PARALLEL ENERGY TRUST

ANNUAL INFORMATION FORM
For the year ended December 31, 2014
Dated as of March 19, 2015

PARALLEL ENERGY TRUST

2014 Annual Information Form

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GLOSSARY OF TERMS

All capitalized terms used in this Annual Information Form but not otherwise defined herein shall have the meanings ascribed to them under ñGlossary of Termsò. The information set out in this Annual Information Form is stated as at December 31, 2014 unless otherwise specifically stated.

ñ**ABCA**ò means the *Business Corporations Act* (Alberta), and the regulations thereunder, as amended from time to time.

ñ**Administrative Services Agreement**ò means the administrative services agreement dated March 10, 2011 between the Trustee and the Administrator, pursuant to which the Administrator agreed to provide administrative services to the Trust and pursuant to which the Administrator is delegated certain duties in connection with the governance of the Trust.

ñ**Administrator**ò means Parallel Energy Inc., or such other party as may be appointed as administrator from time to time pursuant to the Administrative Services Agreement.

ñ**Administrator Directors**ò means the directors of the Administrator from time to time.

ñ**Administrator Shareholders**ò means, collectively, Henry W. Sykes, Richard N. Miller and Richard Alexander, each of whom is also an executive officer of the Administrator.

ñ**affiliate**ò or ñ**associate**ò has the meaning ascribed thereto in the *Securities Act* (Alberta), as amended from time to time.

ñ**Board of Directors**ò or ñ**Board**ò means the board of directors of Parallel Energy Inc. or Administrator, unless otherwise indicated.

ñ**Bravo**ò means Bravo Natural Gas, LLC, a Delaware limited liability company.

ñ**business day**ò means a day other than a Saturday, Sunday or a day on which the principal chartered banks located at Calgary, Alberta are not open for business.

ñ**Canada/U.S. income tax treaty**ò means the Convention between the United States of America and Canada with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended.

ñ**Canadian GAAP**ò means Canadian generally accepted accounting principles for publicly accountable enterprises (being IFRS as adopted by the Canadian Accounting Standards Board).

ñ**CDS**ò means CDS Clearing and Depository Services Inc.

ñ**Change of Control**ò has the meaning set forth under the heading ñConvertible Debentures ï Change of Controlò.

ñ**Change of Control Purchase Date**ò has the meaning set forth under the heading ñConvertible Debentures ï Change of Controlò.

ñ**Change of Control Purchase Offer**ò has the meaning set forth under the heading ñConvertible Debentures ï Change of Controlò.

ñ**Change of Control Purchase Price**ò has the meaning set forth under the heading ñConvertible Debentures ï Change of Controlò.

ñ**Code**ò means the United States *Internal Revenue Code of 1986*, as amended.

"COGE Handbook" means the Canadian Oil and Gas Evaluation Handbook.

“Computershare” means Computershare Trust Company of Canada.

ñ**CRA**ò means the Canada Revenue Agency.

“Credit Facility” means the Canadian dollar credit facility established in favour of the Partnership as described under ñDevelopment of the Businessò.

ñ**CT**ò means Parallel Energy Commercial Trust, an unincorporated open-ended trust established under the laws of the Province of Alberta.

ñ**CT Note Indenture**ò means the note indenture dated April 21, 2011 between the CT and Computershare, as trustee thereunder, pursuant to which the CT may issue CT Notes from time to time.

ñ**CT Notes**ò means the subordinated unsecured promissory notes issued by the CT from time to time pursuant to the CT Note Indenture.

ñ**CT Series 1 Notes**ò means the CT Notes, designated as Series 1, issued by the CT from time to time pursuant to the CT Note Indenture, which notes are obligations of CT that rank after the indebtedness of the CT which, by the terms of the instrument creating or evidencing the same, is not expressed to rank in right of payment in subordination or *pari passu* with the indebtedness evidenced by such notes.

ñ**CT Series 2 Notes**ò means the CT Notes, designated as Series 2, issued by the CT from time to time pursuant to the CT Note Indenture as full or part payment for the redemption prices payable on a redemption of CT Units, which notes are obligations of the CT that rank after any indebtedness of the CT which, by the terms of the instrument creating or evidencing the same, is not expressed to rank in right of payment in subordination to or *pari passu* with the indebtedness evidenced by such notes.

ñ**CT Trust Indenture**ò means the trust indenture establishing the CT made as of March 10, 2011.

ñ**CT Trustee**ò means the Administrator or such other trustee as may be appointed pursuant to the CT Trust Indenture.

ñ**CT Unitholder**ò means a holder of CT Units.

ñ**CT Units**ò means the trust units of the CT, each such trust unit representing an equal undivided beneficial interest in the CT.

ñ**Current Market Price**ò means, generally, the volume weighted average trading price of the Units on the TSX, if the Units are listed on the TSX, for the 20 consecutive trading days ending on the fifth trading day preceding the applicable date, subject to adjustment in certain circumstances. If the Units are not listed on the TSX, reference shall be made for the purpose of the above calculation to the principal securities exchange or market on which the Units are listed or quoted or if no such prices are available ñCurrent Market Priceò shall be the fair value of a Unit as reasonably determined by the Board of Directors.

ñ**Debenture Certificates**ò has the meaning set forth under the heading ñConvertible Debenturesò.

ñ**Debenture Trustee**ò means Computershare Trust Company of Canada or its successor, in its capacity as debenture trustee under the Indenture.

ñ**Debentures**ò means the 6.50% convertible unsecured subordinated debentures totaling $63,000,000 due June 30, 2017.

ñ**Effective Date**ò has the meaning set forth under the heading ñConvertible Debentures ï Cash Change of Controlò.

ñ**Event of Default**ò has the meaning set forth under the heading ñConvertible Debentures ï Events of Defaultò.

ñ**Exchangeable Securities**ò means other trust securities that are convertible into units.

ñ**GAAP**ò means generally accepted accounting principles as set out in the handbook of the Canadian Institute of Chartered Accountants, at any particular time.

ñ**GP**ò means Parallel Energy GP LLC, a limited liability company formed pursuant to the laws of Delaware and the general partner of the Partnership.

ñ**gross**ò means:

(a) in relation to the Partnershipøs interest in production or reserves, its ñgross reservesò, which are the Partnershipøs working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the Partnership;

(b) in relation to wells, the total number of wells in which the Partnership has an interest; and

(c) in relation to properties, the total area of properties in which the Partnership has an interest.

ñ**hydrocarbons**ò means organic compounds containing a mixture of carbon and hydrogen.

ñ**IFRS**ò means International Financial Reporting Standards.

ñ**Indenture**ò means the indenture entered into between the Administrator, as administrator of the Trust, and the Debenture Trustee on April 12, 2012 governing the terms of the Debentures.

ñ**Interest Obligation**ò means the Trustøs obligation to pay interest on the Debentures.

ñ**Interest Payment Dates**ò means June 30 and December 31 of each year.

ñ**IRS**ò means the U.S. Internal Revenue Service.

ñ**LP Agreement**ò means the limited partnership agreement dated effective April 14, 2011 between the GP, as the general partner, and the CT as the limited partner, establishing and governing the business and affairs of the Partnership.

ñ**Management**ò means the management of the Trust, being the officers of the Administrator.

ñ**Maturity Date**ò means June 30, 2017, or such earlier date as provided for in the Indenture.

ñ**net**ò means:

(a) in relation to the Partnershipøs interest in production or reserves, the Partnershipøs working interest (operating or non-operating) share after deduction of royalty obligations, plus the Partnershipøs royalty interests in production or reserves;

(b) in relation to the Partnershipøs interest in wells, the number of wells obtained by aggregating the Partnershipøs working interest in each of its gross wells; and

(c) in relation to the Partnershipøs interest in a property, the total area in which the Partnership has an interest multiplied by the working interest owned by the Partnership.

ñ**NGL**ò or ñ**NGLs**ò means natural gas liquids, consisting of any one of ethane, propane, butane and condensate or a combination thereof.

ñ**NGP**ò means Natural Gas Partners, a family of investment funds organized to make direct equity investments in private energy enterprises.

ñ**NI 51-101**ò means National Instrument 51-101 ï *Standards of Disclosure for Oil and Gas Activities* of the Canadian Securities Administrators.

ñ**NI 52-110**ò means National Instrument 52-110 ï *Audit Committees* of the Canadian Securities Administrators.

ñ**NYMEX**ò means the New York Mercantile Exchange.

ñ**October 2003 Proposals**ò means draft proposed amendments to the Tax Act relating to the deductibility of losses, released by Department of Finance (Canada) for public consultation on October 31, 2003.

ñ**Ordinary Resolution**ò means a resolution passed by more than 50% of the votes cast by those Unitholders or CT Unitholders, as applicable, entitled to vote on such resolution, whether cast in person or by proxy at a meeting of Unitholders or CT Unitholders, as applicable, at which a quorum was present, called (at least in part) for the purpose of approving such resolution, or a resolution approved in writing, in one or more counterparts, by holders of more than 50% of the votes represented by those Units or CT Units, as applicable, entitled to be voted on such resolution.

ñ**Other Trust Securities**ò means any type of securities of the Trust, other than Units, including notes, options, rights, warrants or other securities convertible into or exercisable for Units or other securities of the Trust (including convertible debt securities, subscription receipts and instalment receipts).

ñ**Parallel**ò or the ñ**Trust**ò means Parallel Energy Trust, an unincorporated open-ended limited purpose trust established under the laws of the Province of Alberta.

ñ**Parallel Group**ò means the Trust and its direct and indirect subsidiaries, including the CT, the GP and the Partnership.

ñ**Partnership**ò means Parallel Energy LP, a limited partnership established under the laws of the State of Delaware and governed by the LP Agreement, the partners of which are the GP, as general partner, and the CT as limited partner.

ñ**person**ò means and includes individuals, companies, corporations, limited partnerships, general partnerships, joint stock companies, limited liability companies, joint ventures, associations, trusts, banks, trust companies, pension funds, and other organizations, whether or not legal entities, and governments and agencies and political subdivisions thereof.

ñ**Proved Reserves**ò are those Reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated Proved Reserves. At least a 90% probability that the quantities actually recovered will equal or exceed the estimated Proved Reserves is the targeted level of certainty.

ñ**Redemption Price**ò means the redemption price applicable to any redemption of Units by Unitholders as further described under ñDescription of the Trust ï Redemption at the Option of Unitholdersò.

ñ**Registered Plans**ò means, collectively, registered retirement savings plans, registered education savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans and tax-free savings accounts.

ñ**Reserves**ò or ñ**reserves**ò are the estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on: analysis of drilling, geological, geophysical and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are classified according to the degree of certainty associated with the estimates.

ñ**Reserve Report**ò means the independent engineering evaluation of the oil and natural gas reserves relating to the Trustôs assets and properties prepared by Ryder Scott with an effective date of December 31, 2014 and a preparation date of March 9, 2015.

ñ**Rights**ò means rights to purchase Units granted under the TURIP.

ñ**RTU**ò means a restricted trust unit of the Trust.

ñ**RTU Plan**ò means the Restricted Trust Unit Plan of the Trust.

ñ**Ryder Scott**ò means Ryder Scott Company, L.P., an independent firm of petroleum engineers.

ñ**SEDAR**ò means the System for Electronic Document Analysis and Retrieval.

ñ**Senior Indebtedness**ò has the meaning set forth under the heading ñConvertible Debentures ï Subordinationò.

ñ**SIFT Rules**ò means the provisions of the Tax Act that apply to a SIFT trust.

ñ**SIFT trust**ò means a trust as defined in section 122.1 of the Tax Act.

ñ**Special Resolution**ò means a resolution passed by more than $66^{2}/_{3}$% of the votes cast by those Unitholders or CT Unitholders, as applicable, entitled to vote on such resolution, whether cast in person or by proxy, at a meeting of Unitholders or CT Unitholders, as applicable, at which a quorum was present, called (at least in part) for the purpose of approving such resolution, or a resolution approved in writing, in one or more counterparts, by holders of more than $66^{2}/_{3}$% of the votes represented by those Units or CT Units, as applicable, entitled to be voted on such resolution.

ñ**Special Voting Units**ò means the special voting units which may be authorized by the Trustee or the Administrator Directors to be issued by the Trust.

ñ**subsidiary**ò has the meaning ascribed thereto in the ABCA.

ñ**Tax Act**ò means the *Income Tax Act* (Canada) and the regulations thereunder, as amended from time to time.

ñ**Trust Indenture**ò means the trust indenture establishing the Trust made as of March 10, 2011, as amended from time to time.

ñ**Trust Property**ò means, at any time, all of the money, properties and other assets of any nature of kind whatsoever as are, at such time, held by the Trust or by the Trustee or its delegate on behalf of the Trust.

ñ**Trustee**ò means the trustee of Parallel Energy Trust which, at the date hereof, is Computershare Trust Company of Canada.

ñ**TSX**ò means the Toronto Stock Exchange.

ñ**TURIP**ò means the trust unit rights incentive plan of the Trust.

ñ**United States**ò or ñ**U.S.**ò means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

ñ**Unit Interest Payment Election**ò has the meaning set forth under the heading ñConvertible Debentures ï Interest Payment Optionò.

ñ**Unit Price**ò has the meaning set forth under the heading ñConvertible Debentures ï Cash Change of Controlò.

ñ**Unitholder**ò means a registered holder of Units.

ñ**Units**ò means the trust units of the Trust, each such trust unit representing an equal undivided beneficial interest in the Trust.

ñ**Voting Agreement**ò means the voting agreement dated March 10, 2011 among the Administrator Shareholders, the Trustee and the Administrator, with regard to, among other matters, the election of the Administrator Directors (as directed by the Trustee as agent for the Unitholders).

ñ**West Panhandle Field**ò means the oil and gas properties owned by Parallel located in Carson, Hutchinson, Moore and Potter counties in Texas.

ñ**West Texas Intermediate**ò or ñ**WTI**ò means West Texas Intermediate grade crude oil at a reference sales point in Cushing, Oklahoma, a common benchmark for crude oil.

CONVENTIONS

Certain other terms used but not defined herein are defined in NI 51-101 and, unless the context otherwise requires, will have the same meanings herein as ascribed to them in NI 51-101. Unless otherwise indicated, references herein to ñ$ò or ñdollarsò are to Canadian dollars. All financial information with respect to the Corporation has been presented in Canadian dollars in accordance with GAAP.

ABBREVIATIONS AND EQUIVALENCIES

The following are abbreviations and definitions of terms used in this Annual Information Form.

Crude Oil and Natural Gas Liquids		Natural Gas	
bbl	Barrel	Bcf	billion cubic feet
bbls	Barrels	Mcf	thousand cubic feet
bbls/d	barrels per day	Mcf/d	thousand cubic feet per day
Mbbls	thousand barrels	Mmcf	million cubic feet
		Mmcf/d	million cubic feet per day
		MMBtu	million british thermal units
		Tcf	trillion cubic feet

Other

boe	barrel of oil equivalent
boes	barrels of oil equivalent
Mboe	millions of barrels of oil equivalent
Bboe	billions of barrels of oil equivalent
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade
OIIP	oil-initially-in-place

Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf: 1 bbl is based on an energy equivalent conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

CONVERSIONS

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	cubic metres	28.174
cubic metres	cubic feet	35.494
Bbls	cubic metres	0.159
cubic metres	Bbls	6.290
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Information Form constitute forward-looking statements and forward-looking information (collectively, ñ**forward-looking statements**ò) and the Trust cautions investors in the Units about important factors that could cause the Trustôs actual results to differ materially from those projected in any forward-looking statements included in this Annual Information Form. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as ñwill likely resultò, ñare expected toò, ñexpectsò, ñwill continueò, ñis anticipatedò, ñbelievesò, ñestimatedò, ñintendsò, ñplansò, ñforecastò, ñprojectionò and ñoutlookò) are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in such forward-looking statements. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form. In addition, this Annual Information Form may contain forward-looking statements attributed to third party industry sources. Accordingly, any such statements are qualified in their entirety by reference to, and are accompanied by, the information and factors discussed throughout this Annual Information Form.

In particular and without limitation, this Annual Information Form contains forward-looking statements pertaining to the following:

- oil, natural gas and NGLs production levels;
- projections of market prices for oil, natural gas and NGLs as well as exploration, development and production costs;
- supply and demand fundamentals for oil, natural gas and NGLs;
- expectations regarding the ability to raise capital and to continually acquire reserves through acquisitions, exploration and development;
- realization of anticipated benefits of acquisitions or dispositions;
- plans for, and results of, exploration and development activities;
- growth strategy and opportunities;
- treatment under governmental regulatory regimes and tax laws;
- capital expenditure programs;

- the timing for and cost of additional development drilling, and the timing for, and levels of, increases to production and reserves;
- anticipated operating expenses;
- anticipated exploration and development costs and initial production costs;
- the expected internal rates of return derived from investments in sidetrack and new drilling programs;
- the Reserve Life Index of assets and properties acquired by the Trust or its subsidiaries, and the development risk and exploitation potential of assets and properties owned by the Trust or its subsidiaries,;
- status of the Trust as a ñmutual fund trustò and not as a ñSIFT trustò and the taxability of the Trust;
- distributable cash, the payment and stability of cash distributions by the Trust, including timing of payment of the initial cash distribution;
- the taxability of cash distributions received by Canadian resident Unitholders;
- access to, and sufficiency of, credit facilities and related borrowing base capacity;
- access to capital markets and availability of funding for growth and acquisition opportunities;
- control of capital spending pursuant to joint operating agreements; and
- expectations regarding the negotiation or re-negotiation of contracts.

With respect to forward-looking statements contained in this Annual Information Form, assumptions have been made regarding, among other things:

- future prices for oil, natural gas and NGLs;
- future currency exchange rates;
- the ability of the Trustôs subsidiaries to obtain qualified staff and equipment in a timely and cost-efficient manner;
- the regulatory framework governing taxes and environmental matters in the U.S.;
- the ability of the Trustôs subsidiaries to successfully market future oil, natural gas and NGLs production;
- the Trustôs subsidiariesô future production levels;
- the applicability of technologies for recovery and production of the Trustôs subsidiariesô oil, natural gas and NGLs resources;
- the recoverability of the Trustôs subsidiariesô reserves;
- future capital expenditures to be made by the Trustôs subsidiaries and the Trustôs ability to obtain financing on acceptable terms for capital projects and future acquisitions;
- future sources of funding for the capital programs of the Trustôs subsidiaries;
- geological and engineering estimates in respect of the Trustôs subsidiariesô resources;
- the impact of competition on the Trust;
- the deductibility of interest on the CT Notes; and
- the Trustôs status as a ñmutual fund trustò and not as a ñSIFT trustò.

The Trustôs actual results could differ materially from those anticipated in forward-looking statements as a result of the risk factors set forth below and included elsewhere in this Annual Information Form:

- failure to realize the anticipated benefits of future acquisitions;
- failure to achieve the anticipated benefits of the planned drilling program;
- failure to realize the anticipated benefits from executing the wellbore cleanout program on existing lateral wells;
- volatility of market prices for oil, natural gas and NGLs and marketability and hedging activities related thereto;
- risks related to the exploration, development and production of natural gas and NGLs reserves and resources;
- volatility of costs of development, operations and maintenance of properties;
- risks which may create liabilities to the Trust in excess of the Trustôs insurance coverage;
- general economic, market and business conditions;
- current global financial conditions, including fluctuations in interest rates, foreign exchange rates, inflation, commodity prices, and stock market volatility;
- uncertainties associated with estimating oil, natural gas and NGLs reserves;
- competition for, among other things, capital, acquisitions of resources and reserves, undeveloped or underdeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisitions and the likelihood of success of exploration and development programs;
- geological, technical, drilling and processing problems, including the availability of equipment and access to properties;
- environmental risks and hazards;
- changes in tax laws and incentive programs relating to the oil and natural gas industry;
- changes in government regulations;
- failure to obtain regulatory, industry partner and third party consents and approvals where required;
- failure to engage or retain key personnel;
- claims made in respect of the Trustôs properties or assets;
- potential losses which would stem from any disruptions in production, including work stoppages or other labour difficulties, or disruptions in the transportation network on which the Trust will be reliant;
- the failure of the Trust to meet specific requirements of its leases or agreements;
- the failure of the Trust to achieve and maintain reductions in operating expenses or realize further reductions;
- failure to accurately estimate abandonment and reclamation costs;
- the ability to obtain financing on acceptable terms;
- failure of third partiesô reviews, reports and projections to be accurate; and
- the other factors discussed under ñRisk Factorsò.

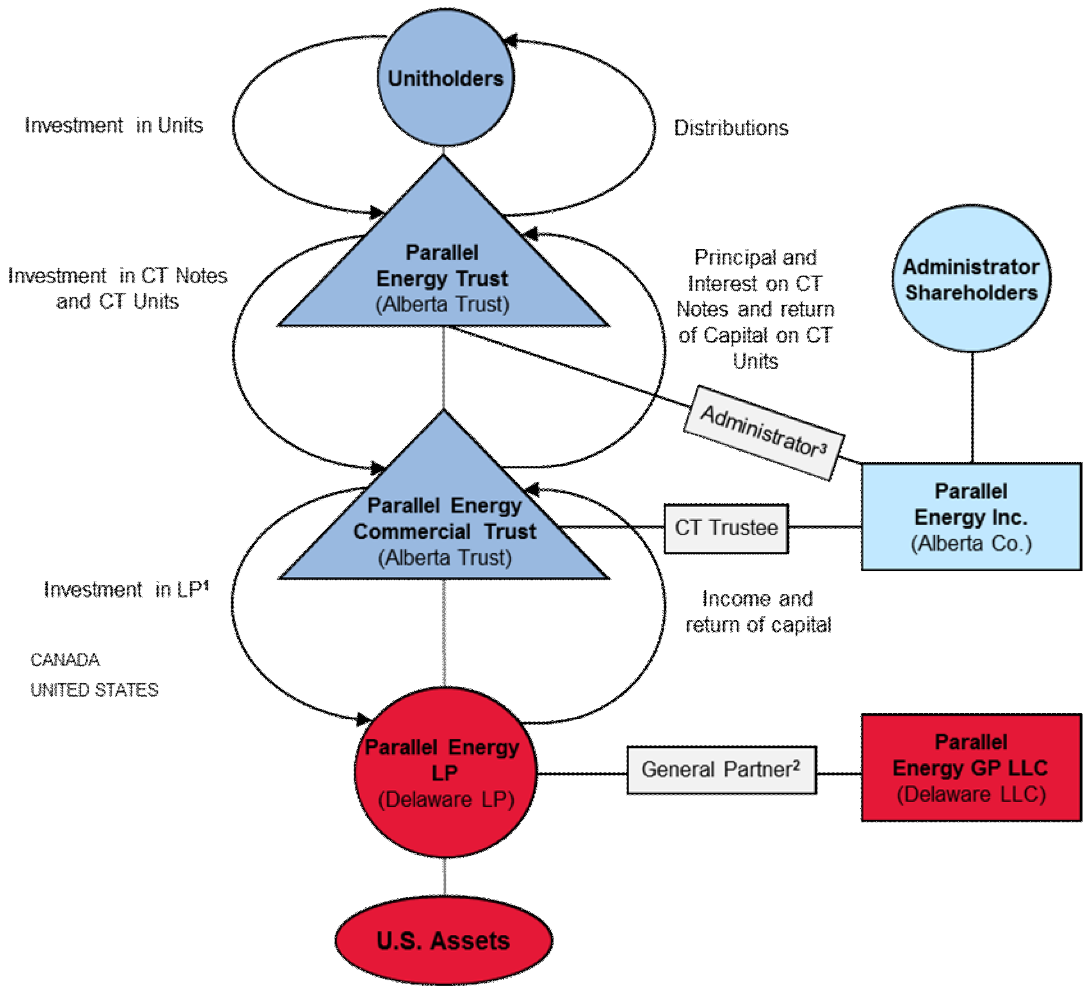
Since actual results or outcomes could differ materially from those expressed in any forward-looking statements of the Trust made by or on behalf of the Trust, investors should not place undue reliance on any such forward-looking statements. Statements relating to ñreservesò or ñresourcesò are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future. Readers are cautioned that the foregoing lists of factors are not exhaustive. Further, any forward-looking statement is made only as of the date of this Annual Information Form, and the Trust undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by applicable securities laws. New factors emerge from time to time, and it is not possible for the Trust to predict all of these factors or to assess in advance the impact of each such factor on the Trust's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

The forward-looking statements contained in this Annual Information Form are expressly qualified by the foregoing cautionary statements and are made as of the date of this Annual Information Form. The Trust does not undertake any obligation to publicly update or revise any forward-looking statements, except as required by applicable securities laws.

THE TRUST AND ITS SUBSIDIARIES

The Trust is an unincorporated open-ended limited purpose trust established under the laws of the Province of Alberta on March 10, 2011 by the Trust Indenture. The Unitholders approved an amendment to the Trust Indenture on May 22, 2014 to add a new section regarding advance notice for the nomination of Administrator Directors by the Unitholders. The new section, among other things, sets a deadline by which Unitholders must submit a notice of director nomination prior to an annual and/or special meeting of the Unitholders.

The following chart illustrates the structure of the Trust and its subsidiaries and affiliates. All subsidiaries of the Trust are directly or indirectly wholly-owned by the Trust. All of the shares of the Administrator are owned by the Administrator Shareholders.



Notes:

(1) A 99.999% interest in the Partnership.

(2) A 0.001% interest in the Partnership.

(3) Pursuant to the terms of the Administrative Services Agreement, the Administrator performs all general and administrative services that are or may be required or advisable, from time to time, for the Trust.

The Trust is a ñreporting issuerò in all of the provinces of Canada.

The principal and head office of the Trust, the CT and the Administrator are located at 840, 519 10th Avenue S.W., Calgary, Alberta, T2R 0A8. The principal offices of the GP and the Partnership and the U.S. office of the Administrator are located at 1323 East 71st Street East, Suite 200, Tulsa, Oklahoma 74136. The registered office of the Administrator is located at 2500, 450 ï 1st Street SW, Calgary, Alberta T2P 5H1. The registered office of the Partnership and the GP is located at 615 South Dupont Highway, Dover, County of Kent, Delaware 19901.

DESCRIPTION OF THE BUSINESS

Overview

The Trust is an energy trust created to provide investors with a publicly traded, oil and natural gas focused, distribution producing investment, with favourable tax treatment relative to taxable Canadian corporations. The strategy of the Trust is to acquire and exploit, through the CT and the Partnership, conventional long-life hydrocarbon reserves in established onshore producing basins in the U.S. The Trustôs focus is the ownership, through the CT and the Partnership, of producing properties with development and exploitation potential. The Trust does not intend to engage in high risk exploration activities nor does it intend to engage in resource or unconventional plays. The Trust intends to make monthly distributions of a portion of its available cash to Unitholders and to use the remainder of its available cash to reinvest in the CT and the Partnership to fund growth through additional acquisitions and capital expenditures.

