant to the provisions of such section;
- (x) **"Recycle Ratio"** means a measure of capital efficiency calculated by dividing the after-tax netback of production by the cost of adding reserves, or calculated in such other manner as may be determined by the Committee in its sole discretion;
- (y) **"Reinvestment Price"** means the price, expressed as an amount per Common Share, paid by participants in the Corporation's dividend reinvestment plan to reinvest their Dividends in additional Common Shares on a Dividend Payment Date, provided that if the Corporation has suspended the operation of such plan or does not have such a plan, then the Reinvestment Price shall be equal to the Fair Market Value of the Common Shares on the trading day immediately preceding the Divided Payment Date;
- (z) **"Relative Total Shareholder Return"** means the percentile rank, expressed as a whole number, of Total Shareholder Return relative to returns calculated on a similar basis on securities of members of the Peer Comparison Group over the applicable period;
- (aa) **"Restricted Award"** means an award of Common Shares under the Plan designated as a "Restricted Award" in the Share Award Agreement pertaining thereto, which Common Shares shall be issued on the Issue Dates(s) determined in accordance with Section 6(c)(i) hereof, subject to adjustment pursuant to the provisions of such section;
- (bb) **"Service Providers"** has the meaning set forth in Section 4 hereof;
- (cc) **"Share Award"** means a Restricted Award or Performance Award made pursuant to the Plan;
- (dd) **"Share Award Agreement"** has the meaning set forth in Section 6 hereof;
- (ee) **"Shareholder"** means a holder of Common Shares;

- (ff) **"Successor"** has the meaning set forth in Section 9 hereof;
- (gg) **"Total Shareholder Return"** means, with respect to any period, the total return to Shareholders on the Common Shares calculated using cumulative Dividends on a reinvested basis and the change in the trading price of the Common Shares on the TSX over such period (or, if the Common Shares are not then listed and posted for trading on the TSX or are then listed and posted for trading on more than one stock exchange, on such stock exchange on which the Common Shares are then listed and posted for trading as may be selected for such purpose by the Committee in its sole discretion); and
- (hh) **"TSX"** means the Toronto Stock Exchange.

3. Administration

The Plan shall be administered by the Compensation Committee of the Board (the "**Committee**"), provided that the Board shall have the authority to appoint itself or another committee of the Board to administer the Plan. In the event that the Board appoints itself or another committee of the Board to administer the Plan, all references in the Plan to the Committee will be deemed to be references to the Board or such other committee of the Board, as applicable.

The Committee shall have the authority in its sole discretion to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, subject to and not inconsistent with the express provisions of this Plan and of Section 10 hereof, including, without limitation:

- (a) the authority to grant Share Awards;
- (b) to determine the Fair Market Value of the Common Shares on any date;
- (c) to determine the Service Providers to whom, and the time or times at which Share Awards shall be granted and shall become issuable;
- (d) to determine the number of Common Shares to be covered by each Share Award;
- (e) to determine members of the Peer Comparison Group from time to time;
- (f) to determine the Corporate Performance Measures and the Payout Multiplier in respect of a particular period;
- (g) to prescribe, amend and rescind rules and regulations relating to the Plan;
- (h) to interpret the Plan;
- (i) to determine the terms and provisions of Share Award Agreements (which need not be identical) entered into in connection with Share Awards; and
- (j) to make all other determinations deemed necessary or advisable for the administration of the Plan.

The Committee may delegate to one or more of its members, to the President and Chief Executive Officer of the Corporation or to one or more agents such administrative duties as it may deem advisable, and the Committee or any person to whom it has delegated duties as aforesaid may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the Plan.

For greater certainty and without limiting the discretion conferred on the Committee pursuant to this Section, the Committee's decision to approve the grant of a Share Award in any period shall not require the

Committee to approve the grant of a Share Award to any Service Provider in any other period; nor shall the Committee's decision with respect to the size or terms and conditions of a Share Award in any period require it to approve the grant of a Share Award of the same or similar size or with the same or similar terms and conditions to any Service Provider in any other period. The Committee shall not be precluded from approving the grant of a Share Award to any Service Provider solely because such Service Provider may previously have been granted a Share Award under this Plan or any other similar compensation arrangement of the Corporation or a Baytex Affiliate. No Service Provider has any claim or right to be granted a Share Award.

4. **Eligibility and Award Determination**

Share Awards may be granted only to persons who are employees, officers or directors of the Corporation or any Baytex Affiliate or who are consultants or other service providers to the Corporation or any Baytex Affiliate (collectively, "**Service Providers**"); provided, however, that the participation of a Service Provider in the Plan is voluntary. For greater certainty, a transfer of employment or services between the Corporation and a Baytex Affiliate or between Baytex Affiliates shall not be considered an interruption or termination of the employment of a Grantee for any purpose of the Plan. In determining the Service Providers to whom Share Awards may be granted ("**Grantees**") and the number of Common Shares to be covered by each Share Award, the Committee may take into account such factors as it shall determine in its sole discretion, including, if so determined by the Committee, any one or more of the following factors:

- (a) compensation data for comparable benchmark positions among the Peer Comparison Group;
- (b) the duties, responsibilities, position and seniority of the Grantee;
- (c) the Corporate Performance Measures for the applicable period compared with internally established performance measures approved by the Committee and/or similar performance measures of members of the Peer Comparison Group for such period;
- (d) the individual contributions and potential contributions of the Grantee to the success of the Corporation;
- (e) any bonus payments paid or to be paid to the Grantee in respect of his or her individual contributions and potential contributions to the success of the Corporation;
- (f) the Fair Market Value or current market price of the Common Shares at the time of such Share Award; and
- (g) such other factors as the Committee shall deem relevant in its sole discretion in connection with accomplishing the purposes of the Plan.

5. **Reservation of Common Shares**

Subject to Sections 6(c)(i)(III), 6(c)(ii)(III), 6(i) and 9 hereof, the number of Common Shares reserved for issuance from time to time pursuant to Share Awards granted and outstanding hereunder and pursuant to the Common Share Rights Incentive Plan of the Corporation at any time shall not exceed a number of Common Shares equal to 10% of the aggregate number of issued and outstanding Common Shares. This prescribed maximum may be subsequently increased to any specified amount, provided the increase is authorized by a vote of the Shareholders.

If any Share Award granted under this Plan shall expire, terminate or be cancelled for any reason without the Common Shares issuable thereunder having been issued in full, any unissued Common Shares to which such Share Award relates shall be available for the purposes of the granting of further Share Awards under this Plan.

6. Terms and Conditions of Share Awards

Each Share Award granted under the Plan shall be subject to the terms and conditions of the Plan and evidenced by a written agreement between the Corporation and the Grantee (a "**Share Award Agreement**") which agreement shall comply with, and be subject to, the requirements of the Exchange and the following terms and conditions (and with such other terms and conditions as the Committee, in its sole discretion, shall establish):

- (a) **Type of Share Awards** - The Committee shall determine the number of Common Shares to be awarded to a Grantee pursuant to the Share Award in accordance with the provisions set forth in Section 4 hereof and shall designate such award as either a "Restricted Award" or a "Performance Award", as applicable, in the Share Award Agreement relating thereto.
- (b) **Limitations on Share Awards** - No one Service Provider may be granted any Share Award which, together with all Share Awards then held by such Grantee, would entitle such Grantee to receive a number of Common Shares which is greater than 5% of the outstanding Common Shares, calculated on an undiluted basis. In addition: (i) the number of Common Shares issuable to insiders at any time, under all security based compensation arrangements of the Corporation, shall not exceed 10% of the issued and outstanding Common Shares; and (ii) the number of Common Shares issued to insiders, within any one year period, under all security based compensation arrangements of the Corporation, shall not exceed 10% of the issued and outstanding Common Shares. For this purpose, "insiders" and "security based compensation arrangements" have the meanings ascribed thereto in Part VI of the Company Manual of the TSX. The number of Common Shares issuable pursuant to this Plan to Non-Management Directors, in aggregate, will be limited to a maximum of 0.25% of the issued and outstanding Common Shares and the value of all Share Awards granted to any Non-Management Director during a calendar year, as calculated on the date of grant, cannot exceed \$100,000 (for purposes of monitoring compliance with these limitations, a Payout Multiplier of 1.0 will be assumed for any Performance Awards).
- (c) **Issue Dates and Adjustment of Share Awards**
 - (i) **Restricted Awards:** Subject to Section 6(f) hereof, with respect to any Restricted Award, the Issue Dates for the issuance of Common Shares thereunder shall be as follows unless otherwise determined by the Committee (and, for greater certainty, the Committee may in its sole discretion impose additional or different conditions to the determination of the Issue Date(s) in respect of or the issue of Common Shares pursuant to any Restricted Award including, without limitation, performance conditions), provided that the Grantee remains in continuous employment or service with the Corporation or a Baytex Affiliate through the applicable Issue Date:
 - (A) as to one-third of the Common Shares awarded pursuant to such Restricted Award, on the first anniversary of the grant date of the Restricted Award;
 - (B) as to one-third of the Common Shares awarded pursuant to such Restricted Award, on the second anniversary of the grant date of the Restricted Award; and
 - (C) as to the remaining one-third of the Common Shares awarded pursuant to such Restricted Award, on the third anniversary of the grant date of the Restricted Award;

provided, however, that:

 - (I) where a Grantee is on a Leave of Absence, the Issue Date or Issue Dates for any Restricted Awards held by such Grantee shall be suspended until such time as such Grantee returns to active

employment or active service, provided that where the period of the Leave of Absence exceeds three (3) months, the Issue Date for any Restricted Award that occurs during or subsequent to the period of the Leave of Absence shall be extended by, and no adjustments shall be made to the Adjustment Ratio for Dividends that are paid during, that portion of the Leave of Absence that exceeds three (3) months, and further provided that if any such extension would cause the Issue Date or Issue Dates to extend beyond the Expiry Date, the Restricted Awards to be issued on such Issue Date or Issue Dates shall be terminated and all rights to receive Common Shares thereunder shall be forfeited by the Grantee;