The Trust was formed pursuant to the Trust Indenture between Computershare as Trustee and Parallel Energy Inc. dated March 10, 2011.

Objectives and Strategies of the Trust

The objective of the Trust is to create stable, consistent returns for investors through the acquisition and development of conventional oil and natural gas reserves and production in the U.S. with unexploited low risk potential, and to pay out a portion of available cash to Unitholders on a monthly basis. The Trust believes it can achieve this objective through:

- ***Disciplined Capital Investment*** ï The Trust will maintain a stringent focus on full cycle economics expected to be generated by all of its capital investments, without reliance upon the expectation of increased commodity prices. The Trust will focus on increasing net asset value per Unit when making capital investments and acquisitions.
- ***Growth*** ï The Trust will focus on prudent growth through a combination of internally generated opportunities and acquisitions. At times in the oil and gas business, it is more cost effective to access new reserves through exploitation of internal opportunities, while at other times it is more cost effective to acquire new reserves. The Trust intends to invest its capital in a manner it believes will generate the highest returns to investors at any particular time. In all cases, the objective of the investments will be on growth which is accretive to investors. Management of the Trust is experienced in both exploitation and acquisitions.
- ***Leverage*** ï Management believes that the prudent utilization of debt can increase returns to investors. Leverage will generally be maintained at a level which recognizes the impact of commodity prices on the ability of the Trust (through the Partnership) to repay indebtedness without negatively impacting returns to investors. The Trust intends to maintain a level of bank debt no greater than 75% of the borrowing base of the credit facility. The Trust may temporarily exceed these parameters, particularly in the case of acquisitions, provided that the Trust has a plan to return this ratio to the preferred range in the medium term.

The Trust utilizes a number of strategies intended to achieve the objective of creating an attractive, long-term stable income stream for investors while also achieving prudent and consistent growth. In particular, the Trust utilizes the following strategies, among others:

- ***Asset Location*** ï The Trust will restrict its investments to assets located onshore U.S. The Trust intends to focus on the acquisition and development of assets located in the U.S. because the provisions of the Canada/U.S. income tax treaty ensure that the income tax treatment of distributions of cash flow from oil and gas assets located in the U.S. to Canadians occurs in a tax efficient manner, and because the Trust believes that oil and gas assets located in the U.S. have certain favourable characteristics which are more difficult to replicate in Canada, including:

- ✓ Acquisition metrics are lower in the U.S. as compared to Canada.
- ✓ A significant percentage (which the Trust believes to be larger than in Canada) of oil and gas assets in the U.S. are held by private or non-industry participants. As a result, the Trust believes that there are typically more opportunities for the acquisition of assets in the U.S. than in Canada.
- ✓ Operating costs of oil and gas assets in the U.S. are generally lower than comparable operating costs in Canada, for a variety of reasons. Firstly, there is year-round access to properties in many parts of the U.S., while in Canada many assets can only be accessed during one or both of the winter or summer seasons. Secondly, generally there is more competition among service providers in the U.S. as compared to Canada, resulting in lower service costs. Thirdly, oil and gas production in the U.S. tends to be closer to markets, resulting in lower transportation costs and higher netbacks.

- ***Investment In Long-Life Assets*** ï The Trust intends to focus on long-life, low decline conventional oil and gas assets. These types of assets typically have lower risk development and exploitation potential. Equally, a longer reserve life provides a natural hedge against short term commodity price cycles.
- ***Control Over Capital Expenditures*** ï The Trust will focus its investments on properties where it has a material degree of control over the pace and degree of capital spending. The Trust will manage its assets as one portfolio, regardless of location or operator, and will prioritize its capital investment opportunities accordingly.
- ***Development and Exploitation*** ï The Trust focuses on the development and exploitation of its properties. Although the Trust may undertake lower risk activities which may technically qualify as exploration the Trust does not intend to engage in high risk exploration, nor will it engage in any activities offshore. The Trust also does not intend to compete for or engage in resource or unconventional plays, which tend to be characterized by intense competition for land, high capital costs and high decline rates.
- ***Commodity Balance*** ï The Trust will not favour oil over natural gas or vice versa. The Trust will invest in those opportunities which meet its disciplined investment criteria, regardless of commodity.
- ***Hedging Strategy*** ï As part of the Trustôs risk management strategy, the Trust plans to use financial instruments to manage its commodity price exposure. The Trust has a hedging program that can extend up to 36 months in the future. The Trust will hedge: (i) up to 70% of the forecasted revenue 12 months forward; (ii) up to 50% of forecasted revenue 24 months forward; and (iii) up to 30% of forecasted revenue 36 months forward. The amount and types of hedges will be dependent on, among other things, the Trustôs debt level, capital expenditure profiles, anticipated distributions and market conditions. The purpose of the hedging program is to reduce volatility in cash flows and to protect acquisition economics. The Trust may also hedge its foreign exchange exposure.

Trends and Cycles

The oil and gas business is cyclical. Oil and gas prices fluctuate with global demand for oil, which is dependent on a number of factors, including the health of the global economy and political conditions locally, nationally and internationally. In addition, the oil and gas industry in Texas may be influenced by seasonal weather patterns. Cold weather and snow can cause wells to freeze up and severely limit access to the field. Weather can also impact third party processing plants that process the Trustôs production. Seasonal interruptions in drilling and construction operations do occur but are expected and accounted for in the budgeting and forecasting process.

Competition

The U.S. oil and natural gas industry is highly competitive in all phases. The Trust encounters competition from other oil and natural gas companies in all areas of operation, including the acquisition of leasing options on oil and natural gas properties to the exploration and development of those properties. The Trustôs competitors include numerous independent and major oil and natural gas companies, individuals and drilling and income programs.

Many of the Trustôs competitors are large, well established companies that have substantially larger operating staffs and greater capital resources than the Trust has. Such competitors may be able to pay more for lease options on oil and natural gas properties and exploratory locations and to define, evaluate, bid for and purchase a greater number of properties and locations than our financial or human resources will permit. The Trustôs ability to acquire additional properties and to discover reserves in the future depends upon its ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment. See ñRisk Factorsò.

Economic Dependence

The Trust is not substantially dependent on any contract or licence, such as a contract to sell the major part of its products or services or to purchase the majority of its goods, services or raw materials, or any franchise or licence or other agreement to use a patent, formula, trade secret, process or trade name upon which its business depends.

Change to Contracts

There is no aspect of the Trustôs business that the Trust reasonably expects to be affected by renegotiation or termination of contracts or sub-contracts.

Price Risk Management

Prices received for production and associated operating expenses are impacted in varying degrees by factors outside managementôs control. These factors include, but are not limited to, the following:

- world market forces, including the ability of the Organization of Petroleum Exporting Countries to set and maintain production levels and prices for crude oil;
- political conditions, including the risk of hostilities in the Middle East and other regions throughout the world;
- increases or decreases in crude oil quality and market differentials;
- North American market forces, most notably shifts in the balance between supply and demand for crude oil and natural gas and the implications for the price of crude oil and natural gas;
- global and domestic economic and weather conditions;
- the impact of tax and incentive regime to credit risk;
- the price and availability of alternative fuels; and
- the effect of energy conservation measures and government regulations.

Fluctuations in commodity prices, quality differentials and foreign exchange and interest rates, among other factors, are outside of managementôs control. To mitigate a portion of these risks, the Trust actively evaluates price risk management activities. The Trust is actively involved in the hedging of its commodity price risk. At any time, the Trust will hedge up to 70% of its net revenue one year forward, 50% of its net revenue two years forward and 30% of its revenue three years forward. The Trust may also hedge a portion of its foreign exchange and interest rate risks dependent on market conditions.

Revenue Sources

For the year ended December 31, 2014, natural gas accounted for 23%, NGLs accounted for 39% and condensate accounted for 38% of the Trustôs revenue before royalties. For the year ended December 31, 2013, natural gas accounted for 18%, NGLs accounted for 40% and condensate accounted for 42% of the Trustôs revenue before royalties.

Substantial Capital Requirements

The Trust anticipates that it will make substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. If the Trustôs revenues or reserves decline, the Trust may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing, or cash generated by operations, will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Trust. Moreover, future activities may require the Trust to alter its capitalization significantly. Transactions involving the issuance of securities may be dilutive. The inability of the Trust to access sufficient capital for its operations could have a material adverse effect on the Trustøs financial condition, results of operations or prospects. See ñRisk Factorsò for further discussion of capital requirements.

Employees

As at December 31, 2014, the Trust had 54 employees located in the Calgary head office, the Tulsa operations office and in the operating areas. The Trustøs technical staff focuses on identifying exploration and development oil and gas drilling prospects and evaluating the probability of encountering economically recoverable hydrocarbons.

Environmental Protection

The Trust is subject to a range of environmental regulations, as are its competitors in the oil and gas industry. To ensure that the Trust complies with its environmental obligations the Board of Directors monitors the Trustøs environmental policies and procedures through a Reserves & Environment, Health & Safety Committee.

As the environmental regulations applicable to the Trust are also applicable to its competitors, environmental protection did not affect the competitive position of the Trust in 2014; nor did the Trust incur any material environmental protection or regulatory costs out of the ordinary course of business in 2014. For a further discussion of environmental regulations affecting the Trust see ñThe Industryò and ñRisk Factorsò.

Social or Environmental Policies

As noted, the Trust places stringent standards on environmental protection and has a Reserves & Environment, Health & Safety Committee that provides oversight to management in the environmental area. All necessary employees are trained and educated on environmental policies as such policies pertain to their particular roles. The Trust adheres to all government regulations and policy directives.

Oil and Gas Properties

West Panhandle Field

The Trust, through its wholly-owned indirect subsidiary, the Partnership owns a 100% interest in the West Panhandle Field located in Texas, which encompasses approximately 139,000 acres in the Carson area (encompassing Carson and Hutchinson counties) and Sneed area (encompassing Moore and Potter counties). The West Panhandle Field is part of the larger Hugoton gas field, the largest conventional gas field in North America. The Hugoton field has produced over 12 Bboe since its discovery in 1918.

The West Panhandle Field is located on the crest of a buried mountain chain called the óAmarillo Upliftô in the Panhandle area of north Texas. It produces a natural gas liquids and condensate rich natural gas from the Permian Brown and White Dolomite, Moore County Lime, Granite Wash and the Red Cave Sandstone. The main reservoirs, the Brown Dolomite, Moore County Lime and Granite Wash, are found at depths between approximately 800 and 1,300 metres and consist of dolomite, limestones, and interbedded arkosic sandstones. These formations, which range in thickness of 15 to over 250 metres, were deposited over an ancient shallow marine platform that extended across the then buried Amarillo Uplift.

There are currently 271 active wells in the Upper and Lower Chase/Granite Wash zones of the West Panhandle Field and this comprises 95% of total production in the field. Red Cave Sandstone is found at a depth of approximately 500 metres and consists of a poorly hardened sequence of interbedded very fine grained sands and variegated red or red-brown shale. The formation, which has approximately 15 metres of pay across a 60 metre interval, was formed as weakly cemented sandstone deposited in braided streams along an emergent coastline. There are currently 80 active Red Cave Sandstone wells that make up the balance of production in the West

Panhandle Field. As at December 31, 2014, there were approximately 510 miles of pipelines and six booster stations in the West Panhandle Field.

Roberts County

The Roberts County assets are located adjacent to the West Panhandle Field on the southern edge of the Anadarko Basin. The field was developed between 2005 and 2008 and produces a liquids-rich gas from three intervals within the Granite Wash. The "GW B", Cherokee, and Atoka zones are comprised of arkosic sandstones at a depth of approximately 3,050 metres. Parallel currently operates 20 vertical Granite Wash wells, spread over 1,280 acres, with an average working interest of 53%. Net production averages approximately 130 boe/day, comprised of 57% natural gas, 40% natural gas liquids and 3% oil.

Cargray Area

The Cargray area assets are located in Carson and Gray county, adjacent to the Carson area in the West Panhandle Field. The Cargray area is located in the Hugoton field and has similar geological characteristics as the West Panhandle Field. Parallel currently operates 34 active wells in the Cargray area. Net production averages approximately 230 boe/day, comprised of 46% natural gas and 54% natural gas liquids.

Garfield County

The Garfield County assets are located in a non-operated six section block within the prospective Mississippian Lime fairway in Garfield County. The block is located adjacent to the Nemaha Uplift and has historically produced from vertical wells within the fractured Mississippian Lime at depths between 900 and 1,800 metres. The first horizontal well was drilled and completed in early 2011 and there are currently seven horizontal wells producing from the area. Parallel purchased interest in five of the horizontal wells in 2014 and participated in the drilling of another horizontal well. Net production averages approximately 90 boe/d, comprised of 40% natural gas, 21% natural gas liquids and 38% oil.

DEVELOPMENT OF THE BUSINESS

2012

Acquisition of Additional 41% of West Panhandle Field

On April 12, 2012, the Trust completed the acquisition of the 41% interest in the West Panhandle Field that it did not previously own, increasing its ownership to a 100% interest. The acquisition price was approximately US$196 million, including closing adjustments, and was funded by (i) an issuance of 8.925 million Units at $7.05 per Unit plus (ii) $63 million of 6.5% convertible debentures which mature on June 30, 2017 and (iii) the balance by bank debt. Concurrent with the closing of the acquisition, the Credit Facility was increased to US$175 million. The Trust filed a Form 51-102F4 *Business Acquisition Report* in respect of the acquisition, which report is available on SEDAR under the Trust's issuer profile at www.sedar.com.

Assumption of Operatorship of Assets

On July 1, 2012, Parallel assumed operatorship of the West Panhandle Field from Bravo. As a result, Parallel hired the majority of Bravo's office staff in Tulsa Oklahoma plus all of the 30 field staff. Tony Swindell, previously Vice-President of Bravo joined Parallel as Vice-President, Mid-Continent and is responsible for the Tulsa and field offices. Subsequently on December 16, 2013 Mr. Swindell was promoted to Chief Operating Officer.

Acquisition of Roberts County assets

In October, 2012, the Trust acquired a new operating area, located in Roberts County, Texas, adjacent to the Carson and Sneed operating areas. The purchase price was approximately US$4.6 million and was funded with an advance under the Credit Facility. The property produces approximately 200 boe/day net to Parallel.

Reduction in Distribution to $0.05 per unit and Retirement of President and CEO

On November 28, 2012, the Trust announced that it was reducing its distribution from $0.08 to $0.05 per unit per month effective the December distribution. The Trust also announced that Dennis Feuchuk, President and CEO, was retiring effective January 1, 2013. Effective January 1, 2013, Dennis Feuchuk also ceased to be an Administrator Shareholder.

2013

Credit Facility Increase

Effective April 21, 2011, the Partnership and the CT established the Credit Facility pursuant to a credit agreement entered into with three Schedule 1 Canadian banks (the **"Credit Agreement"**). The Credit Facility is a senior secured revolving committed facility bearing interest at the lenderǿs prime rate, bankerǿs acceptance or Libor rate, at the discretion of the Trust, plus an applicable margin. The Credit Facility is secured by a first charge over all of the United States oil and gas assets of the Partnership and is guaranteed by a guarantee from the Trust and the CT. The amount of the Credit Facility was initially $100 million and advances are available in either Canadian or U.S. dollars. The Credit Facility was amended and increased to US$190 million on March 20, 2013. The Credit Facility is a revolving facility committed until April 27, 2015, at which time it will either be renewed for an additional 364 days, or converted to a term facility with the amount due on April 27, 2016.

The Credit Facility is subject to a borrowing base valuation of the Trustǿs subsidiaryǿs oil and gas assets, which is subject to review every six months. There are no financial covenants applicable to the Credit Facility. There is a restriction on the amount of distributions permitted to unitholders which is based on the operating cash flow of the Trust before capital expenditures as defined in the Credit Facility. No distributions are permitted if the Credit Facility is in default. As at December 31, 2014, the Trust was in compliance with all conditions of the Credit Facility.

Changes in Senior Management and Board Members

On March 20, 2013, the Trust announced the appointment of Richard Alexander as President and CEO on a permanent basis. The Trust also announced that Don Cameron, Vice-President, Geosciences, and Don Van Tetering, Vice-President Operations, were leaving the Trust effective March 31, 2013. On December 16, 2013 the Trust announced the promotion of Tony Swindell from Vice-President, Midcontinent to Chief Operating Officer of the Administrator.

On April 15, 2013, the Trust announced the resignation of Dennis Feuchuk from the Board of Directors and the appointment of Philip Scherman, FCA as a replacement on the Board for Mr. Feuchuk.

Acquisition of Cargray Operating Area

On May 8, 2013, Parallel closed the purchase of the Cargray operating area. The property is located adjacent to the Trustǿs Carson operating area and produces approximately 200 boe/day of liquids-rich natural gas. The purchase price was approximately US$6.5 million.

2014

Acquisition of Additional Interest in Garfield County, Oklahoma Operating Area

On October 1, 2014, Parallel closed the acquisition of an average 23 per cent working interest in eight producing wells in the Trust's Garfield County, Oklahoma operating area. The wells produce approximately 100 boe/day of liquids-rich natural gas and oil, net to Parallelôs interest. The purchase price was approximately US$2.1 million. The producing wells are located adjacent to Parallel's existing wells in the Garfield County operating area, where the Trust maintains a non-operated position.

Reduction in Distribution and Changes Within Board of Directors

On November 26, 2014, the Trust announced a reduction in the distribution level from $0.05 per unit per month to $0.025 per unit per month, effective the December distribution, to reflect an expectation of reduced cash flow given the decline in commodity prices. The Trust also announced that the Board of Directors had eliminated the Executive Chairman role. As a result, Henry Sykes ceased acting as Executive Chairman but will continue to serve as a director. The Board of Directors appointed Christopher Burley as Chairman. Mr. Burley is an independent director and has served as Lead Director on the Board of Directors since April 2011.

2015

Reduction in Distribution

On January 15, 2015, the Trust announced a further reduction in the distribution level from $0.025 per unit per month to $0.01 per unit per month, effective the January distribution, to reflect the significant decline in commodity prices since November 2014 when the previous distribution level had been set.

RESERVES AND OTHER OIL AND GAS INFORMATION

Disclosure of Reserves Data

Ryder Scott was engaged by the Administrator to provide an evaluation of proved and probable reserves. In accordance with NI 51-101, Ryder Scott prepared the Reserve Report on March 9, 2015. The Reserve Report evaluated, as at December 31, 2014, the natural gas and NGL reserves associated with the Trustôs assets and properties. The tables below are a combined summary of the reserves and the net present value of future net revenue attributable to the reserves as evaluated in the Reserve Report based on Ryder Scottôs price forecast, and cost assumptions and operating expenses supplied by the Trust. The tables summarize the data contained in the Reserve Report and, as a result, may contain slightly different numbers than such report due to rounding. Also due to rounding, certain columns may not add exactly.

Estimates of after-tax future net revenue are not presented in the following tables because the Trust is not expected to be subject to any material taxes in the United States or Canada. The Trust does not expect taxes to be payable by the Trust in Canada because the Trust will distribute its full taxable income each year to Unitholders and will not be a SIFT trust. The Trust intends to qualify as a ñmutual fund trustò under the Tax Act and will not be a ñSIFT trustò (each as defined in the Tax Act), provided that the Trust complies at all times with the investment restrictions set forth in the Trust Indenture, which preclude the Trust from holding any ñnon-portfolio propertyò (as defined in the Tax Act).

The net present value of future net revenue attributable to the reserves is stated without provision for interest costs, income taxes and general and administrative costs, but after providing for estimated royalties, production costs, capital, production taxes (which in the U.S. consist of severance and ad valorem), development costs, other income, future capital expenditures, and well abandonment costs for only those wells assigned reserves by Ryder Scott. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to the reserves estimated by Ryder Scott represent the fair market value of the reserves. Other assumptions and qualifications relating to costs, prices for future production and other matters are summarized herein. There is no assurance that such price and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of the reserves provided herein are estimates only and there is no guarantee that the reserves, as estimated, will be recovered. Actual reserves may be greater than or less than the estimates provided herein.

The Reserve Report was based on proprietary information available to the Trust, including, but not limited to, working and net revenue interest data, historical production, well information, geological information, reservoir studies, estimates of on-stream dates, contract information, current hydrocarbon product prices, operating cost data, financial data and future operating plans. Other engineering, geological or economic data required to conduct the evaluations and upon which the Reserve Report is based was obtained from public records, other operators and from non-confidential files. The extent and character of ownership and the accuracy of all factual data supplied for the independent evaluation, from all sources, was accepted by Ryder Scott as represented.

The *Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor* in Form 51-101F2 and the *Report of Management and Directors on Oil and Gas Disclosure* in Form 51-101F3 are attached as Schedule A and Schedule B to this Annual Information Form, respectively.

All of the Trustǿs reserves are located in the U.S.

Notes and Definitions

In the tables set forth above and elsewhere in this Annual Information Form, the following notes and other definitions are applicable. Definitions used for reserve categories in this Annual Information Form unless otherwise indicated, are as presented in the COGE Handbook, as specified under NI 51-101.

Reserve Categories

The determination of oil and gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved, probable and possible reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery.

The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

ñ**Developed producing reserves**ò are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

"Developed non-producing reservesò are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

"Probable reserves" are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

"Proved reserves" are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

"Reserves" are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on:

(a) analysis of drilling, geological, geophysical and engineering data;

(b) the use of established technology; and

(c) specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed.

Reserves are classified according to the degree of certainty associated with the estimates.

ñ**Undeveloped reserves**ò are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to sub-divide the developed reserves for the pool between developed producing and developed non-producing. This allocation is based on the estimatorôs assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to ñindividual reserves entitiesò, which refers to the lowest level at which reserves calculations are performed, and to ñreported reservesò, which refers to the highest level sum of individual entity estimates for which reserves estimates are presented. Reported reserves should target the following levels of certainty under a specific set of economic conditions:

(a) at least a 90% probability that the quantities actually recovered will equal or exceed the estimated proved reserves;

(b) at least a 50% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves; and

(c) at least a 10% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable plus possible reserves.

A quantitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Reserves Data – Forecast Prices and Costs

Summary of Company Interest Oil and Gas Reserves

	Natural Gas		Natural Gas Liquids		Total Oil Equivalent	
Reserves Category	Gross	Net	Gross	Net	Gross	Net
	(MMcf)	*(MMcf)*	*(Mbbls)*	*(Mbbls)*	*(Mboe)*	*(Mboe)*
Proved						
Developed Producing	64,100	52,264	21,623	17,598	32,306	26,308
Undeveloped	16,779	13,480	5,569	4,472	8,366	6,719
Total Proved	80,879	65,744	27,192	22,070	40,672	33,027
Probable	13,804	11,331	4,729	3,880	7,029	5,768
Total Proved Plus Probable	94,683	77,075	31,920	25,949	47,701	38,795

Summary of Net Present Value of Future Net Revenue of Oil and Gas Reserves

Reserves Category	Net Present Value of Future Net Revenue Before Income Taxes Discounted at (%/year)[2] 0%	5%	10%	15%	20%	Unit Value Before Income Tax Discounted at 10%/year Gross Reserves[1]	Net Reserves[1]
	(US$MM)	*(US$MM)*	*(US$MM)*	*(US$MM)*	*(US$MM)*	*(US$/boe)*	*(US$/boe)*
Proved							
Developed Producing	589	389	281	215	173	8.69	10.68
Undeveloped	105	50	22	8	(1)	2.63	3.27
Total Proved	694	439	303	223	172	7.45	9.17
Probable	149	83	50	32	22	7.11	8.67
Total Proved Plus Probable	843	522	353	255	194	7.40	9.10

Notes:

(1) Gross reserves represent Company Interest reserves prior to royalty interest. Net reserves represent reserves after deduction of royalty interest.

(2) Estimates of after-tax future net revenue are not presented because the Trust will not be subject to any material taxes in the United States or Canada. The estimated values disclosed do not represent fair market value.

Additional Information Concerning Future Net Revenue (Undiscounted)

Reserves Category	Revenue	Ad Valorem and Production Taxes	Operating Costs	Processing Fees	Development Costs	Abandonment and Reclamation Costs	Future Net Revenue Before Income Tax Expenses [1]
	(US$MM)	*(US$MM)*	*(US$MM)*		*(US$MM)*	*(US$MM)*	*(US$MM)*
Total Proved	1,534	139	518	100	74	9	694
Total Proved Plus Probable	1,799	162	571	115	97	11	843

(3) Estimates of after-tax future net revenue are not presented because the Trust will not be subject to any material taxes in the U.S. or Canada. The estimated values disclosed do not represent fair market value.

Future Net Revenue by Production Group[(1)(2)]

Reserves Category	Future Net Revenue Before Income Taxes (Discounted at 10%/year)	Unit Value	
	(US$MM)	*(US$/boe)*	*(US$/Mcfe)*
Proved			
Natural Gas	303	7.47	1.24
Total Proved	303	7.47	1.24
Probable	50	7.06	1.18
Total Proved Plus Probable	353	7.39	1.23

Notes:

(1) Natural gas includes by-products but excludes solution gas.

(2) Other revenue and costs not related to a specific production group have been allocated proportionately to all production groups. Unit values are based on Trust net reserves.

For future net revenue of the total proved reserves, discounted at 10%, all of the revenue is from natural gas.

Pricing Assumptions – Forecast Prices and Costs

Ryder Scott employed the following pricing, inflation rate and exchange rate assumptions as of January 1, 2015 in estimating reserves data using forecast prices and costs.

Year	Natural Gas Henry Hub NYMEX	Crude Oil WTI at Cushing Oklahoma	NGLs	Inflation Rate
	(US$/MMBtu)	*(US$/bbl)*	*(US$/bbl)*	*(%/yr)*
Forecast				
2015	$3.28	$61.88	28.23	2%
2016	$3.70	$76.25	33.18	2%
2017	$3.95	$83.13	34.34	2%
2018	$4.26	$87.56	35.25	2%
2019	$4.58	$91.01	35.91	2%
2020	$4.80	$94.48	37.63	2%
2021	$4.96	$96.67	38.96	2%
2022	$5.12	$98.48	40.01	2%
2023	$5.27	$100.34	41.00	2%
2024	$5.41	$102.22	41.94	2%
2025	$5.51	$104.13	42.95	2%
2026	$5.61	$106.10	43.91	2%
2027	$5.72	$108.09	44.80	2%
2028	$5.82	$110.13	45.68	2%
2029	$5.94	$112.20	46.60	2%
2030	$6.05	$114.31	47.44	2%
2031	$6.17	$116.46	48.33	2%
2032+	0%			

The above price forecast for benchmark crude oil and natural gas prices is equal to the average price forecast of four independent reserve engineers as at January 1, 2015, comprised of Ryder Scott, GLJ Petroleum Consultants, McDaniel & Associates Consultants Ltd. and Sproule Associates Limited.