- (II) where an Issue Date occurs on a date when a Grantee is subject to a Black-Out Period, such Issue Date shall be extended to a date which is within three business days following the end of such Black-Out Period;
 - (III) in the event of any Change of Control prior to the Issue Dates determined in accordance with the above provisions of this Section 6(c)(i), and regardless of whether or not a Grantee is on a Leave of Absence, the Issue Date for all Common Shares awarded pursuant to such Restricted Award that have not yet been issued as of such time shall be the date which is immediately prior to the date upon which a Change of Control is completed; and
 - (IV) immediately prior to each Issue Date, the number of Common Shares to be issued on such Issue Date shall be adjusted by multiplying such number by the Adjustment Ratio applicable in respect of such Restricted Award.
- (ii) Performance Awards: Subject to Section 6(f) hereof, with respect to any Performance Award, the Issue Dates for the issuance of Common Shares thereunder shall be as follows unless otherwise determined by the Committee (and, for greater certainty, the Committee may in its sole discretion impose additional or different conditions to the determination of the Issue Dates in respect of the issue of Common Shares pursuant to any Performance Award), provided that the Grantee remains in continuous employment or service with the Corporation or a Baytex Affiliate through the applicable Issue Date:
- (A) as to one-third of the Common Shares awarded pursuant to such Performance Award, on the first anniversary of the grant date of the Performance Award;
 - (B) as to one-third of the Common Shares awarded pursuant to such Performance Award, on the second anniversary of the grant date of the Performance Award; and
 - (C) as to the remaining one-third of the Common Shares awarded pursuant to such Performance Award, on the third anniversary of the grant date of the Performance Award;

provided, however, that:

- (I) where a Grantee is on a Leave of Absence, the Issue Date or Issue Dates for any Performance Awards held by such Grantee shall be suspended until such time as such Grantee returns to active employment or active service, provided that where the period of the Leave of Absence exceeds three (3) months, the Issue Date for any

Performance Award that occurs during or subsequent to the period of the Leave of Absence shall be extended by, and no adjustments shall be made to the Adjustment Ratio for Dividends that are paid during, that portion of the Leave of Absence that exceeds three (3) months, and further provided that if any such extension would cause the Issue Date or Issue Dates to extend beyond the Expiry Date, the Performance Awards to be issued on such Issue Date or Issue Dates shall be terminated and all rights to receive Common Shares thereunder shall be forfeited by the Grantee;

- (II) where an Issue Date occurs on a date when a Grantee is subject to a Black-Out Period, such Issue Date shall be extended to a date which is within three business days following the end of such Black-Out Period;
- (III) in the event of any Change of Control prior to the Issue Date determined in accordance with the above provisions of this Section 6(c)(ii), and regardless of whether or not a Grantee is on a Leave of Absence, the Issue Date for all Common Shares awarded pursuant to such Performance Award that have not yet been issued as of such time shall be the date which is immediately prior to the date upon which a Change of Control is completed; and
- (IV) immediately prior to each Issue Date, the number of Common Shares to be issued on such Issue Date shall be adjusted by multiplying such number by (1) the Adjustment Ratio applicable in respect of such Performance Award, and (2) the Payout Multiplier applicable to such Performance Award at such time.

Notwithstanding any other provision of this Plan, but subject to the limits described in Sections 5 and 6(b) hereof and any other applicable requirements of the Exchange or other regulatory authority, the Committee hereby reserves the right to make any additional adjustments to the number of Common Shares to be issued pursuant to any Performance Award if, in the sole discretion of the Committee, such adjustments are appropriate in the circumstances having regard to the principal purposes of the Plan.

- (d) ***Determination of the Payout Multiplier*** - Annually prior to the Issue Date in respect of any Performance Award, the Committee shall assess the performance of the Corporation for the applicable period. The weighting of the individual measures comprising the Corporate Performance Measures shall be determined by the Committee in its sole discretion having regard to the principal purposes of the Plan and, upon the assessment of all Corporate Performance Measures, the Committee shall determine the Corporation's ranking. The applicable Payout Multiplier in respect of this ranking shall be as set forth in Schedule "A" hereto. For greater certainty, for those Performance Awards where the Issue Date is the second or third anniversary of the grant date, the Payout Multiplier will be the arithmetic average of the Payout Multiplier for each of the two or three preceding performance assessment periods, respectively.
- (e) ***Payment in Respect of Share Awards*** - On the Issue Date, the Corporation shall have the option of settling any amount payable in respect of a Share Award by any of the following methods or by a combination of such methods:
 - (i) Common Shares issued from the treasury of the Corporation; or
 - (ii) with the consent of the Grantee, cash in an amount equal to the aggregate Fair Market Value of such Common Shares that would otherwise be delivered in consideration for the surrender by the Grantee to the Corporation of the right to receive such Common Shares under such Share Award.

Any amount payable to a Grantee in respect of a Share Award shall be paid to the Grantee as soon as practicable following the Issue Date and in any event within sixty (60) days of the Issue Date (provided that any amount payable with respect to an Issue Date that occurs after the Cessation Date, but before the Share Award has terminated in accordance with an applicable provision of Section 6(f), must occur not later than March 15 of the year following the year in which the Cessation Date occurs, if earlier) and the Corporation shall withhold from any such amount payable all amounts as may be required by law and in the manner contemplated by Section 7 hereof.

Where the determination of the number of Common Shares to be delivered to a Grantee pursuant to a Share Award in respect of a particular Issue Date would result in the issuance of a fractional Common Share, the number of Common Shares deliverable on the Issue Date shall be rounded down to the next whole number of Common Shares. No certificates representing fractional Common Shares shall be delivered pursuant to this Plan nor shall any cash amount be paid at any time in lieu of any such fractional interest.

- (f) ***Termination of Relationship as Service Provider*** - Unless otherwise determined by the Committee or unless otherwise provided in a Share Award Agreement pertaining to a particular Share Award or any written employment or consulting agreement governing a Grantee's role as a Service Provider, the following provisions shall apply in the event that a Grantee ceases to be a Service Provider:
- (i) **Death** - If a Grantee ceases to be a Service Provider as a result of the Grantee's death, the Issue Date for all Common Shares awarded to such Grantee under any outstanding Share Award Agreements shall be accelerated to the Cessation Date, provided that the President and Chief Executive Officer of the Corporation in the case of a Grantee who is not a director or officer and the Committee in all other cases, taking into consideration the performance of such Grantee and the performance of the Corporation since the date of grant of the Share Award(s), may determine in its sole discretion the Payout Multiplier to be applied to any Performance Awards held by the Grantee.
 - (ii) **Termination for cause** - If a Grantee ceases to be a Service Provider as a result of termination for cause, effective as of the Cessation Date all outstanding Share Award Agreements under which Share Awards have been made to such Grantee, whether Restricted Awards or Performance Awards, shall be immediately terminated and all rights to receive Common Shares thereunder shall be forfeited by the Grantee.
 - (iii) **Voluntary Resignation** - If a Grantee ceases to be a Service Provider as a result of a voluntary resignation, effective as of the day that is fourteen (14) days after the Cessation Date, all outstanding Share Award Agreements under which Share Awards have been made to such Grantee, whether Restricted Awards or Performance Awards, shall be terminated and all rights to receive Common Shares thereunder shall be forfeited by the Grantee.
 - (iv) **Other Termination** - If a Grantee ceases to be a Service Provider for any reason other than as provided for in (i), (ii) and (iii) above, effective as of the date that is sixty (60) days after the Cessation Date and notwithstanding any other severance entitlements or entitlement to notice or compensation in lieu thereof, all outstanding Share Award Agreements under which Share Awards have been made to such Grantee, whether Restricted Awards or Performance Awards, shall be terminated and all rights to receive Common Shares thereunder shall be forfeited by the Grantee.
 - (v) **Non-Management Directors** - If a Grantee who is a Non-Management Director ceases to be a Service Provider as a result of: (A) a voluntary resignation or voluntarily not standing for re-election as a director of the Corporation, such events shall be treated as a voluntary resignation under (iii) above; or (B) failing to be re-elected as a director of the

Corporation by the Shareholders, such event shall be treated as an other termination under (iv) above.

- (g) ***Rights as a Shareholder*** - Until the Common Shares granted pursuant to any Share Award have been issued in accordance with the terms of the Plan, the Grantee to whom such Share Award has been made shall not possess any incidents of ownership of such Common Shares including, for greater certainty and without limitation, the right to receive Dividends on such Common Shares and the right to exercise voting rights in respect of such Common Shares.

Such Grantee shall only be considered a Shareholder in respect of such Common Shares when such issuance has been entered upon the records of the duly authorized transfer agent of the Corporation.

- (h) ***Treatment of Non-Cash Dividends*** - In the case of a non-cash Dividend, including Common Shares or other securities or other property, the Committee will, in its sole discretion and subject to any required approval of the Exchange, determine whether or not such non-cash Dividend will be provided to the Share Award holder and, if so provided, the form in which it shall be provided.

- (i) ***Effect of Certain Changes*** - In the event:

- (i) of any change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise;
- (ii) that any rights are granted to all Shareholders to purchase Common Shares at prices substantially below Fair Market Value; or
- (iii) that, as a result of any recapitalization, merger, consolidation or other transaction, the Common Shares are converted into or exchangeable for any other securities,

then, in any such case, the Board may, subject to any required approval of the Exchange, make such adjustments to the Plan, to any Share Awards and to any Share Award Agreements outstanding under the Plan as the Board may, in its sole discretion, consider appropriate in the circumstances to prevent dilution or enlargement of the rights granted to Grantees hereunder.