The Trustôs weighted average prices received in 2014 were US$4.87per mcf of natural gas, US$41.30 per barrel of NGLs and US$70.45 per barrel of condensate.

Reconciliations of Changes in Reserves

The following table sets out a reconciliation of the changes in total company working interest reserve volumes as at December 31, 2013 against such reserves as at December 31, 2014 based on the forecast prices and cost assumptions.

	Natural Gas			NGLs			Total Oil Equivalent		
Factors	Proved *(Mmcf)*	Probable *(Mmcf)*	Proved Plus Probable *(Mmcf)*	Proved *(Mbbls)*	Probable *(Mbbls)*	Proved Plus Probable *(Mbbls)*	Proved *(Mboe)*	Probable *(Mboe)*	Proved Plus Probable *(Mboe)*
December 31, 2013	92,761	14,943	107,704	27,046	4,504	31,550	42,506	6,994	49,500
Extensions and Improved Recovery									
Technical Revisions	(5,634)	(1,280)	(6,914)	2,228	170	2,398	1,290	(42)	1,248
Discoveries									
Acquisitions	409		409	91		91	160		160
Dispositions									
Economic Factors	(1,409)	141	(1,268)	(473)	53	(420)	(707)	77	(630)
Production	(5,248)		(5,248)	(1,702)		(1,702)	(2,577)		(2,577)
December 31, 2014	80,879	13,804	94,683	27,190	4,727	31,917	40,672	7,029	47,701

Undeveloped Reserves

The following discussion generally describes the basis on which proved and probable undeveloped reserves were attributed.

Proved Undeveloped Reserves

Proved undeveloped reserves are those proved reserves expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. In addition, such reserves may relate to planned infill drilling locations. The majority of these reserves are planned to be on stream within a five year timeframe. The following table summarizes the Trustôs gross proved undeveloped reserves for the three most recent reserve reports and, in the aggregate, before that time.

Product Type	Aggregate before period ended December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014
Natural Gas (MMcf)	16,649	18,950	20,896	16,779
Natural Gas Liquids (Mbbl)	4,961	6,131	6,038	5,569
Oil Equivalent (Mboe)	7,736	9,290	9,520	8,336

Probable Undeveloped Reserves

Probable undeveloped reserves are those probable reserves expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. In addition, such reserves may relate to planned infill drilling locations. The majority of these reserves are planned to be on stream within a five year timeframe. The following table summarizes the Companyøs gross probable undeveloped reserves for the three most recent reserve reports and, in the aggregate, before that time.

Product Type	Aggregate before period ended December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014
Natural Gas (MMcf)	8,714	10,521	10,197	9,176
Natural Gas Liquids (Mbbl)	2,664	3,479	3,124	3,114
Oil Equivalent (Mboe)	4,116	5,232	4,823	4,644

Significant Factors or Uncertainties

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering, and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions. The reserves are evaluated by Ryder Scott, an independent, qualified reserves evaluator.

As circumstances change and additional data become available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions. Factors and assumptions that affect these reserve estimates include, among other things: (i) historical production in the area compared with production rates from analogous producing areas; (ii) initial production rates; (iii) production decline rates; (iv) ultimate recovery of reserves; (v) success of future development activities; (vi) marketability of production; (vii) effects of government regulations; and (viii) other government levies imposed over the life of the reserves.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and gas prices and reservoir performance. Such revisions can be either positive or negative. See ñRisk Factorsò.

Future Development and Abandonment Costs

The tables below set out the development and abandonment costs deducted in the estimation of future net revenue attributable to proved reserves and proved plus probable reserves (using forecast prices and costs) in the Reserve Report.

Total Proved Annual Capital Expenditures

	Undiscounted		Discounted @ 10%	
Year	Development	Abandonment	Development	Abandonment
	(US$000)	*(US$000)*	*(US$000)*	*(US$000)*
2015				
2016	21,199	450	18,476	405
2017	22,090	16	17,389	12
2018	18,526	16	13,023	11
2019	11,350	74	7,420	48
2020	653	51	385	29
2021		86		45
2022		144		69
2023		72		31
2024		219		85
Subtotal (1)	73,818	1,128	56,692	735
Remainder		8,501		1,020
Total (1)	73,818	9,629	56,692	1,755

Note:

(1) Numbers may not add due to rounding.

Total Proved Plus Probable Annual Capital Expenditures

	Undiscounted		Discounted @ 10%	
Year	Development	Abandonment	Development	Abandonment
	(US$000)	*(US$000)*	*(US$000)*	*(US$000)*
2015				
2016	26,058	419	22,629	377
2017	30,081	16	23,734	12
2018	24,058	16	16,879	11
2019	16,473	41	10,803	27
2020	653	34	385	20
2021		103		54
2022		126		61
2023		54		23
2024		183		71
Subtotal (1)	97,332	992	74,429	656
Remainder		9,229		998
Total (1)	97,332	10,221	74,429	1,654

Note:

(1) Numbers may not add due to rounding.

The Trust expects to have available three sources of funding to finance the capital expenditure program of the Partnership: internally generated cash flow from operations, external debt financing when appropriate and new capital through the issuance of additional Units, if available on favourable terms. Management anticipates that debt financing will be available pursuant to the Credit Facility at market rates plus margins subject to a pricing grid based upon the percentage of utilization of the borrowing base.

The Trust expects to fund the total 2015 capital program of the Partnership with internally generated cash flow and advances under the Credit Facility.

The Trust estimates the costs associated with abandonment and reclamation costs for surface leases, wells and facilities based on previous experience and third party estimates. The abandonment costs represent 424 net wells and all abandonment costs have been included in estimating future net revenue disclosed above.

Oil and Gas Properties and Wells

For a description of the Partnershipøs material natural gas properties, plants, facilities and installations, please refer to ñDescription of the Businessò above. Additionally, production numbers below refer to expected working interest share before deduction of royalties. Unless otherwise noted, reserve amounts are stated before deduction of royalties, based on escalating cost and price assumptions as evaluated in the Reserve Report as at December 31, 2014.

The producing assets of the Partnership are in the Carson, Sneed and Roberts County areas in Texas. For an overview of the legal structure applicable to the Partnershipøs oil and gas assets, including a description of relinquishment requirements under typical oil and gas leases, please refer to ñThe Industry ï Backgroundò below. The following tables summarize the Trustøs producing and non-producing natural gas wells.

	Producing Wells	
Area	Natural Gas	
	Gross	*Net*
West Panhandle Field, Texas		
Carson Area	185	185
Sneed Area	180	180
Roberts County, Texas	21	11
Cargray Area	34	31
Garfield County, Oklahoma	8	2.4
Totals	428	409.4

	Non-Producing Wells	
Area	Natural Gas	
	Gross	*Net*
West Panhandle Field, Texas		
Carson Area	6	6
Sneed Area	25	25
Roberts County, Texas	–	–
Cargray Area	4	3
Garfield County, Oklahoma	–	-
Totals	35	34

There are no properties to which reserves have been attributed and which are capable of producing but are not producing. Additionally, there are no properties with no attributed reserves.

Forward Contracts

The nature of Paralleløs operations results in exposure to fluctuations in commodity prices, currency exchange rates and interest rates. Parallel monitors and, when appropriate, utilizes derivative financial instruments and/or physical forward delivery contracts to hedge its exposure to these risks. Paralleløs derivative contracts and/or future commitments are disclosed in its audited consolidated financial statements as at and for the year ended December 31, 2014 which can be found under the Trustøs profile on the SEDAR website at www.sedar.com.

Drilling Activity

The following table summarizes the gross and net exploration and development wells that were drilled between January 1, 2014 and December 31, 2014.

	Development Wells		Exploration Wells		Total Wells	
	Gross	*Net*	*Gross*	*Net*	*Gross*	*Net*
Oil wells	-	-	-	-	-	-
Natural gas wells	14	13.2	–	-	14	13.2
Service wells	-	-	-	-	-	-
Standing wells	-	-	-	-	-	-
Plug & Abandoned	-	-	-	-	-	-
Total	14	13.2	-	-	14	13.2

During 2015, the Trust does not plan to drill any wells unless that a sustained recovery in commodity prices is evident, which had not occurred prior to the date of this AIF.

Tax Horizon

The tax horizon as determined from a full cycle corporate model developed by Management and incorporating all applicable U.S. deductions, indicates that no material U.S. taxes are expected to be payable in respect of income attributable to the Trustôs assets for several years. Management expects to extend this period through continued capital investments and acquisitions in the U.S. No taxes are expected to be payable by the Trust in Canada as the Trust intends to distribute all of its taxable income each year to Unitholders and will not be a SIFT trust.

Costs Incurred

The following table summarizes anticipated property acquisition costs, exploration costs and development costs for the year ended December 31, 2014. The total capital costs for the period are estimated to be US$14.3 million.

Acquisition Costs (net)			
Proved Properties	Unproved Properties	Exploration Costs (net)	Development Costs (net)
(US$000)	*(US$000)*	*(US$000)*	*(US$000)*
2,549			11,203

Production Estimates

The following table discloses for each product type the gross volume of production estimated by Ryder Scott for 2015 in the estimates of gross proved reserves disclosed above under the heading ñReserves and Other Oil and Gas Information ï Disclosure of Reserves Dataò.

Region	Natural Gas	NGLs[1]	Total	%
	(Mmcf/d)	*(bbls/d)*	*(bbls/d)*	*(bbls/d)*
West Panhandle Field, Texas[2]	14.0	4,723	7,053	100%
Total	14.0	4,723	7,053	100%

(1) Represents both NGLs and condensate production.

(2) West Panhandle Field represents approximately 95% of total forecasted production. Production from the other properties is not material and is therefore not shown separately.

Production History

Average Daily Production Volumes

	Three Months Ended			
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
NGLs[1] (bbls/d)	4,221	4,659	4,975	4,748
Natural Gas (Mcf/d)	14,316	15,140	14,678	14,174
Total (boe/d)	6,607	7,183	7,422	7,110

Region	NGLs	Natural Gas	Total	%
	(boe/d)	(mcf/d)	(boe/d)	(boe/d)
West Panhandle Field, Texas[2]	4,653	14,577	7,083	100
Total	4,653	14,577	7,083	100

(1) Represents both NGLs and condensate production.

(2) The West Panhandle Field represents approximately 94% of total production, therefore, the other areas are not disclosed.

The following table summarizes Parallelôs average netbacks, by product, on a quarterly and annual basis for 2014. As the Trustôs natural gas liquids and condensate production is a byproduct of natural gas production, all of the Trustôs production is shown as ñNatural gas (including by-products)ò and shown on a per boe basis.

Natural gas (including NGL and Condensate) (US$/boe)	2014	Q4	Q3	Q2	Q1
Revenue [1]	44.05	33.61	44.49	46.33	53.71
Royalties	(8.17)	(6.31)	(8.24)	(8.70)	(9.58)
Production Tax	(1.82)	(1.39)	(1.83)	(2.05)	(2.42)
Operating expense	(7.74)	(7.75)	(7.19)	(7.97)	(8.34)
Processing Costs	(3.30)	(2.56	(2.92)	(3.17)	(4.52)
Netback	23.02	15.60	24.31	24.71	28.85

Note [1] - The Trust realized a $1.5 million loss associated with commodity price derivatives during fiscal 2014. These losses have not been reflected in the netback tables above.

DESCRIPTION OF THE TRUST

The following is a summary of certain terms of the Trust Indenture which, together with other summaries of the terms of the Trust Indenture appearing elsewhere in this Annual Information Form, are qualified in their entirety by reference to the text of the Trust Indenture. Reference is made to the Trust Indenture for a complete description of the Units and the full text of its provisions. A copy of the Trust Indenture is available on www.sedar.com.

General

The Trust is an unincorporated open-ended limited purpose trust established under the laws of the Province of Alberta on March 10, 2011 by the Trust Indenture. The Trust was established to indirectly acquire an interest in the Partnership through its acquisition of the CT Units and the CT Notes. Although it is intended that the Trust qualify as a ñmutual fund trustò under the Tax Act, the Trust is not a mutual fund under applicable securities laws.

The Trust is a limited purpose trust and the undertaking of the Trust is restricted to investing its funds in property (other than real property or interests in real property). The Trust is also restricted from holding any ñnon-portfolio propertyò as defined in the Tax Act and from taking any action, or acquiring, retaining or holding any investment or other property that would result in the Trust, the CT or the Partnership being a SIFT trust or SIFT partnership, as applicable, or the Trust not being a "mutual fund trust", each as defined in the Tax Act.

Subject to the investment restrictions contained in the Trust Indenture, including those just noted, the Trustee has the authority to deal with the Trust's property on behalf of the Trustee as if it were the beneficial owner of such property, and in particular, may:

(a) temporarily hold cash and other short term investments in connection with and for the purposes of the Trust's activities, including paying management, administration and other expenses of the Trust and paying any amounts required in connection with the redemption of Units and making distributions to Unitholders;

(b) give a guarantee on behalf of the Trust to secure performance of an obligation of another person to the extent that such guarantee would not jeopardize the Trust's status as a mutual fund trust;

(c) mortgage, hypothecate, pledge or otherwise create a security interest in all or any movable or immovable, personal or real or other property of the Trust, owned or subsequently acquired, to secure any obligation of the Trust;

(d) lend, including without limitation the loans contemplated with regard to the CT Notes and other loans to subsidiaries;

(e) enter into the Administrative Services Agreement;

(f) invest, hold shares, securities, units, beneficial interests, royalty interests, net profit interests, partnership interests, joint venture interests or other interests in any person necessary or useful to carry out the purpose of the Trust;

(g) issue or provide for the issuance of debt or equity securities of the Trust, including Units and Other Trust Securities, on such terms and conditions and at such time or times as the Trustee may determine;

(h) redeem or repurchase Units in accordance with the terms set forth in the Trust Indenture;

(i) make or cause to be made application for the listing or quotation on any stock exchange or market of any Units or Other Trust Securities, and to do all things which in the opinion of the Trustee may be necessary or desirable to effect or maintain such listing or listings or quotation;

(j) possess and exercise all the rights, powers and privileges pertaining to the ownership of CT Units and CT Notes;

(k) to the extent not prohibited by applicable law, to delegate any of the powers and duties of the Trustee to any one or more agents, representatives, officers, employees, independent contractors, subcontractors or other persons (including to the Administrator pursuant to the terms of the Administrative Services Agreement) without liability to the Trustee except as provided in the Trust Indenture; and

(l) do all such other acts and things as are necessary, useful, incidental or ancillary to the foregoing and to exercise all powers and authorities which are necessary, useful, incidental or ancillary to carry on the affairs of the Trust, to promote any purpose for which the Trust is formed and to carry out the provisions of the Trust Indenture.

Units of the Trust

The beneficial interests in the Trust are represented and constituted by one class of units described and designated as Units and Special Voting Units. An unlimited number of the Units may be issued pursuant to the Trust Indenture. The Trust may also issue an unlimited number of Other Trust Securities

Each Unit represents an equal, undivided beneficial interest in the net assets of the Trust and all Units rank equally and ratably with all of the other Units without discrimination, preference or priority. Each Unit entitles the holder to one vote at all meetings of Unitholders. As at December 31, 2014 and as at March 18, 2015, respectively, there were 55,816,517 Units issued outstanding.

Unitholders are entitled to receive non-cumulative distributions from the Trust if, as and when declared by the Trust. Units are redeemable on demand by the holders thereof, and may be purchased for cancellation by the Trust through offers made to, and accepted by, such holders. There are no other conversion, retraction, redemption or pre-emptive rights for Unitholders.

The Trust may issue an unlimited number of Special Voting Units entitling the holders thereof to such number of votes at meetings of Unitholders as may be prescribed by the Trustee or the Administrator Directors in the resolution authorizing the issuance of any such Special Voting Units. The Administrator shall determine any matter of doubt or uncertainty, which may arise with respect to any Special Voting Units regarding voting eligibility, entitlement or procedure or other matter which in the opinion of the Trustee or the Administrator is not determined by the applicable resolution or agreement relating to such Special Voting Units. Except for the right to vote at meetings of the Unitholders, the Special Voting Units shall not confer upon the holders thereof any other rights; and for greater certainty, the holders of the Special Voting Units shall not be entitled to any distributions of any nature whatsoever from the Trust or have any beneficial interest in any assets of the Trust on termination of the Trust. Special Voting Units may be issued in series and shall only be issued in conjunction with or in relation to issued Exchangeable Securities on such terms and conditions as may be determined by the Trustee or the Administrator. Each Special Voting Unit shall entitle the holder(s) of record thereof to a number of votes at all meetings of Unitholders or in respect of any written resolution of Unitholders equal to the number of Units into which the Exchangeable Securities to which such Special Voting Unit relates are, directly or indirectly, exchangeable or convertible (other than in respect of Exchangeable Securities which have been so exchanged or converted and are held by the Trust or an affiliate thereof). No Special Voting Units are issued or outstanding.

Issuance of Units

Units are to be issued only when fully paid in money, property or past services, and they are not to be subject to future calls or assessments, provided that: (a) Units may be issued for consideration payable in instalments if the Trust takes security over any such Units for unpaid instalments; and (b) the consideration for any Unit issued by the Trust shall be paid in money or in property or in past services that are not less in value than the fair equivalent of the money that the Trust would have received if the Unit had been issued for money, provided that property may include a promissory note or promise to pay given by the allottee. The Trust Indenture provides that the Units or Other Trust Securities may be created, issued, sold and/or delivered at such times, to such persons, for such consideration and on such terms and conditions as the Trustee determines, including pursuant to any Unitholder rights plan, distribution reinvestment plan, or any compensation plan established by the Trust. The authority to determine the timing and terms of future offerings of Units has been delegated by the Trustee to the Administrator. See ñDelegation to the Administratorò. Units may be issued in satisfaction of any non-cash distribution by the Trust to Unitholders on a pro rata basis. The Trust Indenture also provides that immediately after any pro rata distribution of Units to Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be automatically consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the distribution of such additional Units, subject to reduction for payment of applicable withholding taxes. In this case, each certificate representing a number of Units prior to the distribution of additional Units is deemed to represent the same number of Units after the distribution of such additional Units and the consolidation.

Limitation on Non-Resident Ownership

Under current law, a mutual fund trust may lose its status under the Tax Act as a ñmutual fund trustò if it can reasonably be considered that the trust was established or is maintained primarily for the benefit of non-residents of Canada, except in limited circumstances. Among those circumstances are that all or substantially all of the mutual fund trustôs property is not ñtaxable Canadian propertyò, as defined by the Tax Act. In the event that the Trust determines that such non-resident ownership restrictions nevertheless apply, the Trustee has various powers that can be used for the purpose of monitoring and controlling the extent of non-resident ownership of the Units.

Book Entry Only System

Except as otherwise provided below, the Units are issued in ñbook entry onlyò form and must be purchased or transferred through participants (ñ**Participants**ò) in the depositary service of CDS, which include securities brokers and dealers, banks and trust companies. Except as described below, no Unitholder is entitled to a certificate or other instrument from the Trust or CDS evidencing that holderõs ownership thereof, and no Unitholders is shown on the records maintained by CDS except through a book entry account of a Participant acting on behalf of such holder. Each purchaser acquiring a beneficial interest in the Units (a ñ**Beneficial Owner**ò) will receive a customer confirmation of purchase from the registered dealer from which the Unit is purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS is responsible for establishing and maintaining book entry accounts for its Participants having interests in the Units.

The rules governing CDS provide that it acts as the agent and depositary for the Participants. As a result, Participants must look solely to CDS and Beneficial Owners must look solely to Participants for the payment of the distributions on the Units paid by or on behalf of the Trust to CDS.

As indirect holders of Units, investors should be aware that they (subject to the situations described below): (a) may not have Units registered in their name; (b) may not have physical certificates representing their interest in the Units; (c) may not be able to sell the Units to institutions required by law to hold physical certificates for securities they own; and (d) may be unable to pledge Units as security.

If: (i) CDS resigns or is removed from its responsibilities as depositary with respect to the Units and the Trust is unable or does not wish to locate a qualified successor, or (ii) the Administrator or the Trust, at their option (including to ensure compliance with the Trustõs limitations on non-resident ownership) elects, or is required by law, to terminate the book entry system, or (iii) Unitholders representing more than $66^2/_3$% of the aggregate votes entitled to be voted at a meeting of Unitholders determine that the continuation of the book entry system is no longer in the best interests of the Unitholders, then Units will be issued in fully registered form to Unitholders or their nominees.

Transfer of Units

Units are transferable at any time and from time to time. Transfers of ownership in the Units may be effected only through records maintained by CDS or its nominee for such Units with respect to interests of Participants, and on the records of Participants with respect to interests of persons other than Participants. Unitholders who are not Participants, but who desire to purchase, sell or otherwise transfer ownership of or other interests in the Units, may do so only through Participants.

Repurchase of Securities

The Trust is entitled, from time to time, to offer to purchase Units or Other Trust Securities for cancellation at a price per security and on a basis determined by the Trustee in its discretion, but in compliance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies. The authority to determine the timing and terms of any such repurchase of Units has been delegated by the Trustee to the Administrator. Any such purchase will constitute an ñissuer bidò under Canadian provincial securities legislation and, if not exempt, must be conducted in accordance with the applicable requirements thereof.

Take-over Bids

If there is a take-over bid for all of the outstanding Units and within 120 days after the date of a take-over bid for the Units (which, depending on the terms of the take-over bid, may also include Units issuable upon conversion, exercise or exchange of Other Trust Securities), the bid is accepted by the holders of not less than 90% of the Units and, as applicable, the Units issuable upon the conversion, exercise or exchange of any relevant Other Trust Securities, taken together (collectively, the ñ**Bid Units**ò), other than Bid Units held by or on behalf of, or issuable to, the offeror or an affiliate or associate of the offeror, then the offeror is entitled to acquire the Bid Units held by persons who did not accept the take-over bid, with such acquisition to occur on the same terms on which the offeror acquired Bid Units from persons who accepted the take-over bid. The Trust Indenture does not provide a mechanism for Unitholders who do not tender their Units to a take-over bid to apply to a court to fix the fair value of their Units.

Investments

Monies or other property received by the Trust or the Trustee on behalf of the Trust may be used at any time and from time to time, for any purpose not inconsistent with the Trust Indenture.

The Trust Indenture contains investment restrictions to ensure that the Trust:

(a) complies at all times with the requirements for a ñmutual fund trustò, as defined in the Tax Act;

(b) does not take any action, or acquire or retain any investment, that would result in the Trust not being considered a ñmutual fund trustò for purposes of the Tax Act;

(c) does not take any action, or acquire, retain or hold any investment in any entity or other property that would result in the Trust or the CT being a SIFT trust or which would result in the Partnership being a SIFT partnership as defined in the Tax Act; and

(d) does not hold any ñnon-portfolio propertyò, as defined in the Tax Act.

Distributions

The Trust makes monthly distributions to Unitholders of record as of the close of business on the last business day of each month which are paid to Unitholders on or about the 23rd day of the following month or, if not a business day, the next business day thereafter. The amount of cash to be distributed on a pro rata basis per month per Unit is determined in the discretion of the Trust.

Where the Administrator, as administrator of the Trust, determines that the Trust does not have cash in an amount sufficient to make payment of the full amount of any distribution which has been declared to be payable, payment of such distribution may, at the option of the Administrator, include the issuance of additional Units, if necessary, having an aggregate value equal to the difference between the amount of such declared distribution and the amount of cash which has been determined by the Administrator to be available for the payment of such distribution. The value of each Unit which is to be issued in payment of distributions shall be the ñmarket priceò (as determined in accordance with the provisions of the Trust Indenture). Such additional Units will be issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

Payments of distributions on each Unit issued in ñbook entry onlyò form are made by the Trust to CDS or its nominee, as the case may be, as the registered owner of Units, and the Trust understands that such payments are forwarded by CDS or its nominee, as the case may be, to Participants. As long as CDS or its nominee is the registered owner of Units, CDS or its nominee, as the case may be, will be considered the sole owner of those Units for the purposes of receiving payments on those Units. The responsibility and liability of the Trust in respect of the payment of distributions in respect of the Units is limited to making payment of any income or capital in respect of those Units to CDS or its nominee.

The Trustôs ability to pay distributions to Unitholders is dependent upon the ability of the Partnership and the CT to meet their interest, principal and other distribution obligations. The Partnershipôs income is derived from the production of oil and natural gas from its U.S. resource properties and is susceptible to the risks and uncertainties associated with the oil and natural gas industry generally, and specifically in the U.S.

The CT and the Partnership are required to comply with covenants under the Credit Facility. In the event that they do not comply with covenants under the Credit Facility, the ability to make distributions to Unitholders may be restricted.

Premium Distribution™ and Distribution Reinvestment Plan

The Trust has adopted a Premium Distribution™ and Distribution Reinvestment Plan (the ñ**Plan**ò). The Plan provides eligible Unitholders with the opportunity to reinvest their monthly cash distributions in new trust Units at a 5% discount to the average market price (as defined in the Plan) on the applicable distribution payment date, which new trust Units are, at the participantôs election, either be credited to the participantôs account under the distribution reinvestment component of the Plan, or delivered to the designated Plan Broker (as defined in the Plan) in exchange for a premium cash payment to the participant equal to 102% of the reinvested distributions under the Premium Distribution^{TM} component of the Plan. Participation in the Plan by Unitholders is optional. Those Unitholders who do not enrol in the Plan still receive monthly cash distributions as declared by the Trust.

Unitholders who are resident in Canada may participate in either the distribution reinvestment component or the Premium Distribution^{TM} component of the Plan. Unless otherwise announced by the Trust, a Unitholder who is a resident of the United States or is otherwise a ñU.S. personò (as defined by the Plan) may not participate in either the distribution reinvestment component or the Premium Distribution^{TM} component of the Plan. Unitholders who are resident in any jurisdiction outside of Canada (other than the United States) may participate in the distribution reinvestment component of the Plan only if their participation is permitted by the laws of the jurisdiction in which they reside and provided that the Trust is satisfied, in its sole discretion, that such laws do not subject the Plan or any of the Trust, the Plan Agent (as defined in the Plan) or the Plan Broker to additional legal or regulatory requirements. Unless otherwise announced by the Trust, Unitholders who are not resident in Canada may not participate in the Premium Distribution^{TM} component of the Plan. The amount of any distributions to be reinvested under the Plan on behalf of Unitholders who are not residents of Canada will be reduced by the amount of any applicable non-resident withholding tax.