7. Withholding Taxes

When a Grantee or other person becomes entitled to receive Common Shares or a cash payment in respect of any Share Award Agreement, the Corporation shall have the right to require the Grantee or such other person to remit to the Corporation an amount sufficient to satisfy any withholding tax requirements relating thereto. Unless otherwise prohibited by the Committee or by applicable law, satisfaction of the withholding tax obligation may be accomplished by any of the following methods or by a combination of such methods:

- (a) the tendering by the Grantee of cash payment to the Corporation in an amount less than or equal to the total withholding tax obligation; or
- (b) the withholding by the Corporation or a Baytex Affiliate, as the case may be, from the Common Shares otherwise due to the Grantee such number of Common Shares as it determines are required to be sold by the Corporation, as trustee, to satisfy the total withholding tax obligation (net of selling costs, which shall be paid by the Grantee). The Grantee consents to such sale and grants to the Corporation an irrevocable power of attorney to effect the sale of such Common Shares and acknowledges and agrees that the Corporation does not accept responsibility for the price obtained on the sale of such Common Shares; or

- (c) the withholding by the Corporation or a Baytex Affiliate, as the case may be, from any cash payment otherwise due to the Grantee such amount of cash as is less than or equal to the amount of the total withholding tax obligation;

provided, however, that the sum of any cash so paid or withheld and the Fair Market Value of any Common Shares so withheld is sufficient to satisfy the total withholding tax obligation.

8. Non-Transferability

Subject to Section 6(f)(i) hereof, the right to receive Common Shares pursuant to a Share Award granted to a Service Provider may only be exercised by such Service Provider personally. Except as otherwise provided in this Plan, no assignment, sale, transfer, pledge or charge of a Share Award, whether voluntary, involuntary, by operation of law or otherwise, vests any interest or right in such Share Award whatsoever in any assignee or transferee and, immediately upon any assignment, sale, transfer, pledge or charge or attempt to assign, sell, transfer, pledge or charge, such Share Award shall terminate and be of no further force or effect.

9. Merger and Sale, etc.

If the Corporation enters into any transaction or series of transactions, other than a transaction that is a Change of Control and to which Sections 6(c)(i)(III) and 6(c)(ii)(III) hereof apply, whereby the Corporation or all or substantially all of the Corporation's undertaking, property or assets become the property of any other trust, body corporate, partnership or other person (a "**Successor**") whether by way of take-over bid, acquisition, reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, then prior to or contemporaneously with the consummation of such transaction:

- (a) the Corporation and the Successor shall execute such instruments and do such things as are necessary to establish that upon the consummation of such transaction the Successor will have assumed all the covenants and obligations of the Corporation under this Plan and the Share Award Agreements outstanding on consummation of such transaction in a manner that substantially preserves and does not impair the rights of the Grantees thereunder in any material respect (including the right to receive shares, trust units, securities or other property of the Successor in lieu of Common Shares on the Issue Date(s) applicable to such Share Awards), and subject to compliance with this Section 9, any such Successor shall succeed to, and be substituted for, and may exercise every right and power of, the Corporation under this Plan and such Share Award Agreements with the same effect as though the Successor had been named as the Corporation herein and therein and thereafter, the Corporation shall be relieved of all obligations and covenants under this Plan and such Share Award Agreements and the obligation of the Corporation to the Grantees in respect of the Share Awards shall terminate and be at an end and the Grantees shall cease to have any further rights in respect thereof including, without limitation, any right to acquire Common Shares on the Issue Date(s) applicable to such Share Awards; or
- (b) if the Share Awards (and the covenants and obligations of the Corporation under this Plan and the Share Award Agreements outstanding on consummation of such transaction) are not so assumed by the Successor, then the Issue Date for all Common Shares awarded pursuant to such Share Awards that have not yet been issued as of such time shall be the date which is immediately prior to the date upon which the transaction is consummated.

10. Amendment and Termination of Plan

This Plan and any Share Awards granted pursuant to the Plan may, subject to any required approval of the Exchange, be amended, modified or terminated by the Board without the approval of Shareholders. Notwithstanding the foregoing, the Plan or any Share Award may not be amended without Shareholder approval to:

- (a) increase the percentage of Common Shares reserved for issuance pursuant to Share Awards in excess of the limit prescribed in Section 5 hereof;
- (b) extend the Issue Date of any Share Awards issued under the Plan beyond the latest Issue Date specified in the Share Award Agreement (other than as permitted by the terms and conditions of the Plan);
- (c) permit a Grantee to transfer Share Awards to a new beneficial holder other than for estate settlement purposes;
- (d) change the limitations on Share Awards contained in Section 6(b) hereof; and
- (e) change this Section 10 to modify or delete any of (a) through (d) above.

In addition, no amendment to the Plan or any Share Awards granted pursuant to the Plan may be made without the consent of a Grantee if it adversely alters or impairs the rights of such Grantee in respect of any Share Award previously granted to such Grantee under the Plan.