The Trust reserves the right to limit the amount of new equity available under the Plan on any particular distribution payment date. No assurances can be made that new trust Units will be made available under the Plan on a monthly basis, or at all. Accordingly, participation may be prorated in certain circumstances. If on any distribution payment date the Trust determines not to issue any equity under the Plan, or the availability of new trust Units is prorated in accordance with the terms of the Plan, then participants will be entitled to receive from the Trust the full amount of the regular distribution for each trust Unit in respect of which the distribution is payable but cannot be reinvested under the Plan in accordance with the applicable election.

Materials relating to the Plan are available on the Trustôs website at www.parallelenergy.ca or by contacting the Trust by phone at (403) 781-7895 or by mail at 840, 517 ï 10th Avenue SW, Calgary, Alberta, T2R 0A8.

Redemption at the Option of Unitholders

Units are redeemable at any time and from time to time on demand by the Unitholders thereof upon delivery to the Trust at its head office and to CDS (if a global unit certificate has been issued by the Trust) of a duly completed and properly executed notice, in a form reasonably acceptable to the Trustee, requesting redemption, together with written instructions as to the number of Units to be redeemed and together with the certificates, if any, representing Units to be redeemed (if a global unit certificate has not been issued by the Trust). Upon tender of Units by a Unitholder for redemption, all rights to and under the Units tendered for redemption shall immediately cease, provided that the Unitholder thereof shall retain the right to receive distributions thereon which have been declared payable to Unitholders of record prior to the date of tender for redemption (the ñ**Redemption Date**ò) and the right to receive a price per Unit (the ñ**Redemption Price**ò) in cash equal to the lesser of: (i) 90% of (a) the volume weighted average trading price of a Unit traded on the principal stock exchange on which the Units are listed (or, if the Units are not listed on any such exchange, on the principal market on which the Units are quoted for trading) during the period of the last 10 trading days ending immediately prior to the Redemption Date; (b) if the applicable exchange or market does not provide information necessary to compute a volume weighted average trading price, an amount equal to the volume weighted average of the closing prices of a Unit for each of the last 10 trading days occurring immediately prior to the Redemption Date on which there was a closing price; provided that if the applicable exchange or market does not provide a closing price, but only provides the highest and lowest prices of the Units traded on a particular day, the price shall be an amount equal to the volume weighted average of the average of the highest and lowest prices for each of the trading days on which there was a trade; and (c) if there was trading on the applicable market or exchange for fewer than five of the 10 trading days occurring immediately prior to the Redemption Date, the volume weighted average of the following prices established for each of the 10 trading days: (1) the average of the last bid and last asking prices for each day on which there was no trading; (2) the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and (3) the average of the highest and lowest prices of the Units for each day that there was trading, if the exchange or market provides only the highest and lowest prices of Units traded on a particular day; and (ii) an amount equal to 100% of the (a) volume weighted average trading price of a Unit on the Redemption Date, on the principal stock exchange on which Units are listed (or, if the Units are not listed on any such exchange, on the principal market on which the Units are quoted for trading) if the applicable exchange or market provides information necessary to compute a volume weighted average trading price on such date; (b) the closing price of a Unit if there was a trade on the Redemption Date, and the exchange or market provides only a closing price; (c) simple average of the highest and lowest prices of Units on the Redemption Date if there was trading on such date and the exchange or market provides only the highest and lowest trading prices of Units traded on a particular day; or (d) simple average of the last bid and the last asking prices of the Units on the Redemption Date if there was no trading on such date.

The aggregate Redemption Price payable by the Trust in respect of any Units tendered for redemption during any month shall be paid by cheque drawn on a Canadian chartered bank or trust company in lawful money of Canada payable to the Unitholder who exercised the right of redemption, on or before the fifth business day after the end of the calendar month following the calendar month in which the Units were tendered for redemption; provided that Unitholders shall not be entitled to receive cash upon the redemption of their Units if: (i) the total amount payable by the Trust in respect of such Units and all other Units tendered for redemption in the same month exceeds $100,000 (provided that such limitation may be waived at the discretion of the Trustee); (ii) at the time such Units are tendered for redemption, the outstanding Units are not listed for trading on the TSX and are not traded or quoted on any other stock exchange or market which the Trustee considers, in its discretion, provides representative fair market value prices for the Units; (iii) the normal trading of Units is suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10 trading-day period immediately prior to the Redemption Date; or (iv) the Trust or any affiliate of the Trust (including the Partnership) is, or after such redemption would be, in default under the Credit Facility or any other agreements entered into by the Trust or any of its affiliates, from time to time, which set forth the terms and conditions of any debt financing obtained by the Trust, or by any one of its affiliates (as the case may be), from any person or persons not affiliated with the Trust (and for further certainty, shall include all agreements pertaining to issuances of debentures or other debt securities to the public).

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the limitations set forth in the immediately preceding paragraph, then the redemption price for each Unit tendered for redemption shall be equal to the fair market value of a Unit as determined by the Trustee, in its discretion, and shall, subject to all necessary regulatory approvals, be paid and satisfied by way of a distribution *in specie* of Trust Property which may include CT Notes or other Trust Property (other than the CT Units), as determined by the Trustee in its discretion. Any CT Notes so distributed shall be in the principal amount of $100. No fractional CT Notes may be distributed and where the number of CT Notes to be received by a Unitholder includes a fraction, such number shall be rounded to the next lowest whole number. To the extent that the Trust does not hold CT Notes or other Trust Property (other than CT Units) having a sufficient amount outstanding to effect payment in full of the *in specie* redemption price, the Trust may effect such payment by issuing unsecured subordinated promissory notes containing terms and conditions substantially similar to the CT Series 2 Notes and having an aggregate principal amount equal to any shortfall.

It is anticipated that the redemption right will not be the primary mechanism for Unitholders to dispose of their Units. The CT Notes and other assets of the Trust which may be distributed *in specie* to Unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in the CT Notes or in the other assets of the Trust. The CT Notes and other Trust Property so distributed are expected to be subject to resale restrictions under applicable securities laws and are not expected to be qualified investments for Registered Plans.

Trustee

Computershare is the Trustee and the transfer agent and registrar for the Units. Subject to the express limitations contained in the Trust Indenture and any grant of certain powers to the Administrator, as administrator of the Trust, the Trustee has full, absolute and exclusive power, control and authority over the Trust Property and over the affairs of the Trust to the same extent as if the Trustee were the sole and absolute beneficial owner of the Trust Property in its own right, and to do all such acts and things as in its discretion are necessary or incidental to, or desirable for, the carrying out of the duties of the Trust created pursuant to the Trust Indenture. The Trustee has no obligation to Unitholders beyond the obligations set out in the Trust Indenture, except as may be mandated by law.

The Trust Indenture provides that the Trustee must discharge its duties honestly, in good faith and in the best interests of the Trust and the Unitholders and in connection therewith, exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances.

Except as expressly prohibited by law, the Trustee may in its discretion delegate the execution of certain of its authority and powers to the Administrator, as the administrator of the Trust, pursuant to the terms of the Administrative Services Agreement. The Trustee may in its discretion also delegate the execution of certain of its authority and powers to such other persons as is necessary or desirable to carry out and effect the actual management and administration of the duties of the Trustee under the Trust Indenture without regard to whether such authority is normally delegated by trustees. See ñDescription of the Trust ï Delegation to the Administratorò.

The Trustee is entitled to make any reasonable decisions, designations or determinations not contrary to the Trust Indenture which it may determine are necessary or desirable in interpreting, applying or administering the Trust Indenture, or in administering, managing or operating the Trust. Any Trusteeôs decisions, designations or determinations made pursuant to the Trust Indenture shall be conclusive and binding upon the Trust and the Unitholders.

The Trustee may resign as Trustee by giving to the Administrator, in its capacity as administrator of the Trust, not less than 90 daysô prior written notice, unless the Administrator agrees to a shorter period of notice. The Trustee may be removed at any time with or without cause by Ordinary Resolution. The Trustee may also be removed at any time by the Administrator, in its capacity as administrator of the Trust, by notice in writing to the Trustee upon the occurrence of certain events, including where the Trustee is declared bankrupt or insolvent or enters into liquidation to wind up its affairs, all of its assets (or a substantial part thereof) are subject to seizure or confiscation, it becomes incapable or refuses to perform its responsibilities under the Trust Indenture, or the Trustee at any time ceases (i) to be incorporated under the laws of Canada or a province thereof, (ii) to be resident in Canada for the purposes of the Tax Act, or (iii) to be authorized and registered under the laws of the Province of Alberta to carry on the business of a trust company.

Any resignation or removal of the Trustee will take effect on the date upon which the last of the following occurs (i) a successor Trustee is appointed or elected pursuant to the Trust Indenture, and (ii) the new successor Trustee has accepted such election or appointment and has legally and validly assumed all obligations of the Trustee under the Trust Indenture. If no successor Trustee has been appointed or elected within 60 days of notice being given by the Trustee of its resignation, approval of an Ordinary Resolution to remove the Trustee, or the giving of notice by the Administrator to remove the Trustee, as the case may be, any Unitholder, the Trustee, the Administrator or any other interested person may apply to a court of competent jurisdiction for the appointment of a successor trustee.

Upon the taking effect of any resignation or removal of the Trustee under the terms of the Trust Indenture, the Trustee shall cease to be a party to the Administrative Services Agreement and the Voting Agreement.

The Trust Indenture provides that the Trustee shall be entitled to rely on and shall have no liability to any Unitholder, holder of Other Trust Securities, or any person for acting or failing to act, in good faith, in relation to any matter relating to the Trust where such action or failure is based upon, statements from, the opinion or advice of, or information from auditors, counsel or any valuator, engineer, surveyor or appraiser where it is reasonable to conclude that the matter in respect of which such statements are made, or opinion or advice given, ought to be within the expertise of such advisor or expert, provided that with respect to advisors and experts, the Trustee has satisfied its standard of care in selecting such advisors and experts. The Trustee shall have no liability whatsoever to any Unitholder or holder of Other Trust Securities for any obligation, liability or claim arising in connection with, directly or indirectly, the Trust Property or the conduct and undertaking of the affairs of the Trust, including (i) any action or failure to act by the Trustee in respect to its duties, responsibilities, powers, authorities and discretion under the Trust Indenture (including failure to compel in any way any trustee to redress any breach of trust or any failure of the Administrator to perform its duties under, or delegated to it under, the Trust Indenture, the Administrative Services Agreement or any other contract), (ii) any error in judgment, (iii) any matters pertaining to the administration or termination of the Trust, (iv) any environmental liabilities, (v) any action or failure to act by the Administrator or any other person to whom the Trustee has, as permitted by the Trust Indenture, delegated any of its duties, and (vi) any depreciation of, or loss to, the Trust incurred by reason of the retention or sale of any Trust Property; unless such liabilities arise from or out of the willful misconduct, fraud or gross negligence of the Trustee or the breach by the Trustee of its standard of care under the Trust Indenture. Where the Trustee is held liable to any person in circumstances or its property or assets are subject to levy, execution or other enforcement resulting in personal loss to the Trustee where there is to be no liability on the Trustee on the basis just described, the Trustee shall be indemnified out of the Trust Property to the full extent of such liability and the costs of any action, suit or proceeding or threatened action, suit or proceeding, including without limitation, reasonable legal fees and disbursements. The Trust Indenture also contains other customary provisions limiting the liability of the Trustee.

Certain Restrictions on Trustee's Powers

The Trust Indenture provides that a change to the Administrative Services Agreement or any extension thereof (which includes any increase in fees or other amounts payable by the Trust or its affiliates thereunder) and the terms of any agreement entered into by the Trust or its affiliates with the Administrator or any affiliate of the Administrator, must be approved by a majority of the Administrator Directors.

The Trust Indenture further provides that the Trustee may not, without approval of Unitholders by Ordinary Resolution, (i) vote the CT Units with respect to any matter which, under the CT Trust Indenture, requires or permits approval of the holders of the CT Units by Ordinary Resolution, (ii) instruct on the voting of any share of the Administrator pursuant to the Voting Agreement for the appointment of Administrator Directors by the Unitholders, or (iii) appoint or change the auditors of the Trust, except in the event of a voluntary resignation of such auditors, acting reasonably.

In addition, the Trust Indenture provides that the Trustee may not, without approval of Unitholders by Special Resolution, (i) vote the CT Units with respect to any matter which, under the CT Trust Indenture, requires or permits approval by the holders of the CT Units by Special Resolution, (ii) amend the Trust Indenture, except as permitted by the Trust Indenture (as described under ñAmendments to the Trust Indentureò below), (iii) sell, lease or exchange all or substantially all of the Trust Property, other than (a) pursuant to *in specie* redemptions permitted under the Trust Indenture, (b) in order to acquire the CT Units and the CT Notes in connection with pursuing the purpose of the Trust and completing the transactions described herein, (c) in conjunction with an internal reorganization involving the sale, lease, exchange or other transfer of the Trust Property (whether or not involving all or substantially all of the Trust Property) as a result of which the Trust has substantially the same interest, whether directly or indirectly, in the Trust Property that it had prior to the reorganization and, for greater certainty, such reorganization includes an amalgamation, arrangement or merger of the Trust and its affiliates with any entities; or (d) authorize the termination, liquidation or winding up of the Trust, other than at the end of the term of the Trust.

Amendments to the Trust Indenture

Except where otherwise specifically provided in the Trust Indenture, such indenture may only be amended or altered by Special Resolution. The Trustee is entitled, at its discretion (which discretion has been delegated to the Administrator) and without the approval of the Unitholders, to make amendments to the Trust Indenture at any time for any of the following purposes: (i) ensuring the Trust continues to comply with applicable laws, regulations, requirements or policies of any governmental or regulatory authority having jurisdiction over the Trustee or the Trust; (ii) providing, in the opinion of the Trustee, additional protection for the Unitholders or to obtain, preserve or clarify the provision of desirable tax treatment to Unitholders; (iii) making amendments which, in the opinion of the Trustee, are necessary or desirable in the interests of the Unitholders as a result of changes in taxation laws or in their interpretation or administration; (iv) making corrections, or removing or curing any conflicts or inconsistencies between the provisions of the Trust Indenture or any supplemental indenture, and any other agreement to which the Trust is a party, or any applicable law or regulation of any jurisdiction, or any prospectus filed with any governmental or regulatory authority with respect to the Trust, provided that, in the opinion of the Trustee, based on the advice of counsel, in each case, the rights of the Unitholders are not materially prejudiced thereby; (v) providing for the electronic delivery by the Trust to Unitholders of documents relating to the Trust (including annual and quarterly reports, including financial statements, notice of Unitholderôs meetings and information circulars and proxy related materials) at such time as applicable securities laws have been amended to permit such electronic delivery in place of normal delivery procedures, provided that such amendments are not contrary to or do not conflict with such laws; (vi) curing, correcting or rectifying any ambiguities, defective or inconsistent provisions, errors, mistakes or omissions, provided that, in the opinion of the Trustee, based on the advice of counsel, the rights of the Unitholders are not materially prejudiced thereby; (vii) making amendments as are required to undertake an internal reorganization involving the sale, lease, exchange or other transfer of the Trust Property the result of which the Trust has substantially the same interest, whether direct or indirect, in the Trust Property that it had prior to the reorganization and, for greater certainty, includes an amalgamation, arrangement or merger of the Trust and its affiliates with any entities; and (viii) making amendments for any purpose provided that in the opinion of the Trustee, based on the advice of counsel, the rights of Unitholders are not materially prejudiced thereby.

No amendment may be made to the to modify the voting rights attributable to Units or to reduce the fractional undivided beneficial interest in the Trust Property represented by any Unit without obtaining the consent of the holder of such Unit.

Rights of Unitholders

The rights of the Unitholders are established by the Trust Indenture. A Unitholder of the Trust has all of the material protections, rights and remedies a shareholder of a corporation would have under the ABCA, except as described below.

Many of the provisions of the ABCA respecting the governance and management of a corporation have been incorporated in the Trust Indenture. For example, Unitholders are entitled to exercise voting rights in respect of their holdings of Units in a manner comparable to shareholders of an ABCA corporation, including to elect Administrator Directors and to appoint auditors. The Trust Indenture also includes provisions modeled after comparable provisions of the ABCA dealing with the calling and holding of meetings of Unitholders, the quorum for and procedures at such meetings and the right of Unitholders to participate in the decision-making process where certain fundamental actions are proposed to be undertaken. Unlike shareholders of an ABCA corporation, Unitholders do not have a comparable right to make a unitholder proposal at a general meeting of the Trust. The matters in respect of which Unitholder approval is required under the Trust Indenture are generally less extensive than the rights conferred on the shareholders of an ABCA corporation, but effectively extend to certain fundamental actions that may be undertaken by the Trust and its subsidiary entities. These Unitholder approval rights are supplemented by provisions of applicable securities laws that are generally applicable to issuers (whether corporations, trusts or other entities) that are ñreporting issuersò or the equivalent or listed on the TSX. The Trust Indenture was amended in 2014, with approval of the Unitholders, to provide for advance notice requirements with respect to the nomination of Administrator Directors.

Unitholders do not have recourse to a dissent right under which shareholders of an ABCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, a continuance under the laws of another jurisdiction, the sale of all or substantially all of its property, a going private transaction or the addition, change or removal of provisions restricting (i) the business or businesses that the corporation can carry on, or (ii) the issue, transfer or ownership of shares). As an alternative, Unitholders seeking to terminate their investment in the Trust are entitled to redeem their Units, as described under ñDescription of the Trust ï Redemption at the Option of Unitholdersò. Unitholders similarly do not have recourse to the statutory oppression remedy that is available to shareholders of an ABCA corporation where the corporation undertakes actions that are oppressive, unfairly prejudicial or disregarding the interests of securityholders and certain other parties.

Shareholders of an ABCA corporation may apply to a court to order the liquidation and dissolution of the corporation in those circumstances, whereas Unitholders can rely only on the general provisions of the Trust Indenture which permit the winding up of the Trust with the approval of a Special Resolution of the Unitholders. Shareholders of an ABCA corporation may also apply to a court for the appointment of an inspector, subject to court oversight and other investigative procedures, to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. By virtue of the right to requisition a meeting of Unitholders, the Trust Indenture allows Unitholders to call meetings to consider the appointment or removal of the Trustee and the Administrator Directors, but does not specifically contemplate the appointment of an inspector. The ABCA also permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its subsidiaries, with the leave of a court. The Trust Indenture does not include a comparable right of the Unitholders to commence or participate in legal proceedings with respect to the Trust. The protections, rights and remedies available to a Unitholder are described in the Trust Indenture. See ñRisk Factors ï Risks Relating to the Trustõs Structure and Ownership of Unitsò. The above-mentioned protections, rights and remedies are contained in the Trust Indenture, a copy of which is available at www.sedar.com.

Meetings of Unitholders

The Trust Indenture provides that there shall be an annual meeting of the Unitholders immediately prior to, and at the same place as, each annual meeting of holders of the CT Units and common shares of the Administrator for the purpose of: (i) presentation of the financial statements of the Trust for the immediately preceding fiscal year; (ii) appointing the auditors of the Trust for the ensuing year; (iii) transacting such other business as the Trustee may determine or as may be properly brought before the meeting; and (iv) directing and instructing the Trustee as to the manner in which the Trustee shall vote, at the annual meeting of the holders of CT Units which is to immediately follow the annual meeting of Unitholders, the CT Units held by the Trust; and (v) electing the Administrator Directors.

The Trust Indenture provides that special meetings of Unitholders may be convened at any time and for any purpose by the Trustee or the Administrator (so long as the Trust holds any CT Units) and must be convened, except in certain circumstances, if requisitioned in writing by the Unitholders representing not less than 20% of all votes entitled to be voted at a meeting of Unitholders. A requisition is required to state in reasonable detail the business proposed to be transacted at the meeting.

Unitholders may attend and vote at all meetings of the Unitholders either in person or by proxy. A proxyholder will not be required to be a Unitholder. Two or more persons present in person and being Unitholders or representing, by proxy, Unitholders who hold in the aggregate not less than 10% of all votes entitled to be voted at a meeting of Unitholders shall constitute a quorum for the transaction of business at all such meetings. At any meeting at which a quorum is not present within 30 minutes after the time fixed for the holding of such meeting, the meeting, if convened upon the requisition of the Unitholders, shall be terminated, but in any other case, the meeting will stand adjourned to a day not less than 14 days later and to a place and time as determined by the chairman of the meeting and if at such adjourned meeting a quorum is not present, the Unitholders present either in person or by proxy shall be deemed to constitute a quorum.

Every question submitted to a meeting, other than questions to be decided by Special Resolution, shall, unless a poll vote is demanded, be decided by a show of hands on which every person present and entitled to vote shall be entitled to one vote. On a poll vote at any meeting of Unitholders, each Unit shall entitle the holder thereof to one vote.

The Trust Indenture contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Unitholders.

Information and Reports

The Administrator, as administrator of the Trust, furnishes to Unitholders, in accordance with applicable securities laws, all financial statements of the Trust (including quarterly and annual financial statements and certifications) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholderǿs tax returns under the Tax Act and equivalent provincial legislation.

Each voting Unitholder has the right to obtain, on demand and without fee, from the head office of the Trust a copy of the Trust Indenture and any amendments thereto, and is entitled to examine a list of Unitholders, subject to providing an affidavit to the Administrator, as administrator of the Trust, similar to the affidavit required under the ABCA for a shareholder to obtain a list of shareholders.

Prior to each meeting of Unitholders, the Administrator, as administrator of the Trust, will provide to the Unitholders (along with notice of the meeting) all information, together with such certifications, as are required by applicable law and by the Trust Indenture to be provided to Unitholders.

Term of the Trust

The Trust has been established for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on March 10, 2011. The termination or winding-up of the Trust may also be effected by passage of a Special Resolution authorizing the same.

Delegation to the Administrator

Under the terms of the Trust Indenture, the Trustee is authorized to delegate any of the powers and duties granted to it (to the extent not prohibited by law) to any person as the Trustee may deem necessary or desirable. The Trustee has delegated many of its powers and duties to the Administrator, as administrator of the Trust, pursuant to the terms of the Administrative Services Agreement. Among other things, the Administrative Services Agreement sets forth all of the rights, restrictions and limitations (including, without limitation, limitations of liability and indemnification rights) which pertain to the performance by the Administrator of the duties delegated to it by the Trustee. Pursuant to the terms of the Trust Indenture, those rights, restrictions and limitations also apply in all respects to the Administrator, as administrator of the Trust, in the exercise and performance by it of all powers, duties and authorities conferred upon or delegated to the Administrator under the terms of the Trust Indenture. In the event of a termination of the Administrative Services Agreement, the Trustee will, until a successor administrator is appointed, perform the duties otherwise to have been performed by the Administrator under the Administrative Services Agreement and the Trust Indenture on the same terms and conditions as they were performed by the Administrator. The Trust Indenture provides that the Trustee shall have no liability to any Unitholder as a result of the delegation by the Trustee of its powers and duties to the Administrator.

In performing the duties delegated to it, the Administrator must exercise its power and carry out its function honestly, in good faith and in the best interests of the Trust and is also be obligated to exercise that degree of care, diligence and skill as would be exercised, in Canada, by a reasonably prudent person having responsibilities of a similar nature to those under the Administrative Services Agreement in comparable circumstances. The Administrator Directors will be indemnified by the Trust in respect of their activities on behalf of the Trust, as referred to above, unless the Administrator Directors act in a manner which is fraudulent, grossly negligent or in willful default of their duties.

Power of Attorney

Upon becoming a Unitholder, each Unitholder, pursuant to the terms of the Trust Indenture, grants to the Trustee a power of attorney constituting the Trustee, with full power of substitution, as the true and lawful attorney of such Unitholder to act on his behalf, with full power and authority in his name, place and stead, to execute, swear to, acknowledge, deliver, make, file or record (and to take all requisite action in connection with such matters), when, as and where required: (i) the Trust Indenture and any other instrument required or desirable to qualify, continue and keep in good standing the Trust as a ñmutual fund trustò under the Tax Act in all jurisdictions that the Trustee deems appropriate and to ensure that the Trust is not a ñSIFT trustò under the Tax Act in all jurisdictions that the Trustee deems appropriate; (ii) any instrument, deed, agreement or document in connection with carrying on the affairs of the Trust as authorized in the Trust Indenture, including all conveyances, transfers and other documents required in connection with any disposition of Units; (iii) all conveyances, transfers and other documents required in connection with the dissolution, liquidation or termination of the Trust; (iv) any and all elections, determinations or designations whether jointly with third parties or otherwise, under the Tax Act or any other taxation or other legislation or similar laws of Canada or of any other jurisdiction in respect of the affairs of the Trust or of a Unitholderôs interest in the Trust; (v) any instrument, certificate and other documents necessary or appropriate to reflect and give effect to any duly authorized amendment to the Trust Indenture; and (vi) all transfers, conveyances and other documents required to facilitate the acquisition of Units or Other Trust Securities of non-tendering offerees in the event of a take-over bid.

Each Unitholder is agreeing that the power of attorney is, to the extent permitted by applicable law, irrevocable, is a power coupled with an interest, and shall survive the death, mental incompetence, disability and any subsequent legal incapacity of the Unitholder and shall survive the assignment by the Unitholder of all or part of the Unitholderôs interest in the Trust and will extend to and bind the heirs, executors, administrators and other legal representatives and successors and assigns of the Unitholder. Each Unitholder agrees to be bound by any representations or actions made or taken by the Trustee pursuant to the power of attorney and waive any and all defences which may be available to contest, negate or disaffirm any actions taken by the Trustee in good faith under the power of attorney.

DESCRIPTION OF THE COMMERCIAL TRUST

The CT Trust Indenture contains provisions substantially similar to those of the Trust Indenture. The principal differences between the CT Trust Indenture and the Trust Indenture are described below. The description below is a summary only and is qualified in its entirety by reference to the full text of the CT Trust Indenture and the Trust Indenture. A copy of the CT Trust Indenture is available on SEDAR at www.sedar.com.

General

The CT is an unincorporated trust established under the laws of the Province of Alberta on March 10, 2011 by the CT Trust Indenture. The CT was created to acquire and hold a 99.999% interest in the Partnership, with the remaining 0.001% held by the GP, a wholly-owned subsidiary of the CT. The CTõs activities are restricted to the direct or indirect operation of energy related businesses, including through the ownership of an interest in the Partnership, provided that the CT: (i) shall not take any action, or acquire or retain any investment or other property that would result in the Trust or the CT being a ñSIFT trustò or which would result in the Partnership being a ñSIFT partnershipò as defined in the Tax Act; and (ii) does not hold any ñnon-portfolio propertyò, as defined in the Tax Act.

Units of the CT

The beneficial interest in the CT is represented and constituted by one class of units, the CT Units. An unlimited number of the CT Units are authorized for issuance pursuant to the CT Trust Indenture. The CT Units are to be issued only when fully paid in money, property or past services and are not to be subject to future calls or assessments. It is anticipated that the Trust will always be the sole holder of the CT Units. The CT Unitholders are entitled to participate equally with respect to any and all distributions if, as and when declared in accordance with the provisions of the CT Trust Indenture.

On the liquidation or termination of the CT or other distribution of assets of the CT among the CT Unitholders for the purpose of winding up the affairs of the CT, each CT Unit will entitle the holder to participate equally with respect to the distribution of the remaining assets of the CT after payment of its debts, liabilities and liquidation or termination expenses. Except as set out immediately above, and as set forth below under ñRedemption of the CT Unitsò, there are no conversion, retraction, redemption, repurchase, or pre-emptive rights attaching to the CT Units.

Governance

The trustee of the CT is the Administrator. The Administrator Directors are appointed from time to time by the Unitholders of the Trust pursuant to the terms of the Voting Agreement.

The CT Trust Indenture provides that the Administrator must exercise its power and carry out its function as CT Trustee honestly, in good faith and in the best interest of the CT and CT Unitholders. Additionally, the CT Trustee must exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in the circumstances.

Acquisitions and Investments

Monies or other property received by the CT or the Administrator on behalf of the CT may be used for any purpose, activity or undertaking not inconsistent with the CT Trust Indenture.

Distributions

The distributable cash of the CT is an amount determined in the discretion of the CT Trustee and is derived exclusively from distributions on the interest in the Partnership owned by the CT. The CT makes monthly cash distributions to the Trust in conjunction with the monthly distributions made by the Trust to the Unitholders after satisfaction of its interest obligations and other obligations. The description of the distributable cash of the CT is substantially similar to that of the Trust.

Redemption of the CT Units

The CT Units are redeemable at any time on demand by any CT Unitholder upon delivery to the CT of a duly completed and properly executed notice requiring the CT to redeem the CT Units, in a form reasonably acceptable to the Administrator Directors, together with the certificates representing the CT Units to be redeemed and written instructions as to the number of the CT Units to be redeemed. Upon tender of the CT Units by any CT Unitholder for redemption, the tendering CT Unitholder will no longer have any rights with respect to such CT Units other than the right to receive the redemption price for such CT Units and the right to receive distributions in respect of such CT Units which have been declared payable to holders of record on a date prior to the date of tender for redemption. The redemption price for each CT Unit tendered for redemption is equal to:

$$\frac{(A \text{ X } B) \text{ ï } C}{D}$$

where:

A = the cash redemption price per Unit calculated as of the close of business on the date the CT Units were so tendered for redemption by the CT Unitholder;

B = the aggregate number of Units outstanding as of the close of business on the date the CT Units were so tendered for redemption by the CT Unitholder;

C = the aggregate unpaid principal amount of the CT Notes owned by the Trust, taking into account all accrued but unpaid interest thereon, any other indebtedness of, or liabilities owed by, the CT to the Trust, and the fair market value of all other assets or investments owned by the Trust (other than the CT Units and the CT Notes), as of the close of business on the date the CT Units were so tendered for redemption by the CT Unitholder; and

D = the aggregate number of the CT Units outstanding as of the close of business on the date the CT Units were so tendered for redemption by the CT Unitholder.

The CT may also call for redemption, at any time, all or any part of the outstanding CT Units registered in the name of holders thereof (other than those registered in the name of the Trust) at the same redemption price as described above for each CT Unit called for redemption, calculated with reference to the date the Administrator Directors approved the redemption of the CT Units as opposed to the close of business on the date the CT Units are tendered for redemption.

The aggregate redemption price payable by the CT in respect of any CT Units tendered for redemption by the holders thereof during any month shall be satisfied, at the option of the Administrator Directors (i) by cheque in immediately available funds, (ii) by the issuance, to or to the order of the holder whose CT Units are to be redeemed, of such aggregate principal amount of the CT Series 2 Notes as is equal to the aggregate redemption price payable to such CT Unitholder rounded down to the nearest $100, with the balance of any such aggregate redemption price not paid in the CT Series 2 Notes to be paid by cheque in immediately available funds; or (iii) by any combination of cash and the CT Series 2 Notes as the Administrator Directors shall determine in their discretion, in each such case payable or issuable on or before the fifth business day of the calendar month following the calendar month in which the CT Units were so tendered for redemption. A CT Unitholder whose CT Units are so tendered for redemption may elect, at any time prior to the payment of the redemption price, to receive the CT Series 2 Notes pursuant to subparagraph (ii) above in the place of all or part of the cash otherwise payable, with the principal amount of such CT Series 2 Notes to be equal to the amount of cash otherwise payable rounded down to the nearest $100. In the case of the CT Units called for redemption by the CT, the aggregate redemption price payable by the CT to the CT Unitholders whose CT Units have been so called for redemption shall be satisfied by payment by cheque, in immediately available funds.

The CT Notes

Following is a summary of the material attributes and characteristics of the CT Notes. This summary is qualified in its entirety by reference to the provisions of the CT Note Indenture. A copy of the CT Note Indenture is available on SEDAR at www.sedar.com.

CT Notes are issuable in series under the CT Note Indenture. CT Series 2 Notes are reserved by the CT to be issued exclusively to holders of CT Units as full or partial payment of the redemption price of CT Units, as the CT Trustee may decide or, in certain circumstances, be obliged to issue.

Interest and Maturity

Except as described below, the CT Series 1 Notes bear interest at 11%, payable monthly, in arrears, with such payment to be made on the last business day of each calendar month or such earlier date as the principal balance outstanding and all accrued and unpaid interest is payable by the CT to the holder of the CT Series 1 Notes. The CT Series 1 Notes will mature on April 21, 2021, subject to extension as described below, with mandatory repayments of one-tenth of the principal amount outstanding under the CT Series 1 Notes occurring annually over a five year period with the first principal payment due no later than the end of the sixth year of the term of the CT Series 1 Notes, with the balance of the principal amount outstanding under the CT Series 1 Notes being payable in full at maturity. At the option of the Trust, the maturity date of the CT Series 1 Notes may be extended for an additional five year period (the ñ**Extension**ò) with repayment of one-fifth of the remaining principal amount outstanding under the CT Series 1 Notes occurring annually at the end of each year of the extended five year period. Interest payable during the Extension on the CT Series 1 Notes shall be adjusted by the Trust and the CT to reflect a market rate of interest during the Extension. During the first five years of their term, the CT is permitted to repay all or any portion of the principal amount outstanding under the CT Series 1 Notes at any time, together with accrued and unpaid interest and a make-whole amount calculated in accordance with the terms of the CT Indenture. During the second five years of their term, the CT will be permitted to pay all, or any portion, of the principal amount outstanding under the CT Series 1 Notes at any time, together with accrued and unpaid interest and a prepayment penalty calculated in accordance with the terms of the CT Indenture.

Each CT Series 2 Note will mature on a date determined at the time of issuance (provided that in no event shall the maturity date be set at a date subsequent to the first business day following the 5th anniversary of the date of issuance of such note) and bear interest at a market rate of interest determined at the time of issuance, in each case as determined by the CT Trustee, and the interest shall be payable monthly, in arrears, with such payment to be made on the last business day of each calendar month following the month to which such payment relates. Generally, the CT Series 2 Notes shall be repayable at the option of CT prior to maturity.

Payment upon Maturity

Except as described above and as otherwise provided under the CT Note Indenture, on maturity the CT will repay the CT Notes by paying to the CT Trustee the principal amount of the outstanding CT Notes which have then matured, together with accrued and unpaid interest thereon.

Additional Covenant

The CT Indenture requires the CT to ensure that the consolidated indebtedness of the CT (including amounts outstanding under the Credit Facility) does not at any time exceed approximately 65% of the consolidated capitalization of the CT (the ñ**Covenant**ò). Repayments of the principal amount CT Series 1 Notes made by the CT to ensure that the CT remains in compliance with the Covenant shall not be subject to the additional payment of any make-whole amount or any prepayment penalty.

Subordination/Security

Payment of the principal amount and interest on the CT Notes is subordinated in right of payment to the prior payment in full of the principal of and accrued and unpaid interest on, and all other amounts owing in respect of, all senior indebtedness, which is defined as all indebtedness, liabilities and obligations of the CT that, by the terms of the instrument creating or evidencing the same, is not expressed to rank in right of payment in subordination to or *pari passu* with the indebtedness evidenced by the CT Notes. The CT Note Indenture provides that upon any distribution of the assets of the CT in the event of any dissolution, liquidation, reorganization or other similar proceedings relative to the CT, the holders of all such senior indebtedness will be entitled to receive payment in full before the holders of the CT Notes are entitled to receive any payment.

The CT Series 2 Notes rank prior to the CT Series 1 Notes. The CT Series 2 Notes issued under the Note Indenture rank *pari passu* with one another, provided, however, that the principal and interest, if any, may be payable at different times for the CT Series 2 Notes where the CT Series 2 Notes within such series are issued at different times in accordance with the tenor of such CT Series 2 Notes.

Default

The CT Note Indenture provides that any of the following shall constitute an event of default: (i) default in payment of the principal of the CT Notes when the same becomes due and the continuation of such default for a period of 10 business days; (ii) default in payment of any interest due on any CT Notes and continuation of such default for a period of 15 business days; (iii) default in the observance or performance of any other covenant or condition of the CT Note Indenture and continuance of such default for a period of 30 days after notice in writing has been given by the holder(s) of the CT Notes specifying such default and requiring the CT to rectify the same; (iv) if there occurs, with respect to any issue of indebtedness of the CT having an outstanding principal amount of $10 million or more, an event of default that has caused the holder thereof to declare such indebtedness to be due and payable prior to its maturity and such indebtedness has not been discharged in full or such acceleration has not been rescinded or annulled within 30 days of such acceleration; and (v) certain events of dissolution, liquidation, reorganization or other similar proceedings relative to the CT.

DESCRIPTION OF THE PARTNERSHIP

General

The Partnership is a limited partnership formed under the laws of the State of Delaware on April 12, 2011 and governed by the LP Agreement. The Partnership has been created to initially acquire the a working interest in the West Panhandle Field. The business of the Partnership is such businesses and activities as the directors of the GP, as general partner, may determine and as may be contemplated by this Annual Information Form. The following is a summary of the material attributes and characteristics of the Partnership and certain provisions of the LP Agreement, which summary is not intended to be complete. Reference is made to the LP Agreement for a complete description. A copy of the LP Agreement is available on SEDAR at www.sedar.com.

General Partner

The general partner of the Partnership is the GP, a limited liability company formed under the laws of the State of Delaware initially on April 7, 2011. The sole member of the GP is the CT.

As general partner of the Partnership, the GP is allocated 0.001% of the income or loss of the Partnership for each fiscal year and, upon dissolution of the Partnership, will be entitled to receive 0.001% of the remaining property of the Partnership. As general partner, the GP has the authority to manage the business and affairs of the Partnership and has unlimited liability for the obligations of the Partnership.

The GP provides or procures from its affiliates or third parties, subject to the general oversight and discretion of the directors of the GP, all services that are or may be required or advisable, from time to time, in order to manage, operate, control and administer the business of the Partnership (as required of the GP pursuant to the terms and conditions of the LP Agreement), including: (i) overseeing the business and affairs; (ii) developing, implementing and monitoring a strategic plan; (iii) developing acquisition strategies and investigating potential acquisitions and analyzing the feasibility of potential acquisitions; (iv) carrying out acquisitions or dispositions and related financings; (v) preparing an annual management plan; (vi) assisting in connection with any financings; and (vii) the preparation, planning and co-ordination of meetings of directors of the GP.

The GP is further authorized to provide, or procure from its affiliates and third parties, the provision of operational and maintenance services in respect of the facilities comprising the business of the Partnership, and in respect thereto shall be entitled to the reimbursement of all costs and expenses (including payroll and payroll related costs, overhead, general and administrative costs, and out-of-pocket and third party fees and expenses) reasonably incurred in the provision of such services.

Under the LP Agreement, the GP receives no fees in consideration of the services it provides to the Partnership as GP. However, the GP retains a 0.001% interest in the Partnership, which is not required to be offset against expenses incurred by the GP pursuant to the LP Agreement. The GP is not required to contribute capital to the Partnership in order to earn its 0.001%.

The GP is entitled to the reimbursement of all costs and expenses reasonably incurred by the GP in carrying out its obligations and duties under the LP Agreement, including but not limited to payroll and payroll related costs, overhead, accounting and other general and administrative costs, and out-of-pocket and third party fees and expenses.

The GP may be replaced as the GP of the Partnership in accordance with the terms of the LP Agreement, upon a determination by the CT.

Partnership Interests and Distributions

The CT has a 99.999% interest in the Partnership and the GP holds the remaining 0.001% interest. The Partnership intends to adopt a policy to distribute its distributable funds to the extent determined prudent by the directors of the GP, which is expected to coincide with distributions made by CT to the Trust. Distributions are made as to 99.999% to the CT and as to 0.001% to the GP within 15 days of the end of each month and the distributions are intended to be received by the CT prior to its related monthly distributions to the Trust. The Partnership may, in addition, make a distribution at any other time. Distributable funds represent, in general, all of the Partnership's cash flow, after:

1. satisfaction of its debt service obligations (principal and interest) under credit facilities or other agreements with third parties, including amounts payable under the Credit Facility;
2. payment of all general and administrative expenses incurred by the Partnership;
3. retaining reasonable working capital reserves, maintenance and other capital expenditure reserves, or other reserves, including reserves to stabilize distributions to the partners, as may be considered appropriate by the GP; and
4. payment of expenditures other than as provided for in 1 to 3 above, provided such payment has been approved by the GP.

Capital and other expenses, including amounts required to enable the Partnership to stabilize monthly distributions based on anticipated future distributable funds, may be financed by the Credit Facility, other borrowings or additional capital contributions to the Partnership.

Allocation of Income and Losses

The income or loss of the Partnership for each fiscal year is allocated to the partners in accordance with their respective interests in the Partnership. The amount of income allocated to a partner may exceed or be less than the amount of cash distributed by the Partnership to that partner. For U.S. federal income tax purposes, the Partnership is treated as a disregarded entity and all items of income or loss will ultimately be allocated to the CT for U.S. federal income tax purposes. The fiscal year end of the Partnership is December 31.

Limited Liability

The GP intends to operate the Partnership in a manner so as to ensure, to the greatest extent possible, the limited liability of the CT as limited partner. Limited liability may be lost in certain circumstances. The GP, as general partner, must indemnify the CT as limited partner against all claims arising from assertions that the CT's liability is not limited as intended by the LP Agreement, unless the liability is not so limited as a result of or arising out of any act of the CT. The GP has no significant assets or financial resources, however, and therefore the indemnity from GP has nominal value.

Transfer of Partnership Interests

Partnership interests may not be transferred without the prior written consent of the GP, such consent not to be unreasonably withheld. No transfer of a Partnership interest will be accepted by the GP, as general partner, unless a transfer form, duly completed and signed by the holder of the Partnership interest, has been remitted to the GP. In addition, a transferee of a Partnership interest must provide to the GP such other instruments and documents as the GP may reasonably require in appropriate form completed and executed in a manner acceptable to the general partner. A transferee of a Partnership interest will not become a partner or be admitted to the Partnership and will not be subject to the obligations and entitled to the rights of a partner under the LP Agreement until the foregoing conditions are satisfied and such transferee is recorded on the Partnershipõs register of partners.

Amendments to the LP Agreement

The LP Agreement may only be amended by agreement of the partners. In particular, no amendment will be permitted to be made to the LP Agreement changing the liability of any limited partner, allowing any limited partner to exercise control over the business of the Partnership, adversely affecting the rights, privileges or conditions attaching to any Partnership interest, reducing the percentage of income allocable to the CT as a limited partner to below 99.999% or changing the Partnership from a limited partnership to a general partnership, in each case, without the unanimous approval of the partners. No amendment that would terminate the Partnership other than as provided in the LP Agreement or that would change the priority of distributions or the priority to return of the assets on a liquidation will be permitted to be made without unanimous approval of the partners.

CONVERTIBLE DEBENTURES

Parallel issued $63,000,000 principal amount of convertible Debentures in April 2012. The following is a summary of the material attributes and characteristics of the Debentures. The description of the Debentures is qualified by reference to the Indenture.

General

The Debentures have been issued in denominations of $1,000 or in integral multiples thereof. The Debentures are dated April 12, 2012 and unless previously converted, redeemed or purchased, as described below, the Debentures will mature on June 30, 2017. The principal amount of the Debentures is payable at maturity in cash (in lawful money of Canada) or, at the Trustõs option and subject to satisfaction of certain conditions, including applicable regulatory approval, by delivery of Units or a combination of cash and Units as further described below under ñ*Method of Payment*ò. The Trust may however, from time to time, without the consent of the holders of the outstanding debentures of the Trust, issue debentures in addition to the Debentures offered hereby.

The Debentures bear interest at 6.50% per annum, which is payable in equal installments semi-annually in arrears on June 30 and December 31 in each year. Each payment of cash interest on the Debentures includes interest accrued for the period commencing on and including the immediately preceding Interest Payment Date through the day before the applicable Interest Payment Date (or redemption or purchase date, as the case may be). Interest on the Debentures may be paid, at the Trustõs election and subject to applicable regulatory approval, in accordance with the Unit Interest Payment Election as described under ñ*Interest Payment Option*ò. Any payment required to be made on any day that is not a business day will be made on the next succeeding business day. Interest for all periods shall be computed on the basis of a 365 day year.

Rank

The Debentures are direct, unsecured obligations of the Trust and rank equally with one another and with all other existing and future unsecured indebtedness of the Trust, other than Senior Indebtedness, and except as prescribed by law as described under ñ*Subordination*ò. The Indenture does not restrict the Trust or its subsidiaries from incurring additional Senior Indebtedness or from mortgaging, pledging or charging any of their properties to secure any indebtedness or liabilities.

Subordination

The payment of the principal and premium, if any, of, and interest on, the Debentures are subordinated in right of payment, as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness of the Trust. ñSenior Indebtednessò of the Trust is defined in the Indenture as all obligations, liabilities and indebtedness of the Trust and its subsidiaries which would, in accordance with Canadian GAAP, be classified upon a consolidated balance sheet of the Trust as liabilities of the Trust and its subsidiaries and, whether or not so classified, includes declared but not yet paid distributions on Units and the principal of and premium, if any, and interest on and other amount in respect of all indebtedness of the Trust and its subsidiaries (whether outstanding as at the date of the Indenture or thereafter incurred), other than indebtedness evidenced by the Debentures and all other existing and future debentures or other instrument which, by the terms of the instrument creating or evidencing the indebtedness, is expressed to be subordinate to or rank *pari passu* with the Debentures.

The Indenture provides that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Trust, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Trust, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Trust or its subsidiaries, then holders of Senior Indebtedness will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon. The Indenture also provides that the Trust will not make any payment, and the holders of the Debentures will not be entitled to demand, accelerate, institute proceedings for the collection of, or receive any payment or benefit (including, without any limitation, by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Debentures (a) in a manner inconsistent with the terms (as they exist on the date of issue) of the Debentures or (b) at any time when a default or an Event of Default has occurred under the Senior Indebtedness and is continuing or upon the acceleration of certain Senior Indebtedness and the notice of such default, Event of Default or acceleration has been given by or on behalf of holders of Senior Indebtedness to the Trust, unless the Senior Indebtedness has been repaid in full as described in the Indenture.

The Debenture Trustee and the Trust are also be authorized (and obligated upon any request from certain holders of Senior Indebtedness) under the Indenture to enter into subordination agreements on behalf of the holders of Debentures with any holder of Senior Indebtedness.

Optional Redemption

The Debentures are not redeemable by the Trust before June 30, 2015. On or after June 30, 2015 and at any time prior to the Maturity Date, the Debentures may be redeemed at the option of the Trust, in whole or in part from time to time, on not more than 60 days and not less than 30 days prior notice at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest thereon up to (but excluding) the date set for redemption, provided that the Current Market Price is at least 125% of the Conversion Price.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a *pro rata* basis or in such other manner as the Debenture Trustee deems equitable, subject to regulatory approvals.

In the event that a holder of Debentures exercises their conversion privilege following a notice of redemption being given by the Trust and during the period from the close of business on any regular record date to the opening of business on the next succeeding Interest Payment Date, such holder shall be entitled to receive accrued and unpaid interest in addition to the applicable number of Units, for the period from the last Interest Payment Date to (but excluding) the date of conversion.

Conversion Privilege

Holders of Debentures may convert their Debentures into Units at any time prior to the close of business on the earlier of: (i) the business day immediately preceding the Maturity Date; (ii) if called for redemption, the business day immediately preceding the date specified by the Trust for redemption of the Debentures; and (iii) if called for repurchase pursuant to a Change of Control, the business day immediately preceding the date specified by the Trust for repurchase of the Debentures, based on an initial conversion ratio of approximately 105.2632 Units per $1,000 principal amount of Debentures (equivalent to an initial conversion price of $9.50 per Unit), subject to the satisfaction of certain conditions as set out in the Indenture. The conversion rate is subject to adjustment in certain circumstances described below.

A Debenture in respect of which a holder has accepted a notice in respect of a Change of Control Purchase Offer, as described below, requiring the Trust to purchase the Debenture may be surrendered for conversion only if such notice is withdrawn in accordance with the Indenture. A holder may convert fewer than all of such holderôs Debentures so long as the Debentures converted are an integral multiple of $1,000 principal amount of Debentures. A holder of a Debenture otherwise entitled to a fractional Unit will receive cash equal to the fraction of the Unit multiplied by the Current Market Price as at the date of conversion.

Except as set forth below, no adjustment to the Conversion Price for the Debentures will be made for distributions on Units issuable upon conversion or for interest accrued on Debentures surrendered for conversion; however, holders converting their Debentures shall be entitled to receive, in addition to the applicable number of Units, accrued and unpaid interest (less any taxes required to be deducted) in respect thereof for the period up to, but excluding, the date of conversion from, and including, the most recent Interest Payment Date. For clarity, payment of such interest, whether in cash or by delivery of Units pursuant to the exercise of the Unit Interest Payment Election, may, at the option of the Trust, be paid on the next regularly scheduled Interest Payment Date following the date of conversion.

Holders of Debentures surrendered for conversion during the period from the close of business on any regular record date to the opening of business on the next succeeding Interest Payment Date will receive the semi-annual interest payable on such Debentures on the corresponding Interest Payment Date notwithstanding the conversion, and such Debentures upon conversion must be accompanied by funds equal to the amount of such payment, unless such Debentures have been called for redemption, in which case no such payment will be required. In the event that a holder of Debentures exercises their conversion right following a notice of redemption by the Trust (as further described under ñ*Optional Redemption*ò) and during the period from the close of business on any regular record date to the opening of business on the next succeeding Interest Payment Date, such holder will be entitled to receive accrued and unpaid interest, in addition to the applicable number of Units to be received on conversion, for the period from the last Interest Payment Date to but excluding the date of conversion.

The conversion rate will not be adjusted for accrued interest.

Subject to the provisions thereof, the Indenture provides for the adjustment of the conversion rate in certain events including: (a) the subdivision or consolidation of the outstanding Units; (b) the issuance of Units or securities convertible into Units by way of dividend or distribution or otherwise other than an issue of securities to Unitholders who have elected to receive distributions in securities of the Trust in the ordinary course; (c) the payment of a monthly cash dividend or distribution to all or substantially all of the Unitholders in excess of $0.08 per Unit; (d) the issuance of options, rights or warrants to Unitholders entitling them to acquire Units or other securities convertible into Units at less than 95% of the then Current Market Price of the Units; (e) the distribution to all Unitholders of any securities (other than Units) or evidences of indebtedness or other assets; and (f) the payment to all Unitholders of cash or any other consideration in respect of an issuer bid for Units by the Trust or any of the Trustôs subsidiaries to the extent that the cash and fair market value of any other consideration included in the payment per Unit exceeds the Current Market Price of the Units on the date of expiry of such tender offer, takeover bid or exchange offer.

In the event that the Trust pays a dividend or makes a distribution to all holders of Units consisting of units or capital stock of, or similar equity interests in, a subsidiary or other business unit of the Trust, other than an issue of securities to Unitholders who have elected to receive distributions in securities of the Trust in the ordinary course, the conversion rate will be adjusted based on the market value of the securities so distributed relative to the market value of Units, in each case based on the volume weighted average trading price of those securities for the 20 consecutive trading days commencing on and including the fifth trading day after the date on which ñex-dividend tradingò commences for such dividend or distribution on the TSX or, if the Units are not listed or quoted on the TSX, or such other national or regional exchange or market on which the securities are then listed or quoted. No conversion rate adjustment will be made to the extent that the Trust makes an equivalent distribution to holders of Debentures.

There will be no adjustment of the Conversion Price in respect of any event described in (b), (c), (d), (e) or (f) above if the holders of the Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date. The Trust will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%. However, the Trust will carry forward any adjustments that are less than 1% of the Conversion Price and take them into account when determining subsequent adjustments.

If the Trust is a party to (i) a reclassification, recapitalization or other change of the Units, (ii) a consolidation, amalgamation, statutory arrangement, merger, binding share exchange, acquisition of the Trust or other combination pursuant to which the Units are converted into or acquired for cash, securities or other property, or (iii) any sale or conveyance of all or substantially all of the property or assets of the Trust to any person (other than a direct or indirect wholly owned subsidiary), at the effective time of the transaction the right to convert a Debenture into Units will be changed into the right to convert it into the kind and amount of cash, securities or other property which the holder would have received if the holder had converted its Debenture immediately prior to the transaction. The Trust shall give notice to the holders of Debentures at least 30 days prior to the effective date of such transaction in accordance with the terms of the Indenture.

Priority over Trust Distributions

The Trust Indenture provides that certain expenses of the Trust must be deducted in calculating the amount to be distributed to Unitholders. Accordingly, the funds required to satisfy the interest payable on the Debentures, as well as the amount payable upon redemption or maturity of the Debentures or upon an Event of Default, will be deducted and withheld from the amounts that would otherwise be payable as distribution to Unitholders.