11. Miscellaneous

- (a) ***Effect of Headings*** - The section and subsection headings contained herein are for convenience only and shall not affect the construction hereof.
- (b) ***Compliance with Legal Requirements*** - The Corporation shall not be obliged to issue any Common Shares if such issuance would violate any law or regulation or any rule of any government authority or stock exchange. The Corporation, in its sole discretion, may postpone the issuance or delivery of Common Shares under any Share Award as the Committee may consider appropriate, and may require any Grantee to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of Common Shares in compliance with applicable laws, rules and regulations. The Corporation shall not be required to qualify for resale pursuant to a prospectus or similar document any Common Shares awarded under the Plan, provided that, if required, the Corporation shall notify the Exchange and any other appropriate regulatory bodies in Canada and the United States of the existence of the Plan and the granting of Share Awards hereunder in accordance with any such requirements.
- (c) ***Foreign Participants:***
 - (i) The Corporation may, without amending the Plan, modify the terms of Share Awards granted to Service Providers who provide services to the Corporation or any Baytex Affiliate from outside of Canada in order to comply with the applicable laws of such foreign jurisdictions. Any such modification to the Plan with respect to a particular Service Provider shall be reflected in the Share Award Agreement for such Service Provider.
 - (ii) The terms of the Plan and the Share Awards granted hereunder to Grantees subject to taxation on employment income under the United States Internal Revenue Code of 1986, as amended, shall be determined by taking into consideration the provisions applicable to such persons as set forth in Schedule "B" hereto.
- (d) ***No Right to Continued Employment or Service*** - Nothing in the Plan or in any Share Award Agreement entered into pursuant hereto shall confer upon any Grantee the right to continue in the employ or service of the Corporation or any Baytex Affiliate, to be entitled to any remuneration or benefits not set forth in the Plan or a Share Award Agreement or to interfere with or limit in any way the right of the Corporation or any Baytex Affiliate to terminate a Grantee's employment or service arrangement with the Corporation or any Baytex Affiliate.

- (e) ***Ceasing to be a Baytex Affiliate*** - Except as otherwise provided in this Plan, Share Awards granted under this Plan shall not be affected by any change in the relationship between or ownership of the Corporation and a Baytex Affiliate.
- (f) ***Expenses*** – Except as provided in Section 7, all expenses in connection with the Plan shall be borne by the Corporation.
- (g) ***Unfunded Plan*** - This Plan shall be unfunded. The Corporation shall not be required to segregate any assets that may at any time be represented by Common Shares, cash or rights thereto, nor shall this Plan be construed as providing for such segregation. Any liability or obligation of the Corporation to any Grantee with respect to a Share Award under this Plan shall be based solely upon any contractual obligations that may be created by this Plan and any Share Award Agreement, and no such liability or obligation of the Corporation shall be deemed to be secured by any pledge or other encumbrance on any property of the Corporation. Neither the Corporation nor the Board nor the Committee shall be required to give any security or bond for the performance of any obligation that may be created by this Plan.
- (h) ***Grantee Information*** - Each Grantee shall provide the Corporation with all information (including personal information) required by the Corporation in order to administer the Plan. Each Grantee acknowledges that information required by the Corporation in order to administer the Plan may be disclosed to the Committee or its appointed administrator and other third parties in connection with the administration of the Plan. Each Grantee consents to such disclosure and authorizes the Corporation to make such disclosure on the Grantee's behalf.
- (i) ***Gender*** - Whenever used herein words importing the masculine gender shall include the feminine and neuter genders and vice versa.

12. Governing Law

The Plan shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein.

13. Effective Date

This Plan was approved by the Board on October 25, 2010 and shall take effect on January 1, 2011, subject to acceptance of the Plan by the unitholders of Baytex Energy Trust, the Exchange and any other applicable regulatory authorities.

SCHEDULE "A"**BAYTEX ENERGY CORP.****Share Award Incentive Plan****Calculation of Payout Multiplier**

Aggregate Assessment of Corporate Performance Measures	
Ranking	Payout Multiplier
1st Quartile	2.0
2nd Quartile	1.5
3rd Quartile	1.0
4th Quartile	0.0

SCHEDULE "B"**BAYTEX ENERGY CORP.****Share Award Incentive Plan****Special Provisions Applicable to Grantees Subject to
Section 409A of the United States Internal Revenue Code**

This Schedule sets forth special provisions of the Baytex Energy Corp. Share Award Incentive Plan (the "Plan") that apply to Grantees subject to Section 409A of the United States Internal Revenue Code of 1986, as amended.