Change of Control

In the event of the acquisition by any person, or group of persons acting jointly or in concert (within the meaning of MI 62-104), of voting control or direction of an aggregate of more than 50% of the outstanding Units (a ñ**Change of Control**ò), the Trust shall be required to offer to purchase all of the outstanding Debentures (a ñ**Change of Control Purchase Offer**ò) on the date (the ñ**Change of Control Purchase Date**ò) that is 30 days after the date that such offer is delivered or mailed to holders of the Debentures, at a purchase price equal to 100% of the principal amount of the Debentures (ñ**Change of Control Purchase Price**ò), plus accrued and unpaid interest, if any, to, but not including, the purchase date. If such purchase date is after a record date but on or prior to an Interest Payment Date, however, then the interest payable on such date will be paid to the holder of record of the Debentures on the relevant record date.

Within 30 days after the occurrence of a Change of Control, the Trust shall be required to give notice to all holders of record of Debentures, as provided in the Indenture, stating among other things, the occurrence of a Change of Control and setting out the terms of the Change of Control Purchase Offer. The Trust must also deliver a copy of the notice to the Debenture Trustee.

If 90% or more of the aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered to the Trust pursuant to the Change of Control Purchase Offer, the Trust will have the right to redeem all the remaining Debentures at the Change of Control Purchase Price. Notice of such redemption must be given by the Trust to the Debenture Trustee within 10 days following the expiry of the Change of Control Purchase Offer, and as soon as possible thereafter, by the Debenture Trustee to the holders of the Debentures not tendered pursuant to the Change of Control Purchase Offer.

Beneficial ownership will be determined in accordance with MI 62-104. The term ñpersonò includes any syndicate or group that would be deemed to be a ñpersonò under MI 62-104.

The Trustôs ability to purchase Debentures upon a Change of Control may be limited by the terms of its then outstanding credit agreements.

Cash Change of Control

In addition to the requirement for the Trust to make a Change of Control Purchase Offer in the event of a Change of Control occurring prior to the Maturity Date, if a Change of Control occurs in which 10% or more of the consideration for the Units in the transaction or transactions constituting a Change of Control consists of:

- cash, other than cash payments for fractional Units and cash payments made in respect of dissenterôs appraisal rights; or
- equity securities or other property that is not traded or intended to be traded immediately following such transactions on a recognized stock exchange,

then subject to regulatory approvals, during the period beginning ten days before the effective date of the Change of Control Purchase Offer and ending 30 days after the date of the Change of Control Purchase Offer is delivered, holders of Debentures will be entitled to convert their Debentures, subject to certain limitations, and receive, in addition to the number of Units (or cash or other property or securities in substitution therefor) they would otherwise be entitled to receive as set forth under ñ*Conversion Privilege*ò above, an additional number of Units (or cash or other property or securities in substitution therefor) per $1,000 principal amount of Debentures as set forth below.

The number of additional Units per $1,000 principal amount of Debentures constituting the make whole premium will be determined by reference to the table below and is based on the date on which the Change of Control becomes effective (the ñ**Effective Date**ò) and the price (the ñ**Unit Price**ò) paid per Unit in the transaction constituting the Change of Control. If holders of Units receive (or are entitled and able in all circumstances to receive) only cash in the transaction, the Unit Price shall be the cash amount paid per Unit. Otherwise, the Unit Price shall be equal to the Current Market Price of the Units on the day immediately preceding the Effective Date of such transaction.

The following table shows what the make whole premium would be for each hypothetical Unit Price and Effective Date set forth below, expressed as additional Units per $1,000 principal amount of Debentures. For the avoidance of doubt, the Trust shall not be obliged to pay the make whole premium otherwise than by issuance of the applicable number of Units upon conversion, subject to the provision relating to adjustment of the Conversion Price in certain circumstances and following the completion of certain types of transactions described under ñ*Conversion Privilege*ò above.

Make Whole Premium Upon a Change of Control
(Number of Additional Units per $1,000 Debenture)

	Unit Price ($)								
Effective Date	**$7.05**	**$7.50**	**$8.00**	**$9.00**	**$10.00**	**$11.00**	**$12.00**	**$13.00**	**$15.00**
30-Jun-14	36.581	30.356	23.110	12.294	5.484	1.528	0.000	0.000	0.000
30-Jun-15	36.581	29.049	21.400	10.448	3.899	0.534	0.000	0.000	0.000
30-Jun-16	36.581	26.527	18.982	7.751	1.658	0.000	0.000	0.000	0.000
30-Jun-17	36.581	19.985	8.569	0.000	0.000	0.000	0.000	0.000	0.000

The actual Unit Price and Effective Date may not be set forth on the table, in which case:

(i) if the actual Unit Price on the Effective Date is between two Unit Prices on the table or the actual Effective Date is between two Effective Dates on the table, the make whole premium will be determined by a straight-line interpolation between the make whole premiums set forth for the two Unit Prices and the two Effective Dates on the table based on a 365-day year, as applicable;

(ii) if the Unit Price on the Effective Date exceeds \$15.00 per Unit, subject to adjustment as described below, the make whole premium will be zero; and

(iii) if the Unit Price on the Effective Date is less than \$7.05 per Unit, subject to adjustment as described below, the make whole premium will be zero.

The Unit Prices set forth in the table above will be adjusted as of any date on which the conversion rate of the Debentures is adjusted. The adjusted Unit Prices will equal the Unit Prices applicable immediately preceding such adjustment multiplied by a fraction, the denominator of which is the Conversion Price immediately preceding the adjustment giving rise to the Unit Price adjustment and the numerator of which is the Conversion Price as so adjusted. The number of additional Units set forth in the table above will be adjusted in the same manner as the conversion price as set forth above under ñ*Conversion Privilege*ò, other than by operation of an adjustment to the conversion price by adding the make whole premium as described above.

Method of Payment

On redemption or at maturity of the Debentures, the Trust will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada the amount required to repay the principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon. Subject to required regulatory approvals and provided that there is not a current Event of Default, the Trust may, at its option, elect to satisfy its obligation to pay all or a portion of the principal amount of the Debentures, together with accrued and unpaid interest thereon, on redemption or at maturity through, in whole or in part, the issuance of Units. See ñ*Interest Payment Option*ò.

The number of Units a holder will receive in respect of each Debenture will be determined by dividing the principal amount of the Debentures that are to be redeemed or repaid at maturity, as the case may be, and that are to be paid in Units, together with accrued and unpaid interest, by 95% of the Current Market Price of the Units. No fractional Units will be issued on redemption or repayment at maturity but in lieu thereof, the Trust shall satisfy fractional interests by a cash payment equal to the fraction of the Unit multiplied by the Current Market Price of the Units (less applicable withholding taxes, if any).

The Trust may not satisfy its obligation to pay the principal amount of a Debenture, together with accrued and unpaid interest thereon, by delivering Units or a combination of cash and Units unless the Trust satisfies the requirements of applicable securities laws and certain other conditions, as provided in the Indenture, prior to the Maturity Date, the redemption date or the purchase date, as applicable, including the following conditions:

- there is not a current Event of Default;
- the Units to be issued upon redemption or repayment at maturity of Debentures shall be made in accordance with the applicable securities laws of the jurisdiction in which Units are to be issued and shall be issued as freely tradable in such jurisdictions; and
- the Units to be issued upon redemption or repayment at maturity of Debentures shall be listed on the TSX or on the stock exchange on which the Units are then listed.

If the conditions are not satisfied (or waived) with respect to a holder prior to the close of business on the applicable payment date, the Trust will make the required payment entirely in cash. If the Trust elects to satisfy any amount payable on redemption of the Debentures by issuing Units, the Trust will advise the holders of Debentures of such election in the applicable redemption notice. If the Trust elects to satisfy any amount payable on repayment or maturity of the Debentures by issuing Units, the Trust will provide notice of such election to the holders of Debentures not more than 60 days and not less than 40 days before the payment date.

As the Current Market Price of the Units will be determined prior to the applicable payment date, holders of the Debentures will bear the market risk with respect to the value of the Units to be received from the date such price is determined to such payment date.

Interest Payment Option

The Trust may elect, from time to time and subject to regulatory approval, provided that there is not a current Event of Default, to satisfy its Interest Obligation, on an Interest Payment Date (including following conversion or at maturity) or at the time of redemption of a holderôs Debentures: (i) in cash; (ii) by delivering sufficient Units to the Debenture Trustee to satisfy all or any part of the Interest Obligation in accordance with the Indenture (the ñ**Unit Interest Payment Election**ò); or (iii) by any combination of (i) and (ii). The Indenture provides that, upon such election, the Debenture Trustee shall have the power to: (i) accept delivery of the Units from the Trust and process the Units in accordance with the Indenture; (ii) accept bids with respect to, and facilitate sales of, such Units on behalf of the Trust by registered investment banks, brokers or dealers, each as the Trust shall direct in its absolute discretion; (iii) invest the proceeds of such sales in short-term Canadian Government Obligations (as defined in the Indenture), which mature prior to the applicable Interest Payment Date; (iv) use the proceeds received from such permitted Canadian Government Obligations, together with any proceeds from the sale of Units not invested as aforesaid, to satisfy the Interest Obligation; and (v) perform any other action necessarily incidental thereto.

The Indenture sets forth the procedures to be followed by the Trust and the Debenture Trustee in order to affect the Unit Interest Payment Election. If a Unit Interest Payment Election is made, the sole right of a holder of Debentures in respect of interest will be to receive cash from the Debenture Trustee out of the proceeds of the sale of Units (plus any amount received by the Debenture Trustee from the Trust attributable to any fractional Units) in an amount equal to the applicable interest payment in full satisfaction of the Interest Obligation, and the holder of such Debentures will have no further recourse to the Trust in respect of the Interest Obligation.

Neither the Trustôs making of the Unit Interest Payment Election nor the consummation of sales of Units will: (i) result in the holders of the Debentures not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the interest payable on such Interest Payment Date; or (ii) entitle or require such holders to receive any Units in satisfaction of the Interest Obligation.

Purchase for Cancellation

The Trust may, to the extent permitted by applicable law, at any time purchase the Debentures in the open market or by tender at any price or by private contract. Any Debenture purchased by the Trust will be surrendered to the Debenture Trustee for cancellation. Any Debentures surrendered to the Debenture Trustee may not be reissued or resold and will be cancelled promptly.

Events of Default

The Indenture provides that an event of default (ñ**Event of Default**ò) in respect of the Debentures will occur if any one or more of the following described events has occurred and is continuing with respect of the Debentures: (a) failure for 30 days to pay interest on the Debentures when due; (b) failure to pay principal or premium (whether by way of payment of cash or delivery of Units or other securities or property or a combination thereof), if any, on the Debentures when due, whether at maturity, upon redemption, on a Change of Control, by declaration or otherwise; (c) default in the delivery, when due, of all cash and any Units or other consideration, including any make whole premium, payable upon conversion with respect to the Debentures, which default continues for 15 days; (d) default in the observance or performance of any material covenant or condition of the Indenture by the Trust which remains unremedied (or is not waived) remains for a period of 30 days after notice in writing has been given by the Debenture Trustee specifying such default and requiring the Trust to rectify or obtain a waiver for same; (e) certain events of bankruptcy, insolvency or reorganization of the Trust under bankruptcy or insolvency laws; or (f) if a resolution is passed for the winding up or liquidation of the Trust except as permitted under the Indenture. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall upon request of holders of not less than 25% of the principal amount of Debentures then outstanding, declare the principal of and interest on all outstanding Debentures to be immediately due and payable. Further, the Trust may not make any distributions on its Units if an Event of Default exists and is continuing, or an Event of Default would otherwise occur as a result of such distribution(s). In the case of certain events of bankruptcy or insolvency, the principal amount of the Debentures, together with any accrued and unpaid interest through the occurrence of such event, shall automatically become due and payable. In certain cases, the holders of more than 50% of the principal amount of the Debentures then outstanding may, on behalf of the holders of all Debentures, waive any Event of Default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe.

Consolidation, Mergers or Sales of Assets

The Indenture provides that the Trust may not without the consent of the holders of the Debentures enter into any transaction or series of transactions whereby all or substantially all of its undertaking, property or assets would become the direct or indirect property of any other person (the ñ**Successor**ò) whether by way of reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, unless:

- prior to or contemporaneously with the consummation of such transaction the Trust and the Successor shall have executed such instruments and done such things as, in the opinion of counsel, are necessary or advisable to establish that upon the consummation of such transaction:

  i. the Successor will have assumed all the covenants and obligations of the Trust under the Indenture in respect of the Debentures;

  ii. the Debentures will be valid and binding obligations of the Successor entitling the holders thereof, as against the Successor, to all the rights of holders of the Debentures under the Indenture; and

  iii. in the case of an entity organized otherwise than under the laws of the Province of Alberta, the Successor shall attorn to the jurisdiction of the courts of the Province of Alberta;

  iv. such transaction, in the opinion of counsel, shall be on such terms as to substantially preserve and not impair any of the rights and powers of the Debenture Trustee or of the holders of Debentures; and

  v. no condition or event shall exist as to the Trust (at the time of such transaction) or the Successor (immediately after such transaction) and after giving full effect thereto or immediately after the Successor shall become liable to pay the principal monies, premium, if any, interest and other monies due or which may become due under the Indenture, which constitutes or would constitute an Event of Default;

provided, however, that the sale, conveyance, transfer or lease (in a single transaction or a series of transactions) of the properties or assets of one or more subsidiaries (other than to the Trust or another direct or indirect wholly owned subsidiary) which, if such properties or assets were directly owned by the Trust, would constitute all or substantially all of the properties and assets of the Trust on a consolidated basis, shall be deemed to be a sale, conveyance, transfer or lease of all or substantially all of the properties and assets of the Trust.

Upon the assumption of the Trustôs obligations by such corporation in such circumstances, subject to certain exceptions, the Trust shall be discharged from all obligations under the Debentures and the Indenture. Although such transactions are permitted under the Indenture, certain of the foregoing transactions occurring could constitute a Change of Control of the Trust, which would require the Trust to offer to purchase the Debentures as described above. An assumption of the Trustôs obligations under the Debentures and the Indenture by such corporation might be deemed for Canadian federal income tax purposes to be an exchange of the Debentures for new Debentures by the holders thereof, resulting in recognition of gains or losses for such purposes and possibly other adverse tax consequences to the holders. Holders should consult their own tax advisors regarding the tax consequences of such an assumption.

Modifications of the Indenture

The rights of the holders of the Debentures as well as any other series of debentures that may be issued under the Indenture may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture contains certain provisions which make binding on all Debenture holders resolutions passed at meetings of the holders of Debentures by votes cast thereat by holders of not less than 66l % of the principal amount of the Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66l % of the principal amount of the Debentures then outstanding. In certain cases, the modification will, instead or in addition, require assent by the holders of the required percentage of Debentures of each particularly affected series.

Offers for Debentures

The Indenture contains provisions to the effect that if an offer is made for the Debentures which is a take-over bid or issuer bid for Debentures within the meaning of MI 62-104 and within the time provided in the offer or within 120 days after the date the offer is made, not less than 90% of outstanding principal amount of the Debentures (other than Debentures beneficially owned or controlled at the date of the take-over bid or issuer bid, as applicable, by or on behalf of the offeror or associates, affiliates of the offeror or persons acting jointly or in concert with the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Debentures held by the holders of Debentures who did not accept the offer for the same consideration per Debenture paid under such offer.

Discharge of the Indenture

The Trust may satisfy and discharge the Trustös obligations under the Indenture in certain circumstances, including by delivering to the Debenture Trustee for cancellation all outstanding Debentures or by depositing with the Debenture Trustee, or the paying agent, if applicable, after the Debentures have become due and payable, whether at stated maturity or any redemption date, or any purchase date, or a Change of Control Purchase Date, or upon conversion or otherwise, cash or Units (as applicable under the terms of the Indenture) sufficient to pay all of the outstanding Debentures and paying all other sums payable under the Indenture.

MARKET FOR THE TRUST'S SECURITIES

The Units of the Trust are listed and posted for trading on the TSX under the trading symbol ñPLT.UNò. The following table sets forth the market price ranges (to the nearest $0.01) and the aggregate volume of trading of the Units on the TSX for the periods indicated:

	Price Trading Range			
	High ($)	**Low ($)**	**Close ($)**	**Trading Volume**
2014				
January	4.37	4.00	4.11	2,752,274
February	4.20	3.94	4.05	1,707,593
March	4.33	3.90	4.24	1,642,019
April	4.84	4.19	4.41	2,404,350
May	4.64	4.28	4.37	1,737,088
June	4.41	4.15	4.22	1,606,027
July	4.33	3.85	3.85	1,609,970
August	4.09	3.55	3.77	2,272,302
September	3.86	3.63	3.69	2,278,841
October	3.83	2.77	2.93	3,556,791
November	3.05	1.55	1.70	4,590,712
December	1.66	0.73	0.75	6,477,730

The Debentures of the Trust are listed and posted for trading on the TSX under the trading symbol ñPLT.DBò. The following table sets forth the market price ranges (to the nearest $0.01) and the aggregate volume of trading of the Units on the TSX for the periods indicated:

	Price Trading Range			
	High ($)	Low ($)	Close ($)	Trading Volume
2014				
January	92.25	86.00	91.25	5,320
February	92.50	90.50	92.00	3,500
March	94.00	92.00	92.50	6,760
April	94.75	92.01	94.50	5,570
May	95.00	94.00	94.11	3,800
June	96.00	94.00	94.50	5,940
July	96.50	93.00	93.75	9,520
August	97.75	93.00	97.00	4,540
September	95.25	92.00	92.00	8,320
October	92.00	90.00	90.25	10,790
November	91.00	79.00	79.00	19,380
December	78.50	46.99	55.00	13,590

PRIOR SALES

During the most recently completed financial year ended December 31, 2014, the Trust issued 2,203,172 units through the Plan, at an average issuance price of $3.08 per Unit.

During the most recently completed financial year ended December 31, 2014, the Trust granted 370,500 Rights issuable into 370,500 Units, the particulars of which are set forth in the following table:

Date of Grant	Number of Units Issuable on Exercise[(1)]	Average Exercise Price ($)
March 31, 2014	370,500	$4.23

Note:

(1) Each Right entitles the holder thereof to acquire one Unit, on the terms and conditions set forth in the Trustŏs TURIP plan.

During the most recently completed financial year ended December 31, 2014, the Trust granted 116,649 RTUs convertible in to Units subject to performance conditions being met, the particulars of which are set forth in the following table:

Date of Grant	Number of RTUs Convertible in to Units[(1)]	Average Issue Price ($)
March 31, 2014	116,649	$4.23

(1) Subject to meeting performance conditions.

DISTRIBUTIONS

The Trustŏs current distribution policy is to make a monthly distribution of $0.01 per unit provided that the distribution does not cause the Trust to be insolvent, that the Trust has the liquidity to make the distribution and that the distribution is not in violation of the terms of its Credit Facility. As at the date of this AIF, there are no changes to the distribution policy planned, however, the payment and the amount of distribution declared in any month will continue to be subject to the discretion of the Trustŏs Board and will depend on the Board's assessment of Parallel's production levels, capital expenditure requirements, funds from operation, debt position and the commodity price environment. The following table sets forth the amount of distributions paid per Unit for the periods indicated:

Period	Distribution per Unit
January 2012 ï December 2012	$0.915
January 2013 ï December 2013	$0.600
January 2014 ï December 2014	$0.575

TRUSTEES, DIRECTORS AND MANAGEMENT

The Trust

Computershare is the trustee of the Trust, and has been appointed and will continue in office until replaced by Unitholders. Pursuant to the terms of the Administrative Services Agreement, the Trustee has delegated a number of the administrative and governance functions relating to the Trust to the Administrator. The Administrator Directors therefore fulfill the majority of the oversight and governance role for the Trust, with the balance of those duties remaining with the Trustee.

The Commercial Trust

The Administrator is also the CT Trustee, and has been appointed and will continue in office until dismissed by the Trust as unitholder of the CT. Pursuant to the terms of the CT Trust Indenture, the Administrator is responsible as CT Trustee to provide all of the management, administration, oversight and governance of the CT.

The General Partner

Pursuant to the terms of the LP Agreement, the GP is the general partner of the Partnership and is responsible for the administrative and governance functions of the Partnership. Therefore, the directors of the GP fulfill the majority of the oversight and governance role for the Partnership. As the sole member of the GP, the CT is empowered to elect all of the directors of the GP, from time to time. All or some number of the directors of the Administrator are directors of the GP.

The Administrator

The Administrator is wholly-owned by the Administrator Shareholders. Under the terms of the Administrative Services Agreement and the CT Trust Indenture, the Administrator has certain management, administrative, governance and fiduciary duties with respect to the Trust and the CT. The Administrator performs its services pursuant to the Administrative Services Agreement on a cost recovery basis.

The number of the Administrator Directors is fixed at seven until such time as the Unitholders of the Trust pass a resolution to fix the number of the Administrator Directors at a new number. The Voting Agreement provides that Unitholders are entitled to elect all of the Administrator Directors.

Directors and Officers of the Administrator

As at December 31, 2014, the directors and officers of the Administrator were as set forth below. The name, municipality of residence, position and offices held with the Administrator and principal occupations for the prior five years of each of the directors and senior officers of the Corporation are as follows:

Name and Municipality of Residence	Current Positions and Offices Held	Principal Occupation in the Past Five Years	Director or Officer Since
Richard N. Miller Calgary, Alberta	Chief Financial Officer	Chief Financial Officer of the Administrator. Chief Financial Officer of MGM Energy Corp. (an oil and gas company) from July 2007 to June 2014.	March 10, 2011
Tony Swindell Tulsa, Oklahoma	Chief Operating Officer	Chief Operating Officer of the Administrator since December 2013;Vice-President Mid-Continent of the Administrator from April 2012 to December 2013; Vice-President, Operations of Bravo Natural Gas LLC (an oil and gas company) from November 2010 to April 2012; Vice President ï Operations of Laredo Petroleum Inc. (an oil and gas company) from January 2008 to November 2010.	April 12, 2012
Henry W. Sykes, Q.C. Calgary, Alberta	Director	Corporate Director. Executive Chairman of the Administrator from March 2011 to November 2014. President of MGM Energy Corp. (an oil and gas company) from January 2007 to June 2014.	March 1, 2011
Richard M. Alexander [(3)] Calgary, Alberta	President and Chief Executive Officer, Director	President and Chief Executive Officer of the Administrator since January 2013. Prior thereto, Corporate Director, President of AltaGas Ltd. from January 2011 to June 2011, President and Chief Operating Officer of AltaGas from January 2008 to December 2010, and Executive Vice President, Chief Operating Officer and Chief Financial Officer of AltaGas from January 2007 to January 2008.	March 10, 2011
Christopher M. Burley [(1)(2)(3)] Calgary, Alberta	Director	Corporate Director.	March 10, 2011
Sigmund L. Cornelius [(2)(3)] Fulshear, Texas	Director	President and Chief Operating Officer of Freeport LNG since April 2014. Prior thereto, Corporate Director. Prior thereto, Senior Vice President, Finance and Chief Financial Officer of ConocoPhillips from October 2008 until October 2010.	March 10, 2011
Hilary A. Foulkes [(1)(3)] Calgary, Alberta	Director	Chair of Tudor, Pickering, Holt & Co Securities ï Canada since April 2014, Prior thereto Corporate Director. Prior thereto, Executive Vice President and Chief Operating Officer of PennWest Exploration (an oil and gas company) from 2008 to November 2012.	April 14, 2011
Francis H. James[(1)] Dripping Springs, Texas	Director	Corporate Director.	November 9, 2012
Philip Scherman[(1)] Calgary, Alberta	Director	Corporate Director. Prior thereto, Partner of KPMG LLP to October 2012.	April 15, 2013

Notes:

(1) Member of Audit Committee. Mr. Scherman is the Chairman of the Audit Committee.

(2) Member of the Governance, Nomination & Compensation Committee. Mr. James is the Chairman of the Governance, Nomination & Compensation Committee.

(3) Member of the Reserves & Environmental, Health & Safety Committee. Ms. Foulkes is the Chairman of the Reserves & Environmental, Health & Safety Committee.

The term of office of all Administrator Directors will expire at each annual meeting of Unitholders of the Trust or at the time at which his/her or its successor is elected or appointed, or earlier if any Administrator Director otherwise dies, resigns, is removed or is disqualified. Each director must devote the amount of time as is required to fulfill their obligations to the Administrator. The Administratorôs officers are appointed by and serve at the discretion of the Administrator Directors.

Directors and Officers Biographical Information

The following are brief profiles of each of the executive officers and directors of the Administrator as at December 31, 2014, which includes a description of their present occupation and their principal occupations for the past five years.

Richard M. Alexander, President and Chief Executive Officer and Director

Mr. Alexander has been involved in the oil and gas industry for over 35 years and is currently the President and Chief Executive Officer of Parallel. Mr. Alexander was President and Chief Operating Officer of AltaGas Ltd. (a midstream services company) until 2011. Previously, he held the position of Executive Vice President, Chief Operating Officer and Chief Financial Officer, AltaGas Ltd. Mr. Alexander was previously with Niko Resources Ltd. (an oil and gas company) from 2003 to 2006 as Vice President, Finance and Chief Financial Officer and at Husky Energy Inc. (an oil and gas company) from 2001 to 2003 as Vice President, Investor Relations and Communications. Mr. Alexander is a director of Oryx Petroleum Corporation Limited, Marquee Energy Ltd. and Global Water Resources. Mr. Alexander holds a Bachelor of Business Management from Ryerson University and is a Certified Management Accountant and Chartered Financial Analyst.

Richard N. Miller, Chief Financial Officer

Mr. Miller has 30 years of experience in accounting, finance and treasury, at both banking institutions and corporations, including Bank of Montreal, Gulf Canada Resources Limited and Precision Drilling Corporation. Mr. Miller was the Chief Financial Officer of MGM Energy Corp. (an oil and gas company) from July 2007 to June 2014, which it was acquired by Paramount Resources Ltd. From April 2006 to July 2007, Mr. Miller was Vice President and Chief Financial Officer of Wave Energy Ltd. (an oil and gas company operating in Western Canada and Montana). Mr. Miller has a Bachelor of Commerce from Carleton University and a Masters of Business Administration from the University of Western Ontario. He also holds a Chartered Financial Analyst designation.

Tony Swindell, Chief Operating Officer

Mr. Swindell has over 25 years of engineering experience in the exploration and production business of the U.S. Mid-Continent area with several different oil and gas companies. Prior to joining Parallel in April 2012, Mr. Swindell was the Vice President of Bravo Natural Gas. He currently manages Parallelôs U.S. operating group, based out of Parallelôs office in Tulsa, Oklahoma. Mr. Swindell has a Petroleum Engineering degree from Oklahoma State University.