1. Definitions

Capitalized terms not otherwise defined in this Schedule shall have the meaning attributable to them under the Plan. For purposes of this Schedule, the following words and phrases shall have the meanings indicated:

- (a) "**Code**" means the United States Internal Revenue Code of 1986, as amended, and any applicable Treasury Regulations and other interpretive guidance promulgated thereunder as in effect from time to time;
- (b) "**Section 409A**" means Section 409A of the Code;
- (c) "**Separation from Service**" has the meaning set forth in Section 409A(a)(2)(A)(i) of the Code;
- (d) "**Specified Employee**" means a U.S. Grantee who meets the definition of "specified employee," as defined in Section 409A(a)(2)(B)(i) of the Code; and
- (e) "**U.S. Grantee**" means a Grantee who is a United States citizen or a United States resident alien as defined under Section 7701(b) of the Code or is otherwise subject to United States income tax on employment income.

2. Compliance with Section 409A

Notwithstanding any provision of the Plan to the contrary, the following terms shall apply to U.S. Grantees with respect to any and all of their Share Awards:

- (a) **In General.** Notwithstanding any provision of the Plan or Share Award Agreement to the contrary, the provisions of the Plan and any Share Awards granted hereunder are intended to comply with or are exempt from Section 409A (including pursuant to the short-term deferral exemption under U.S. Treasury Regulation 1.409A-1(b)(4)). For purposes of Section 409A, each of the payments that may be made under this Plan is designated as a separate payment. All provisions of the Plan and any Share Awards granted hereunder shall be construed and interpreted in a manner consistent with the requirements of Section 409A, as applicable.
- (b) **Cessation Date.** With respect to U.S. Grantees, the "Cessation Date" as used in the Plan and any Share Award Agreement shall be the date of his or her Separation from Service.
- (c) **Leave of Absence.** With respect to U.S. Grantees, a "Leave of Absence" under the Plan and any Share Award Agreement shall occur only if (x) the U.S. Grantee's absence qualifies as "sick leave or other bona fide leave of absence" within the meaning of Section 409A and his or her Leave of Absence does not exceed six months or, if longer, the period for which the U.S. Grantee retains a right to reemployment by contract or under applicable law or (y) the U.S. Grantee's absence

qualifies as a "disability" within the meaning of Section 409A (*i.e.*, the U.S. Grantee's absence is due to the U.S. Grantee's inability to perform the duties of his or her position of employment or service or any substantially similar position of employment or service by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months) and the employment or service relationship between the Corporation or a Baytex Affiliate and the U.S. Grantee continues for not greater than 29 months, regardless of whether the U.S. Grantee retains a contractual right to reemployment or service reinstatement.

- (d) Black-Out Periods. If, due to a Black-Out Period, it is administratively impracticable to issue Common Shares in respect of a U.S. Grantee's Restricted Award or Performance Award by the end of the applicable 2 ½ month period as set forth in U.S. Treasury Regulation 1.409A-1(b)(4)(i), and, as of the date upon which the legally binding right to the compensation arose, such impracticability was unforeseeable, then such issuance shall be made as soon as administratively practicable in accordance with U.S. Treasury Regulation 1.409A-1(b)(4)(ii) in order to qualify the Restricted Award or Performance Award, as applicable, as a "short-term deferral" within the meaning of Section 409A.
- (e) Specified Employee Rule. If a U.S. Grantee becomes entitled to receive payment in respect of any Share Awards as a result of his or her Separation from Service, and the U.S. Grantee is a Specified Employee at the time of his or her Separation from Service, and the Committee makes a good faith determination that (i) all or a portion of the Share Awards constitute "deferred compensation" (within the meaning of Section 409A) and (ii) any such deferred compensation that would otherwise be payable during the six-month period following such Separation from Service is required to be delayed pursuant to the six-month delay rule set forth in Section 409A in order to avoid taxes or penalties under Section 409A, then payment of such "deferred compensation" shall not be made to the U.S. Grantee before the date which is six months after the date of his or her Separation from Service (and shall be paid in a single lump sum, without interest, on the first day of the seventh month following the date of such Separation from Service) or, if earlier, the U.S. Grantee's date of death. In such event, if the payment in respect of the U.S. Grantee's Share Award is made in cash in accordance with Section 6(e)(iii), the cash lump sum payment shall be equal to the number of Common Shares due pursuant to the U.S. Grantee's Share Award multiplied by the Fair Market Value as of the expiration of such six-month period or the date of death.

3. Amendment of Schedule

The Committee shall retain the power and authority to amend or modify this Schedule to the extent the Committee in its sole discretion deems necessary or advisable to comply with any guidance issued under Section 409A. Such amendments may be made without the approval of any U.S. Grantee.