Christopher M. Burley, Director

Mr. Burley has over two decades of experience in the investment banking industry. Mr. Burley has extensive experience raising capital and providing merger and acquisition advice to companies in the oil and gas sector, most recently as Vice Chairman, Energy for Merrill Lynch (an investment banking firm), prior to retiring in September 2008. Mr. Burley joined Merrill Lynch in December 1999 as Managing Director and Co-Head of Canadian Energy and Power Investment Banking and assumed sole responsibility for the firmôs Canadian Energy and Power Investment Banking practice in 2001. Mr. Burley was subsequently appointed Vice Chairman, Energy for Merrill Lynch in 2007. Since May, 2009, Mr. Burley has been serving as a corporate director for Potash Corporation of Saskatchewan Inc. (a fertilizer production company). Mr. Burley has a Bachelor of Science degree with a certificate of Honours Standing (Geophysics) and a Masters of Business Administration degree from the University of Western Ontario. He is a graduate of the Institute of Corporate Directorsô Education Program. Mr. Burley is also a director of the United Way of Calgary and Area.

Sigmund L. Cornelius, Director

Mr. Cornelius has over 30 years of experience in the oil and gas industry and is currently President and Chief Operating Officer of Freeport LNG. From November 2002 until his retirement in December 2010, Mr. Cornelius held various executive positions with ConocoPhillips (an oil and gas company), including as Senior Vice President, Finance and Chief Financial Officer and President Exploration and Production, Lower 48. Mr. Cornelius also serves as a director of CARBO Ceramics Inc. (an oil and gas services company), NiSource Inc. (a natural gas pipeline and electricity utility) and Western Refining Inc. (an oil refiner and marketer). Mr. Cornelius has a Master of Science from Stanford University, a Master of Science from Purdue University and a Bachelor of Science from Iowa State University.

Hilary A. Foulkes, Director

Ms. Foulkes has over 30 years of oil and gas industry experience. Ms. Foulkes is currently the Chair of Tudor, Pickering, Holt & Co. Securities Canada. Ms. Foulkes held a number of executive positions at PennWest Petroleum Ltd (an oil and gas company) from 2008 to 2012 including Executive Vice-President and Chief Operating Officer. From April 2000 to March 2008, Ms. Foulkes was a Managing Director with the investment banking firm Scotia Waterous (previously Waterous & Co.), specializing in oil and gas transactions. Ms. Foulkes also serves as a director of Enerplus Corporation. Ms. Foulkes is a Professional Geologist, with a Bachelor of Science Degree (Honours Earth Science) from the University of Waterloo, is a member of the Association of Professional Engineers and Geoscientists of Alberta and the Canadian Society of Petroleum Geologists.

Francis H. ("Mim") James

Mr. James has over 30 years of experience in the oil and gas industry, including senior management positions in planning, finance, operations and business development in both domestic and international operations. Mr. James served on the board of Polar Lights Company, a Russia/US joint venture, from 1993-1996, and on the board of Gulf Indonesia Resources Limited from 2001-2002. Mr. James retired as General Manager, Planning and Finance ï ConocoPhillips Worldwide Exploration and Production in 2005. Mr. James currently serves as Vice Chairman of the City of Dripping Springs Planning and Zoning Commission. Mr. James has a Master of Business Administration from Arizona State University and a Bachelor of Science from University of Southwestern Louisiana.

Philip Scherman

Mr. Scherman is a retired partner of KPMG LLP. Mr. Scherman has over 35 years of audit and oil and gas experience including risk management and control evaluations experience. Mr. Scherman is currently a director of Mullen Group Ltd. and a member of the audit committee of the Province of Alberta. Mr. Scherman has a Bachelor of Commerce degree from the University of Saskatchewan, is a Fellow of the Institute of Chartered Accountants of Alberta and has completed the ICD Director Education Program and obtained his ICD.D designation.

Henry W. Sykes, Q.C., Director

Mr. Sykes was President and a director of MGM Energy Corp. (an oil and gas company) from January 2007 to June 2014. From July 2001 to March 2006, Mr. Sykes was President of ConocoPhillips Canada (an oil and gas company). Prior thereto, he was Executive Vice President, Business Development of Gulf Canada Resources Limited. Mr. Sykes is a director of Veresen Inc. and Talisman Energy Inc. as well as a number of private and not-for-profit entities. Mr. Sykes was a member of the Board of Governors of the Canadian Association of Petroleum Producers from 2004 to 2006, and again from 2008 to 2010. He began his career as a lawyer and specialized in mergers and acquisitions, securities and corporate law. Mr. Sykes has a Bachelor of Arts from McGill University (Honours, Economics) and a Bachelor of Laws from the University of Toronto. Mr. Sykes is a member of the Law Society of Alberta as well as the Law Society of England and Wales.

SECURITY OWNERSHIP BY DIRECTORS AND OFFICERS

As a group, the directors and executive officers of the Administrator beneficially own or exercise control over, directly or indirectly, 660,225 Units, representing approximately 1.2% of the 55,816,517 issued and outstanding Units as of March 18, 2015. The Administrator Shareholders, each of whom is a director and/or executive officer of the Administrator own, as a group, 100% of the issued and outstanding shares of the Administrator, subject to the terms of the Voting Agreement.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Cease Trade Orders

To the knowledge of the Administrator, no director or executive officer of the Administrator (nor any personal holding company of any of such persons) is, as of the date of this Annual Information Form, or was within ten years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including the Administrator), that: (a) was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an ñ**Order**ò), that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

To the knowledge of the Administrator, no director or executive officer of the Administrator (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of securities of the Administrator or the Trust to affect materially the control of the Administrator or the Trust: (a) is, as of the date of this Annual Information Form, or has been within the ten years before the date of this Annual Information Form, a director or executive officer of any company (including the Administrator) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the ten years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder, except that Mr. Sigmund Cornelius was a director of USEC Inc., a publicly traded company on the New York Stock Exchange, from March 2011 to September 2014. USEC Inc., a global energy company, filed a voluntary petition and plan of reorganization under Chapter 11 of the bankruptcy code in March 2014 in the United States. USEC Inc. re-emerged from Chapter 11 as Centrus Energy Corp. on September 30, 2014.

Penalties or Sanctions

To the knowledge of the Administrator, no director or executive officer of the Administrator (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of securities of the Administrator or the Trust to affect materially the control of the Administrator or the Trust, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Certain officers and directors of the Administrator are also officers and/or directors of other companies engaged in the oil and gas business generally. As a result, situations may arise where the duties of such directors and officers of the Administrator conflict with their interests as directors and officers of other companies. The resolution of such conflicts is governed by applicable corporate laws, which require that directors act honestly, in good faith and with a view to the best interests of the Administrator. Conflicts, if any, will be handled in a manner consistent with the procedures and remedies set forth in the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA. Management is not aware of any existing or potential material conflicts of interest between the Administrator, the Trust or a subsidiary of the Trust and a director or officer of the Administrator.

AUDIT COMMITTEE INFORMATION

The Audit Committee is comprised of Mr. Philip Scherman as Chairman, Mr. Christopher Burley, Mr. Francis H. James and Ms. Hilary A. Foulkes, all of whom are independent and financially literate for purposes of NI 52-110. The specific responsibilities of the Audit Committee are set out in the Audit Committee Charter, a copy of which is attached as Schedule ñCò. The committeeòs primary role is to assist the Board in fulfilling its oversight responsibilities regarding the accuracy and completeness of the Trustòs consolidated financial statements and related management discussion and analysis, the internal control and financial reporting systems of the Parallel Group, the selection (subject to approval by Unitholders), engagement, and monitoring of the activities of the Trustòs external auditor and the Parallel Groupòs risk management strategy.

Relevant Education and Experience

Each member of the Audit Committee has served in senior positions within their respective organizations and/or served as directors of public and private companies, which has afforded them the opportunity to gain familiarity with financial matters relevant to the Trust.

Christopher M. Burley

Mr. Burleyòs career includes over two decades of experience in the investment banking industry. Mr. Burley has extensive experience raising capital and providing merger and acquisition advice to companies in the oil and gas sector, most recently as Vice Chairman, Energy for Merrill Lynch (an investment banking firm), prior to retiring in September 2008. Mr. Burley joined Merrill Lynch in December 1999 as Managing Director and Co-Head of Canadian Energy and Power Investment Banking and assumed sole responsibility for the firmòs Canadian Energy and Power Investment Banking practice in 2001. Mr. Burley was subsequently appointed Vice Chairman, Energy for Merrill Lynch in 2007. Since May, 2009, Mr. Burley has been serving as a corporate director for Potash Corporation of Saskatchewan Inc. (a fertilizer production company). Mr. Burley has a Bachelor of Science degree with a certificate of Honours Standing (Geophysics) and a Masters of Business Administration degree from the University of Western Ontario. He is a graduate of the Institute of Corporate Directorsô Education Program.

Hilary A. Foulkes

Ms. Foulkes has over 30 years of oil and gas industry experience. Ms. Foulkes held a number of executive positions with PennWest Petroleum Ltd. from 2008 to 2012, including Executive Vice President and Chief Operating Officer. She was responsible for corporate planning, reserves reporting, portfolio management and resource development. From April 2000 to March 2008, Ms. Foulkes was a Managing Director with the investment banking firm Scotia Waterous (previously Waterous & Co.), specializing in oil and gas transactions. Ms. Foulkes is a Professional Geologist, with operations, exploration and development experience obtained over 15 years with Gulf Canada Resources. She has a Bachelor of Science Degree (Honours Earth Science) from the University of Waterloo, is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta and the Canadian Society of Petroleum Geologists

Francis H. James

Mr. James has over 30 years of experience in the oil and gas industry, including senior management positions in planning, finance, operations and business development in both domestic and international operations. Mr. James served on the board of Polar Lights Company, a Russia/US joint venture, from 1993-1996, and on the board of Gulf Indonesia Resources Limited from 2001-2002. Mr. James retired as General Manager, Planning and Finance ï ConocoPhillips Worldwide Exploration and Production in 2005. Mr. James currently serves as Vice Chairman of the City of Dripping Springs Planning and Zoning Commission. Mr. James has a Master of Business Administration from Arizona State University and a Bachelor of Science from University of Southwestern Louisiana.

Philip Scherman

Mr. Scherman is a retired partner of KPMG LLP. Mr. Scherman has over 35 years of audit and oil and gas experience including risk management and control evaluations experience. Mr. Scherman is currently a director of Mullen Group Ltd. and a member of the audit committee of the Province of Alberta. Mr. Scherman has a Bachelor of Commerce degree from the University of Saskatchewan, is a Fellow of the Institute of Chartered Accountants of Alberta and has completed the ICD Director Education Program and obtained his ICD.D designation.

Reliance on Certain Exemptions

Since the commencement of the Trustøs most recently completed financial year, the Trust has not relied on the exemptions contained in section 2.4 (*De Minimis Non-audit Services*), section 3.2 (*Initial Public Offerings*), section 3.4 (*Events Outside Control of Member*), section 3.5 (*Death, Disability or Resignation of Audit Committee Member*) or Part 8 of NI 52-110 (*Exemptions*).

Reliance on the Exemptions in Subsection 3.3(2) or Section 3.6

Since the commencement of the Trustøs most recently completed financial year, the Trust has not relied on the exemptions contained in subsection 3.3(2) (*Controlled Companies*) or section 3.6 (*Temporary Exemption for Limited and Exceptional Circumstances*) of NI 52-110.

Reliance on Section 3.8

Since the commencement of the Trustøs most recently completed financial year, the Trust has not relied on section 3.8 (*Acquisition of Financial Literacy*) of NI 52-110.

Audit Committee Oversight

Since the commencement of the Trustøs most recently completed fiscal year, the Board of Directors has adopted all recommendations of the Audit Committee with respect to the nomination or compensation of an external auditor.

Pre-Approval Policies and Procedures

The Trust has not adopted specific policies and procedures for the engagement of non-audit services. The Audit Committee reviews the engagement of non-audit services as required.

External Auditor Service Fees

The external auditors of the Trust are Ernst & Young LLP, Chartered Accountants, Calgary, Alberta. Ernst & Young LLP have been the Trustøs external auditors since March 10, 2011. The following table provides information about the fees billed to the Trust for professional services rendered by Ernst & Young LLP during 2013 and 2014:

($ thousands)	2014	2013
Audit Fees (1)	220	242
Audit-Related Fees (2)	-	-
Tax Fees (3)	72	78
Total	292	320

Notes:

(1) Audit fees consist of fees for the audit of the Trustôs annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements, including services associated with public and private offerings of securities.

(2) Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Trustôs financial statements and are not reported as Audit Fees.

(3) Tax fees consist of fees for tax compliance services, tax advice and tax planning. During fiscal 2013 and 2014, the services provided in this category included assistance with both Canadian and US tax compliance.

ADMINISTRATIVE SERVICES AGREEMENT

The following is a summary of the principal terms of the Administrative Services Agreement pursuant to which the Trustee has delegated to the Administrator responsibility for the general administration of the affairs of the Trust. The description below is qualified by reference to the text thereof.

The Administrator provides administrative services to the Trust. These arrangements are set forth in the Administrative Services Agreement. In exercising its powers and discharging its duties under the Administrative Services Agreement, the Administrator is required to act honestly, in good faith and in the best interests of the Trust and the Unitholders and exercise the degree of care, diligence and skill that a reasonably prudent administrator having responsibility for services similar to the Administrative Services (as defined below) would exercise in comparable circumstances.

Pursuant to the Administrative Services Agreement, the Administrator, on an exclusive basis, performs or procures all general administrative and operational services as may be required to administer the operations of the Trust, other than the excluded services described below (the ñ**Excluded Services**ò).

The services the Administrator provides to the Trust (the ñ**Administrative Services**ò) include the following: (i) preparing all returns, filings and other documents necessary to discharge Trusteeôs obligations under the Trust Indenture and applicable law, including taxation and securities laws, and otherwise ensuring compliance by the Trust with applicable law; (ii) voting securities owned by the Trust; (iii) assisting with the calculation of distributions to Unitholders, withholding all amounts required by applicable tax law, and making the remittances and filings in connection with such withholdings; (iv) providing investor relations services; (v) performing all services in connection with acquiring or disposing of property; (vi) performing all services required for the purpose of completing the initial public offering of the Trust; (vii) establishing and implementing distribution reinvestment plans, unit purchase plans and incentive option or other compensation plans; (viii) calling and holding all annual and/or special meetings of Unitholders pursuant to the Trust Indenture and preparing, approving and arranging for the distribution of all materials including notices of meetings and information circulars in respect thereof; (ix) preparing and causing to be provided to Unitholders on a timely basis all information to which Unitholders are entitled under the Trust Indenture and under applicable laws; (x) engaging and overseeing third party providers of services to the Trust in connection with provision of the Administrative Services; and (xi) providing all other services as may be necessary, or requested by the Trustee, for the administration of the Trust, other than the Excluded Services.

The Excluded Services include the following: (i) the issue, certification, exchange or cancellation of Units; (ii) the maintenance of registers of Unitholders; (iii) making the distribution of payments or property to Unitholders and statements in respect thereof; (iv) any mailings to Unitholders; (v) executing any amendment to the Trust Indenture or any amended and restated Trust Indenture following any amendment thereto; and (vi) any matters ancillary or incidental to any of those set forth in (i) through (v) immediately above.

In addition to those duties in respect of the Trust which have been delegated to the Administrator by the Trustee under the Administrative Services Agreement, the Administrator has been conferred and granted certain powers, duties and authorities directly in its capacity as the CT Trustee. In exercising its powers and discharging its duties as the CT Trustee under the CT Trust Indenture, the Administrator is required to satisfy the same standard of care as required of the Trustee pursuant to the Trust Indenture and to exercise its powers and duties in the best interests of the CT and the CT Unitholders.

Fees and Expenses

Under the Administrative Services Agreement, the Administrator receives no fees in consideration of the services it provides as Administrator of the Trust or as the CT Trustee. The Administrator is entitled to the reimbursement of all costs and expenses reasonably incurred by the Administrator in carrying out its obligations and duties under the Administrative Services Agreement and the CT Trust Indenture, including but not limited to payroll and payroll related costs, overhead, accounting and other general and administrative costs, and out of pocket and third party fees and expenses.

Services Agreement with MGM Energy Corp.

The Administrator had entered into a sublease agreement with MGM Energy Corp. (ñ**MGM Energy**ò) in which MGM Energy had provided a sublease of office space, and a services agreement in which MGM Energy provided certain administrative services including accounting, information technology and legal services, among others. The services agreement was terminated effective June 10, 2014 as a result of the sale of MGM Energy to Paramount Resources Ltd. The services agreement provided for the recovery to MGM Energy of its direct costs plus an overhead allocation. The Administrator and MGM Energy had certain common members of management and directors prior to June 10, 2014.

Reliance, Limitation of Liability and Indemnification

The Administrative Services Agreement provides that, in carrying out the Administrative Services, the Administrator and its delegates are entitled to rely on: (a) statements of fact of other persons (any of which may be persons with whom the Administrator is affiliated or associated) who are considered by the Administrator to be knowledgeable of such facts, provided that the Administrator has satisfied its standard of care under the Administrative Services Agreement in making the assessment as to whether such persons are knowledgeable of such facts (each, a ñ**Knowledgeable Person**ò); and (b) statements from, the opinion or advice of, or information from any solicitor, auditor, valuator, financial advisor, engineer, surveyor, appraiser or other expert selected by the Administrator (ñ**Experts**ò), provided that the Administrator has satisfied its standard of care under the Administrative Services Agreement in selecting such Expert to provide such statements, opinion, advice or information.

The Administrative Services Agreement provides that the Administrator, its affiliates and associates and each of their respective directors, officers, employees, contractors and agents (collectively, the ñ**Service Providers**ò), will not, either directly or indirectly, be liable, answerable or accountable to the Trust, the Trustee or any Unitholders for: (i) any loss or damage resulting from, incidental to or relating to the performance or non-performance of the Administrative Services by any of the Service Providers, or any act or omission believed by a Service Provider to be within the scope of authority conferred thereon by the Administrative Services Agreement or the Trust Indenture, unless such loss or damage resulted from the fraud, willful misconduct or gross negligence of a Service Provider in which case the benefit of this limitation will not apply to such Service Provider; (ii) any loss or damage resulting from the performance or non-performance of the Administrative Services by any of the Service Providers, where such loss or damage is attributable to acting in accordance with the instructions of the Trustee, provided that the Service Providers will bear, on a several basis, their proportionate share of liability in the event of joint or contributory liability with the Trustee; (iii) any loss or damage resulting from any act or omission by any of the Service Providers, provided that such act or omission is based upon the Service Providerôs reliance on (A) statements of fact of Knowledgeable Persons (excluding persons with whom the Administrator is affiliated); or (B) the opinion or advice of or information obtained from any Expert; and (iv) any damage, injury or loss of an indirect or consequential nature, including loss of profits, suffered by the Trust, the Trustee or any Unitholder, or any of their respective affiliates, which is in any way connected with the activities, investments or affairs of the Trust or the performance or non-performance of the Administrative Services or any other aspect of the Administrative Services Agreement or the Trust Indenture.

The Administrative Services Agreement provides that the Administrator, its affiliates, associates and any person who is serving or shall have served as a director, officer, employee or agent of the Administrator or the GP, or of their respective affiliates or associates and any respective heirs, legal representatives and successors of the foregoing (collectively the ñ**Administrator Indemnitees**ò), will be indemnified out of the Trustôs property from and against all losses, claims, damages, liabilities, obligations, costs and expenses (including judgments, fines, penalties, amounts paid in settlement (with the approval of the Trustee, acting reasonably), and legal fees and disbursements) (ñ**Claims**ò) incurred by, borne by or asserted against any of the Administrator Indemnitees and which in any way arise from or relate in any manner to the Administrative Services Agreement, the Trust Indenture, or the performance or non-performance of the Administrative Services, and acting as CT Trustee, unless such Claims arise from the fraud, willful misconduct or gross negligence of any of the Administrator Indemnitees, provided that in such case only the Administrator Indemnitee guilty of the same will lose its right of indemnity as long as such Administrator Indemnitee was delegated its responsibility in accordance with the Administratorôs standard of care under the Administrative Services Agreement.

The Administrative Services Agreement further provides that, subject to limitations on liability of the Administrator described above, the Trust, the Trustee and any person who is serving or shall have served as a director, officer or employee of the Trustee and any respective heirs, legal representatives and successors of the foregoing (the ñ**Trust Indemnitees**ò) will be indemnified by the Administrator from and against all losses, claims, damages, liabilities, obligations, costs and expenses (including judgments, fines, penalties, amounts paid in settlement (with the approval of the Administrator, acting reasonably), and legal fees and disbursements) (ñ**Trust Claims**ò) incurred by, borne by or asserted against any of the Trust Indemnitees and which arise from the fraud, willful misconduct or gross negligence of the Administrator in the performance of the Administrative Services, unless such Trust Claims arise from the fraud, willful misconduct or gross negligence on the part of a Trust Indemnitee, or are attributable to actions undertaken on the specific instructions of the Trustee.

Term and Termination

The Administrative Services Agreement had an initial term to December 31, 2011 and was automatically renewed for four successive one year terms. The Administrative Services Agreement will be automatically renewable for additional successive terms of one year unless terminated by the Administrator on prior written notice which is provided at least 30 days before the expiry of the initial term or any renewal term. The Administrative Services Agreement also provides that it may, by written notice given by one party to the other, be immediately terminated in the event of (i) certain events of bankruptcy, insolvency, receivership or liquidation of the other party or (ii) a breach by the other party in the performance of a material obligation, covenant or responsibility under the agreement (other than as a result of the occurrence of a force majeure event) which is not remedied, or when not reasonably capable of being remedied within 60 days, such party nonetheless fails to commence and diligently pursue steps to remedy such default, within 60 days after notice of such breach has been delivered; provided that, prior to the Trust or any of its affiliates (as applicable) being entitled to terminate the Administrative Services Agreement for breach by the Administrator of performance of a material obligation, receipt of approval of the Unitholders by Ordinary Resolution must be obtained authorizing such termination.

A direct or indirect change of control of the Administrator requires the prior written consent of the Trustee. The Administrative Services Agreement permits the Administrator to delegate its responsibilities, but no such delegation will relieve the Administrator of its responsibility for ensuring the performance of its duties and obligations under each such agreement. If, however, the Administrator delegates its responsibilities to a third party and in so doing does not breach its standard of care under the Administrative Services Agreement, the Administrator will not be liable for the acts or omissions of such delegate (except where such delegate is an affiliate of the Administrator). It is anticipated that the Administrator may, from time to time, delegate certain responsibilities to the GP, which shall not constitute a breach of its standard of care.

VOTING AGREEMENT

The Administrator Shareholders, as the sole shareholders of the Administrator, have entered into the Voting Agreement with the Trustee as agent for the Unitholders and the Administrator pursuant to which the Administrator Shareholders agreed to vote their shares in the Administrator at the direction of the Unitholders, as communicated by the Trustee as agent for the Unitholders, with regard to the election or removal of the Administrator Directors and setting the number of Administrator Directors from time to time. The Voting Agreement is a unanimous shareholders agreement pursuant to the ABCA and restricts the business of the Administrator to (i) acting as administrator of the Trust pursuant to the terms of the Trust Indenture and the Administrative Services Agreement; (ii) acting as CT Trustee; and (iii) such other activities ancillary to the activities in subsections (i) and (ii) and necessary to perform the obligations of the Administrator and the CT Trustee.

The Administrator Shareholders also waive certain shareholder rights afforded to them under the ABCA, including the right to appoint an auditor, dissent rights, and oppression rights. The Voting Agreement also provides the Administrator with the right to compel an Administrator Shareholder to transfer its shares in the Administrator to the Administrator or another director or officer of the Administrator, or to another director or officer of one or more members of the Parallel Group, at a nominal price in certain circumstances. The Administratorœs articles require that all transfers of its shares require the approval of the Board.

FIDUCIARY RESPONSIBILITY OF THE ADMINISTRATOR

The Administrator, as administrator of the Trust and trustee of the CT, has a duty to administer the Trust and the CT in a manner beneficial to the respective unitholders thereof. The GP has a duty to manage the Partnership in a manner beneficial to all partners of the Partnership, including the CT. As well, the directors and officers of the Administrator and the GP have fiduciary obligations in that capacity to the unitholders of the Trust and the CT and the Partnership, respectively. Situations may arise in which the interests of the Trust and the CT and their affiliates and associates may conflict with the interests of the GP and the Partnership and their affiliates and associates and the Administrator Directors and the directors of the GP will be obligated to resolve such conflicts. Unless otherwise agreed, neither the GP nor the Administrator shall be obligated to offer any business opportunities to the Trust, the CT or the Partnership.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Pursuant to the terms of the Voting Agreement, the Trust granted all of the voting rights to elect the Administrator Directors to the Unitholders of the Trust.

Except as described above or elsewhere in this Annual Information Form, there is no material interest, direct or indirect, of: (i) any director or executive officer of the Administrator or the GP; (ii) any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the Units; or (iii) any affiliate of the persons or companies referred to above in (i) or (ii), in any transaction within the three years before the date of this Annual Information Form that has materially affected or is reasonably expected to materially affect the Trust or a subsidiary of the Trust. See ñAdministrative Services Agreement ï Services Agreement with MGM Energy Corp.ò.

THE INDUSTRY

United States Oil and Natural Gas Industry

Overview

The oil and gas industry in the United States is very well-established. Since the 1860s and 1870s, oil has been produced in economic quantities in a number of discrete sedimentary basins in most states in the United States. Accompanying this production has been the development of supportive infrastructure including pipelines, gas processing facilities and a drilling and service sector as well as a wide range of professional services.

The demand for low cost, domestic sources of hydrocarbons remains strong. U.S. domestic policy has historically supported the development and exploitation of oil and gas reserves to assure access to domestic supplies of hydrocarbons. Many state and municipal governments are also supportive and recognize the monetary contribution that the industry makes to their state and municipal budgets.

Background

This section provides a brief overview of the legal structure of the parts of the U.S. oil and natural gas exploration and production industry in which the Trust, through the CT and the Partnership, operate.

In the United States, ownership of land carries with it ownership of or the exclusive right to enjoy substances under the surface, including oil, natural gas and other minerals. A landowner may convey an estate in the oil and natural gas rights separate and apart from the ownership of the surface rights. When the oil and natural gas interest is severed from the surface interest, two distinct estates or interests are created ï the mineral estate and the surface estate.

The owner of the mineral estate has many interests which are capable of being conveyed alone or in various combinations, including the right to convey a working interest to an oil and natural gas exploration and production company to explore for and produce oil and natural gas from the mineral estate. Such a working interest is typically conveyed by the owner or owners of the mineral estate to the working interest owner pursuant to an oil, gas and mineral lease. The owner of the mineral estate typically retains a royalty interest, which is the right to receive a specified percentage of the production (or, in some cases, a share of the proceeds or market value) of any oil and natural gas recovered from the mineral estate, prior to deduction of any costs or expenses. Reference to the term ñworking interestò typically refers to the operating (and expense bearing) interest under an oil, gas and mineral lease.