APPENDIX F

SECTION 191 OF THE *BUSINESS CORPORATIONS ACT* (ALBERTA)

- 191(1) Subject to Sections 192 and 242, a holder of shares of any class of a corporation may dissent if the corporation resolves to
- (a) amend its articles under Section 173 or 174 to add, change or remove any provisions restricting or constraining the issue or transfer of shares of that class,
 - (b) amend its articles under Section 173 to add, change or remove any restrictions on the business or businesses that the corporation may carry on,
 - (c) amalgamate with another corporation, otherwise than under Section 184 or 187,
 - (d) be continued under the laws of another jurisdiction under Section 189, or
 - (e) sell, lease or exchange all or substantially all its property under Section 190.
- (2) A holder of shares of any class or series of shares entitled to vote under Section 176, other than Section 176(1)(a), may dissent if the corporation resolves to amend its articles in a manner described in that section.
- (3) In addition to any other right he may have, but subject to subsection (20), a shareholder entitled to dissent under this section and who complies with this section is entitled to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the last business day before the day on which the resolution from which the shareholder dissents was adopted.
- (4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the shareholder or on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.
- (5) A dissenting shareholder shall send to the corporation a written objection to a resolution referred to in subsection (1) or (2)
- (a) at or before any meeting of shareholders at which the resolution is to be voted on, or
 - (b) if the corporation did not send notice to the shareholder of the purpose of the meeting or of his right to dissent, within a reasonable time after the shareholder learns that the resolution was adopted and of his right to dissent.
- (6) An application may be made to the Court by originating notice after the adoption of a resolution referred to in subsection (1) or (2),
- (a) by the corporation, or
 - (b) by a shareholder if the shareholder has sent an objection to the corporation under subsection (5)
- to fix the fair value in accordance with subsection (3) of the shares of a shareholder who dissents under this section.
- (7) If an application is made under subsection (6), the corporation shall, unless the Court otherwise orders, send to each dissenting shareholder a written offer to pay the shareholder an amount considered by the directors to be the fair value of the shares.

- (8) Unless the Court otherwise orders, an offer referred to in subsection (7) shall be sent to each dissenting shareholder
 - (a) at least 10 days before the date on which the application is returnable, if the corporation is the applicant, or
 - (b) within 10 days after the corporation is served with a copy of the originating notice, if a shareholder is the applicant.
- (9) Every offer made under subsection (7) shall
 - (a) be made on the same terms, and
 - (b) contain or be accompanied with a statement showing how the fair value was determined.
- (10) A dissenting shareholder may make an agreement with the corporation for the purchase of the shareholder's shares by the corporation, in the amount of the corporation's offer under subsection (7) or otherwise, at any time before the Court pronounces an order fixing the fair value of the shares.
- (11) A dissenting shareholder
 - (a) is not required to give security for costs in respect of an application under subsection (6), and
 - (b) except in special circumstances must not be required to pay the costs of the application or appraisal.
- (12) In connection with an application under subsection (6), the Court may give directions for
 - (a) joining as parties all dissenting shareholders whose shares have not been purchased by the corporation and for the representation of dissenting shareholders who, in the opinion of the Court, are in need of representation,
 - (b) the trial of issues and interlocutory matters, including pleadings and examinations for discovery,
 - (c) the payment to the shareholder of all or part of the sum offered by the corporation for the shares,
 - (d) the deposit of the share certificates with the Court or with the corporation or its transfer agent,
 - (e) the appointment and payment of independent appraisers, and the procedures to be followed by them,
 - (f) the service of documents, and
 - (g) the burden of proof on the parties.
- (13) On an application under subsection (6), the Court shall make an order
 - (a) fixing the fair value of the shares in accordance with subsection (3) of all dissenting shareholders who are parties to the application,
 - (b) giving judgment in that amount against the corporation and in favour of each of those dissenting shareholders, and
 - (c) fixing the time within which the corporation must pay that amount to a shareholder.

- (14) On:
- (a) the action approved by the resolution from which the shareholder dissents becoming effective,
 - (b) the making of an agreement under subsection (10) between the corporation and the dissenting shareholder as to the payment to be made by the corporation for the shareholder's shares, whether by the acceptance of the corporation's offer under subsection (7) or otherwise, or
 - (c) the pronouncement of an order under subsection (13);
- whichever first occurs, the shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shareholder's shares in the amount agreed to between the corporation and the shareholder or in the amount of the judgment, as the case may be.
- (15) Subsection (14)(a) does not apply to a shareholder referred to in subsection (5)(b).
- (16) Until one of the events mentioned in subsection (14) occurs,
- (a) the shareholder may withdraw the shareholder's dissent, or
 - (b) the corporation may rescind the resolution,
- and in either event proceedings under this section shall be discontinued.
- (17) The Court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder, from the date on which the shareholder ceases to have any rights as a shareholder by reason of subsection (14) until the date of payment.
- (18) If subsection (20) applies, the corporation shall, within 10 days after
- (a) the pronouncement of an order under subsection (13), or
 - (b) the making of an agreement between the shareholder and the corporation as to the payment to be made for the shareholder's shares,
- notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.
- (19) Notwithstanding that a judgment has been given in favour of a dissenting shareholder under subsection (13)(b), if subsection (20) applies, the dissenting shareholder, by written notice delivered to the corporation within 30 days after receiving the notice under subsection (18), may withdraw the shareholder's notice of objection, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to the shareholder's full rights as a shareholder, failing which the shareholder retains a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.
- (20) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that
- (a) the corporation is or would after the payment be unable to pay its liabilities as they become due, or
 - (b) the realizable value of the corporation's assets would by reason of the payment be less than the aggregate of its liabilities.