The rights of exploration, drilling and production conveyed by a typical lease agreement customarily require that production of oil and natural gas in paying quantities be established within a specified period of time, often two to five years. Absent an ability to extend the primary term of the lease, the lease terminates if such production is not established (or, depending on the express language of the applicable oil and gas lease, if commencement of drilling operations has not commenced) within the specified time period. Once such production is established during the primary term, the lease agreement would generally continue in effect (either in whole or in part as to the proration units located around producing wells) so long as production in paying quantities continues, subject to the terms of the applicable lease. Some leases also contain provisions that could result in a forfeiture of certain acreage covered by the lease, notwithstanding drilling and/or producing prior to the expiration of the primary term, if drilling operations are not continued within specified periods after the last drilling operations were completed, or for other reasons or conditions that may be specified in the applicable lease. The interest of the lessee under an oil and gas lease is also capable of being abandoned by the lessee and may also be subject to forfeiture for failure on the part of the lessee to comply with express covenants and implied obligations, including, for example, the duty to reasonably develop the premises, the duty to protect the leasehold against drainage and the duty to manage and administer the lease.

Operations

Title to Properties

It is customary in the U.S. oil and natural gas industry to conduct only a preliminary review of title to properties on which proved reserves do not exist. Prior to the commencement of drilling operations on those properties, a more thorough title examination typically is performed and curative work is undertaken with respect to significant defects. Most of the oil and gas leases comprising the West Panhandle Field assets, many of which date back to the 1920s, have been held in effect for long periods by continuous production. The West Panhandle Field assets were acquired by Bravo in a single transaction which closed in late 2010. An acquisition review of title to the West Panhandle Field assets was performed by Bravo in connection with the acquisition, which review included the preparation of numerous acquisition title opinions by an outside law firm. Further title reviews were made by Bravo that included review of the terms of the remaining leases not covered by these title opinions. These title opinions and reviews revealed title defects, encumbrances, or other restrictions that are typical of interests in oil and gas leasehold interests in the State of Texas and included curative title requirements, some of which have not or cannot be satisfied. As is typical in the United States, Bravo provided only limited representations regarding the status of title to the West Panhandle Field assets in the purchase and sale agreements entered into between the Partnership and Bravo providing for the Partnershipôs purchase of such assets from Bravo. Management reviewed title information provided by Bravo with respect to the West Panhandle Field assets as to the leases and wells that comprise the majority of the reserves value of such interest. Based on its due diligence investigations of title and in light of the fact that most of the West Panhandle Field assets have long production histories, Management does not believe that any known title defects and other matters affecting title to the West Panhandle Field assets will materially impact the Partnershipôs operations or its ability to receive revenues from production from the West Panhandle Field assets.

Management intends to follow customary U.S. oil and gas industry due diligence practices in connection with any future acquisitions, including performing title reviews on producing properties, undeveloped properties that are assigned significant value and the more significant leases prior to completing an acquisition and, depending on the materiality of the properties, Management may obtain title opinions or reports or review previously obtained title opinions or reports. Depending on the nature of each acquisition, to the extent title opinions or other investigations reflect material title defects, either the purchaser or the seller would be responsible for the costs and for curing any title defects or accepting uncured defects. As discussed above, a title examination on other properties and leaseholds would typically be performed prior to the commencement of drilling operations thereon and any curative work would be performed. The Partnershipôs oil and natural gas properties will be subject to customary royalty and other interests, liens for current taxes and other customary burdens. See ñRisk Factorsò.

Regulation of the Oil and Natural Gas Industry

Operations are substantially affected by U.S. federal, state and local laws and regulations. In particular, oil and natural gas production and related operations are, or have been, subject to price controls, taxes and numerous other laws and regulations. All of the jurisdictions in which the Trust holds interests through the Partnership in properties for oil and natural gas production have statutory provisions regulating the exploration for and production of oil and natural gas, including provisions related to permits for the drilling of wells, bonding requirements to drill or operate wells, the location of wells, the method of drilling and casing wells, the surface use and restoration of properties upon which wells are drilled, sourcing and disposal of water used in the drilling and completion process, and the abandonment of wells. Operations are also subject to various conservation laws and regulations. These include regulation of the size of drilling and spacing units or proration units, the number of wells which may be drilled in an area, and the unitization or pooling of oil and natural gas wells, as well as regulations that generally prohibit the venting or flaring of natural gas and that impose certain requirements regarding the ratability or fair apportionment of production from fields and individual wells.

Failure to comply with applicable laws and regulations can result in substantial penalties, and the regulatory burden on the industry in the U.S. increases the cost of doing business and affects profitability. Additional proposals and proceedings that affect the oil and natural gas industry are regularly considered by United States Congress (ñ**Congress**ò), the states, the Federal Energy Regulatory Commission, (ñ**FERC**ò), and the courts. The Trust cannot predict when or whether any such proposals may become effective or the costs of complying therewith.

Regulation of Transportation of Oil

Sales of crude oil, condensate and NGLs are not currently regulated and are made at negotiated prices. Nevertheless, Congress could re-enact price controls in the future.

Regulation of Transportation and Sales of Natural Gas

Historically, the transportation and sale for resale of natural gas in interstate commerce has been regulated by the FERC under the *Natural Gas Act of 1938* (ñ**NGA**ò), the *Natural Gas Policy Act of 1978* (the ñ**NGPA**ò), and regulations issued under those statutes. In the past, the federal government has regulated the prices at which natural gas could be sold. While sales by producers of natural gas can currently be made at market prices, Congress could re-enact price controls in the future. Deregulation of wellhead natural gas sales began with the enactment of the NGPA and culminated in adoption of the *Natural Gas Wellhead Decontrol Act* of 1989 which deregulated all price controls affecting wellhead sales of natural gas effective January 1, 1993.

Regulation of Production

The production of oil and natural gas is subject to regulation under a wide range of local, state and federal statutes, rules, orders and regulations. Federal, state and local statutes and regulations require permits for drilling operations, drilling bonds, reports concerning operations, and may require other credit or financial support. The jurisdictions in which the Trustôs assets and properties are located have regulations governing conservation matters, including provisions for the unitization or pooling of oil and natural gas properties, the establishment of maximum allowable rates of production from oil and natural gas wells, the regulation of well spacing, and plugging and abandonment of wells. The effect of these regulations is to limit the amount of oil and natural gas that the Trust can produce from and to limit the number of wells or the locations at which the Trust can drill, although the Trust can apply for exceptions to such regulations or to have reductions in well spacing. Moreover, each jurisdiction generally imposes a production or severance tax with respect to the production and sale of oil, natural gas and NGLs.

The failure to comply with these rules and regulations can result in substantial penalties. Competitors in the oil and natural gas industry are subject to the same regulatory requirements and restrictions that affect the Trustôs operations.

Other Federal Laws and Regulations Affecting the Industry

The *Energy Policy Act of 2005* (the ñ**EP Act 2005**ò) is a comprehensive compilation of tax incentives, authorized appropriations for grants and guaranteed loans, and significant changes to the statutory policy that affects all segments of the U.S. energy industry. Among other matters, EP Act 2005 amends the NGA to add an anti-manipulation provision which makes it unlawful for any entity to engage in prohibited behaviour to be prescribed by FERC, and furthermore provides FERC with additional civil penalty authority. EP Act 2005 provides the FERC with the power to assess civil penalties of up to US$1,000,000 per day for violations of the NGA and increases the FERCôs civil penalty authority under the NGPA from US$5,000 per violation per day to US$1,000,000 per violation per day. The civil penalty provisions are applicable to entities that engage in the sale of natural gas for resale in interstate commerce. On January 19, 2006, FERC issued Order No. 670, a rule implementing the anti-manipulation provision of the EP Act 2005, and subsequently denied rehearing. The rule makes it unlawful for any entity, directly or indirectly, in connection with the purchase or sale of natural gas subject to the jurisdiction of FERC, or the purchase or sale of transportation services subject to the jurisdiction of FERC, (1) to use or employ any device, scheme or artifice to defraud; (2) to make any untrue statement of material fact or omit to make any such statement necessary to make the statements made not misleading; or (3) to engage in any act, practice, or course of business that operates as a fraud or deceit upon any person. These anti-manipulation rules do not apply to activities that relate only to intrastate or other non-jurisdictional sales or gathering, but do apply to activities of gas pipelines and storage companies that provide interstate services, such as Section 311 service, as well as otherwise non-jurisdictional entities to the extent the activities are conducted ñin connection withò gas sales, purchases or transportation subject to FERC jurisdiction, which now includes the annual reporting requirements under Order 704. The anti-manipulation rules and enhanced civil penalty authority reflect an expansion of FERCôs NGA enforcement authority. Should Management fail to comply with all applicable FERC administered statutes, rules, regulations, and orders, the Trust could be subject to substantial penalties and fines.

FERC Market Transparency Rules

On December 26, 2007, FERC issued a final rule on the annual natural gas transaction reporting requirements, as amended by subsequent orders on rehearing, or Order No. 704. Under Order No. 704, wholesale buyers and sellers of more than 2.5 million MMBtu of physical natural gas in the previous calendar year, including interstate and intrastate natural gas pipelines, natural gas gatherers, natural gas processors, natural gas marketers and natural gas producers, are required to report, on May 1 of each year beginning in 2009, aggregate volumes of natural gas purchased or sold at wholesale in the prior calendar year to the extent such transactions utilize, contribute to or may contribute to the formation of price indices. In order to provide respondents time to implement new regulations related to Order No. 704, the FERC extended the deadline for calendar year 2009 until October 1, 2010. The report for calendar year 2010 and subsequent years remains May 1 of the following calendar year. It is the responsibility of the reporting entity to determine which individual transactions should be reported based on the guidance of Order No. 704. Order No. 704 also requires market participants to indicate whether they report prices to any index publishers and, if so, whether their reporting complies with FERCôs policy statement on price reporting.

Additional proposals and proceedings that might affect the natural gas industry are pending before Congress, FERC and the courts. Management cannot predict the ultimate impact of these or the above regulatory changes to the Trustôs natural gas operations. Management do not believe that the Trust would be affected by any such action materially differently than similarly situated competitors.

Environmental, Health and Safety Regulation

Exploration, development and production operations are subject to stringent and complex federal, state and local laws and regulations governing health and safety, the discharge of materials into the environment or otherwise relating to environmental protection. These laws and regulations may, among other things, require the acquisition of permits to conduct exploration, drilling and production operations; govern the amounts and types of substances that may be released into the environment in connection with oil and gas drilling and production; restrict the handling or disposal of wastes; limit or prohibit construction or drilling activities in sensitive areas such as wetlands, wilderness areas or areas inhabited by endangered or threatened species; require investigatory and remedial actions to mitigate pollution conditions caused by operations or attributable to former operations; and impose obligations to reclaim and abandon well sites and pits. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial obligations and the issuance of orders limiting or prohibiting some or all additional oil and gas exploration and production operations.

The clear trend in environmental laws and regulation has been to place more restrictions and limitations on activities that may affect the environment, and thus, any changes in environmental laws and regulations or re-interpretation of enforcement policies that result in more stringent and costly waste handling, storage, transport, disposal, or remediation requirements could have a material adverse effect on operations, profitability and financial position. Of particular note, the U.S. Environmental Protection Agency (ñ**EPA**ò) identified the enforcement of environmental laws and regulations applicable to the oil and gas exploration and production sector as a National Enforcement Initiative for 2011 to 2013. Increased compliance costs may not be able to be passed on to purchasers or customers. Moreover, accidental releases or spills may occur in the course of operations, and significant costs and liabilities may arise as a result of such releases or spills, including any third party claims for damage to property, natural resources or persons.

The following is a summary of the more significant existing environmental, health and safety laws and regulations to which the Trustôs business operations are subject and for which compliance may have a material adverse impact on capital expenditures, results of operations or financial position.

Hazardous Substances and Waste

The *Comprehensive Environmental Response, Compensation, and Liability Act*, as amended, (the ñ**CERCLA**ò), also known as the Superfund law, and comparable state laws impose liability without regard to fault or the legality of the original conduct on certain classes of persons who are considered to be responsible for the release of a ñhazardous substanceò into the environment. These persons include current and prior owners or operators of the site where a release occurred and entities that disposed or arranged for the disposal of the hazardous substances found at the site. Under CERCLA, these ñresponsible personsò may be subject to joint and several, strict liability for the costs of cleaning up hazardous substances that have been released into the environment, for investigating and mitigating vapor intrusion, for damages to natural resources, and for the costs of certain health studies. CERCLA also authorizes the EPA and, in some instances, third parties to act in response to threats to public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. It is not uncommon for neighbouring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances or other pollutants into the environment. Oil and gas exploration and production generates substances that may be regulated as hazardous substances.

Oil and gas exploration and development activities also generate solid and hazardous wastes that may be subject to the requirements of the *Resource Conservation and Recovery Act*, as amended, (the ñ**RCRA**ò), and comparable state statutes. RCRA imposes strict requirements on the generation, storage, treatment, transportation and disposal of hazardous wastes.

The Trust has an interest in, and in connection with future acquisitions, Management anticipates that the Trust will acquire interests through the Partnership, properties that have been used for numerous years to explore and produce oil and natural gas. Hydrocarbons and wastes may have been disposed of or released on or under these properties or on or under other locations where these hydrocarbons and wastes have been taken for treatment or disposal. In addition, certain of these properties may have been operated by third parties whose treatment and disposal or release of hydrocarbons and wastes may result in liability. These properties and the wastes disposed thereon may be subject to CERCLA, RCRA, other federal laws, and analogous state laws. These laws could require removal of previously disposed wastes (including wastes disposed of or released by prior owners or operators), remediation or clean up of contaminated property (including contaminated groundwater) and performance of operations to prevent future contamination.

Air Emissions

The *Clean Air Act*, as amended, and comparable state laws and regulations restrict the emission of air pollutants from many sources and also impose various monitoring and reporting requirements. These laws and regulations may require the Trust to obtain pre-approval for the construction or modification of certain projects or facilities expected to produce or significantly increase air emissions. These laws and regulations may also require permits or the use of specific equipment or technologies to control emissions. Obtaining permits has the potential to delay the development of oil and natural gas projects. In addition, the EPA and state regulators have underway a number of regulatory changes (including the EPAõs new compressor engine emissions standards and the potential aggregation of exploration and production-related emissions sources to make what have historically been multiple ñminorò sources into larger ñmajorò sources) that may significantly increase the regulatory burdens and costs of U.S. oil and gas exploration.

Climate Change

In December 2009, the EPA determined that emissions of carbon dioxide, methane and other ñgreenhouse gasesò present an endangerment to public health and the environment because emissions of such gases are, according to the EPA, contributing to warming of the earthõs atmosphere and other climatic changes. Based on these findings, the EPA has begun adopting and implementing regulations to restrict emissions of greenhouse gases under existing provisions of the federal *Clean Air Act*. The EPA adopted two sets of rules regulating greenhouse gas emissions under the *Clean Air Act*, one of which requires a reduction in emissions of greenhouse gases from motor vehicles and the other of which regulates emissions of greenhouse gases from certain large stationary sources, effective January 2, 2011. The EPAõs rules relating to emissions of greenhouse gases from large stationary sources of emissions are currently subject to a number of legal challenges, but the federal courts have thus far declined to issue any injunctions to prevent EPA from implementing, or requiring state environmental agencies to implement, the rules. The EPA also adopted rules requiring the reporting of greenhouse gas emissions from specified large greenhouse gas emission sources in the United States, including petroleum refineries, on an annual basis, beginning in 2011 for emissions occurring after January 1, 2010, as well as certain onshore oil and natural gas production facilities, on an annual basis, beginning in 2012 for emissions occurring in 2011.

In addition, the 111th Congress considered a number of bills designed to regulate greenhouse gas emissions, but did not pass any of those bills. It is unclear whether the 112th or a later Congress will take further action on greenhouse gases, for example, to further regulate greenhouse gas emissions or alternatively to statutorily limit the EPAõs authority over greenhouse gases. Almost one-half of the states have, however, begun taking actions to control and/or reduce emissions of greenhouse gases, primarily through the planned development of greenhouse gas emission inventories and/or regional greenhouse gas cap and trade programs. Although most of the state-level initiatives have to date focused on large sources of greenhouse gas emissions, such as coal-fired electric plants, it is possible that smaller sources of emissions could become subject to greenhouse gas emission limitations or allowance purchase requirements in the future.

The adoption of legislation or regulatory programs to reduce emissions of greenhouse gases could have a material adverse effect on the Trustõs business, financial condition and results of operations. The adoption and implementation of regulations imposing reporting obligations or limiting emissions of greenhouse gases from equipment and operations could increase costs associated with oil and gas exploration and production operations or could adversely affect demand for the oil and natural gas produced. On the other hand, climate change regulation may drive an increased demand for natural gas for producing electricity and as a transportation fuel. At this time, it is not possible to accurately estimate how potential future laws or regulations addressing greenhouse gas emissions would impact the Trust.

Water Discharges

The *Federal Water Pollution Control Act*, as amended, or the *Clean Water Act*, and analogous state laws impose restrictions and strict controls regarding the discharge of pollutants into navigable waters. Pursuant to the *Clean*

Water Act and analogous state laws, permits must be obtained to discharge pollutants into state waters or waters of the U.S. Any such discharge of pollutants into regulated waters must be performed in accordance with the terms of the permit issued by the EPA or the analogous state agency. Spill prevention, control and countermeasure requirements under federal law require appropriate containment berms and similar structures to help prevent the contamination of navigable waters in the event of a petroleum hydrocarbon tank spill, rupture or leak. In addition, the Clean Water Act and analogous state laws require individual permits or coverage under general permits for discharges of storm water runoff from certain types of facilities. Further, disposal of various waste products from oil and gas exploration and production may be subject to permitting requirements.

The *Oil Pollution Act of 1990*, as amended, (the ñ**OPA**ò), which amends the *Clean Water Act*, establishes strict liability for owners and operators of facilities that are the site of a release of oil into waters of the U.S. The OPA and its associated regulations impose a variety of requirements on responsible parties related to the prevention of oil spills and liability for damages resulting from such spills. A ñresponsible partyò under the OPA includes owners and operators of certain onshore facilities from which a release may affect waters of the U.S.

Endangered Species, Migratory Birds, Natural Resource Damages

Various state and federal statutes prohibit certain actions that adversely affect endangered or threatened species and their habitat, migratory birds, wetlands, and natural resources. These statutes include the *Endangered Species Act*, the *Migratory Bird Treaty Act*, the *Clean Water Act* and CERCLA. Where the taking of or harm to such species or birds occurs or may occur, or where damages to wetlands, habitat or natural resources occur or may occur, government entities (or, at times, private parties) may act to prevent oil and gas exploration activities or may seek damages resulting from the death of endangered animals or migratory birds, the filling of wetlands, construction or releases of oil, wastes, hazardous substances or other regulated materials.

Insurance

The Trust maintains insurance coverage on its assets, as well as insurance for its drilling, completion and production operations, in the amounts and against the risks typical of entities carrying on businesses similar to the Trust. See ñRisk Factorsò.

Employee Health and Safety

The oil and gas operations in which the Partnership has invested may be subject to a number of federal and state laws and regulations, including the federal *Occupational Safety and Health Act*, as amended (the ñ**OSHA**ò), and comparable state statutes, whose purpose is to protect the health and safety of workers. In addition, the OSHA hazard communication standard, the EPA community right-to-know regulations under Title III of the federal *Superfund Amendment and Reauthorization Act* and comparable state statutes require that information be maintained concerning hazardous materials used or produced in operations and that this information be provided to employees, state and local government authorities and citizens.

Management is committed to conducting its activities in a manner that will safeguard the health and safety of its employees, contractors and the general public. Management is responsible for providing and maintaining a safe work environment with proper procedures, training, equipment and programs to ensure that work is performed in compliance with accepted and legislated standards. Employees share the responsibility to work in a manner which safeguards themselves with equal concern for co-workers, contractors and the general public. The Administrator administers a comprehensive health and safety program, which includes corporate commitment, risk assessment and monitoring, capability, development, emergency response plans and systems for incident reporting, tracking and investigation.

The Trustôs safety program meets, and in many cases exceeds, the standards set by the industry as well as by government regulations.

RISK FACTORS

The risks set out below are not an exhaustive description of all the risks associated with the Trust's business and the oil and natural gas business generally. A prospective investor should consider carefully the risk factors set out below. An investment in securities of the Trust should only be made by persons who can afford a significant or total loss of their investment.

There can be no assurance that an active trading market in the Units will be sustained. The market price for the Trust's securities could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of the Trust's peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of the Trust. The stock market has from time to time experienced extreme price and volume fluctuations, particularly in the oil and gas sector, which have often been unrelated to the operating performance of particular companies.

The following is a summary of certain risk factors relating to the businesses of the Trust, the CT and the Partnership, which prospective investors should carefully consider before deciding whether to purchase Units. Residents of the United States and other non-residents of Canada should have additional regard to the risk factors under the subheading "Risk Factors Applicable to Residents of the United States and Other Non-Residents of Canada".

The Trust is a limited purpose trust and is entirely dependent upon the operations and assets of the Partnership through the Trust's ownership of the CT Notes and the CT Units, and the CT's ownership of a 99.999% interest in the Partnership. Accordingly, the Trust's ability to pay distributions to Unitholders is dependent upon the ability of the Partnership and the CT to meet their interest, principal and other distribution obligations. The Partnership's income is derived from the production of oil, natural gas and NGLs from its U.S. resource properties and is susceptible to the risks and uncertainties associated with the oil and natural gas industry generally, and specifically in the U.S.

If the oil and natural gas reserves associated with the West Panhandle Field and other assets that may be acquired by the Partnership are not supplemented through additional development or the acquisition of additional oil and natural gas properties, the ability of the Partnership and the CT to meet their obligations to the Trust and the ability of the Trust to pay distributions to Unitholders may be adversely affected.

Risks Relating to the Business and Operations of the Trust, the CT and the Partnership

The Partnership may not achieve success in its planned development drilling program and as a result may be unable to pay distributions at the planned initial distribution rate, or at all

The ability of the Trust to make regular cash distributions is currently entirely dependent on production from its assets and properties. The level of distributions paid by the Trust may be decreased in the event that the Partnership is not successful in increasing production to the level anticipated by the Trust.

Declines in oil, natural gas and/or NGLs prices will negatively affect the Trust's financial results and distributions

The Trust's and its subsidiaries' operational results and financial condition, and therefore the amounts the Trust can pay to Unitholders as distributions, will be dependent on the prices received for oil, natural gas and NGLs production. Oil, natural gas and NGLs prices have exhibited extreme volatility over the past few years and monthly distributions may be similarly affected. Declines in oil, natural gas and/or NGLs prices could result in reductions to, or elimination of, distributions. Oil, natural gas and NGLs prices are determined by economic factors and in the case of oil prices, political factors and a variety of additional factors beyond the Trust's control. These factors include economic conditions, in the United States, Canada and worldwide, the actions of the Organization of Petroleum Exporting Countries, governmental regulation, political stability in the Middle East and elsewhere, internal capacity to produce natural gas in the United States from shale deposits, the foreign supply of oil and natural gas, risks of supply disruption, the price of foreign imports and the availability of alternative fuel sources. Oil prices have declined significantly through the latter half of 2014 and into 2015. Any substantial and extended decline in the price of oil, natural gas and/or NGLs would have an adverse effect on the carrying value of the Partnership's proved and probable reserves, net asset value, borrowing capacity, revenues, profitability and cash flows from operating activities and ultimately on the overall financial condition of the Trust, the CT and the Partnership, and therefore on the amounts to be distributed to Unitholders.

Estimated proved reserves are based on many assumptions that may turn out to be inaccurate. There are numerous uncertainties inherent in estimating quantities of recoverable oil and natural gas reserves, including many factors beyond Management's control

In general, estimates of economically recoverable oil and natural gas reserves and resources, the future net revenues and finding and development costs therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. The reserves and recovery information contained in the Reserve Report is only an estimate and the actual production and ultimate reserves from the Trustòs assets and properties may be greater or less than the estimates prepared by Ryder Scott. The Reserve Report has been prepared using certain commodity price assumptions which are described in the notes to the reserves tables under the heading ñReserves and Other Oil and Gas Information.ò If the Trust realizes lower prices for oil, natural gas or NGLs and they are substituted for the price assumptions utilized in that reserves report, the present value of estimated future net revenues for reserves and net asset value would be reduced and the reduction could be significant. The estimates in the Reserve Report are based in part on the timing and success of activities Management intends to undertake in 2015 and future years. The reserves and estimated future net revenues to be derived therefrom contained in the Reserve Report will be reduced in future years to the extent that such activities do not achieve the production performance set forth in the Reserve Report. Estimates of proved undeveloped reserves are sometimes based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas were estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

The net present value of future net revenues attributable to the Trust's reserves will not necessarily be the same as the current market value of estimated reserves

Potential investors and Unitholders should not assume that the net present value of future net revenues attributable to the Trustòs reserves is the current market value of estimated reserves. Ryder Scott based the estimated discounted future net revenues from proved reserves on certain commodity price assumptions, which assumptions are described in the notes to the reserves tables. Actual future net revenues from the Trustòs properties will be affected by factors such as:

- actual prices received for oil, natural gas and NGLs;
- actual cost of development and production expenditures;
- the amount and timing of actual production; and
- changes in governmental regulations or taxation.

The timing of both production and incurrence of expenses in connection with the development and production of oil and natural gas properties will affect the timing and amount of actual future net revenues from proved reserves, and thus their actual present value. In addition, the 10% discount factor used when calculating discounted future net revenues may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with the Trust or the oil and natural gas industry in general. Additionally, such calculation excludes a number of important costs that the Trust will actually incur, such as interest expense, income taxes and general and administrative expenses.

Increases in interest rates could increase the Trust's costs and reduce the Trust's income and ability to pay distributions

There is a risk that interest rates will increase given the current historical low level of interest rates. An increase in interest rates could result in a significant increase in the amount paid by the Partnership and the CT to service debt, resulting in a decrease in distributions to Unitholders, and could impact the market price of the Units. In addition, increasing interest rates may put competitive pressure on the levels of distributable income paid by the Trust to

Unitholders, increasing the level of competition for capital faced by the Trust, which could have a material impact on the trading price of the Units.

The value of the Canadian dollar against the U.S. dollar will affect the Trust's results and distributions

World oil prices are quoted in U.S. dollars and as all of the assets of the Partnership are located in the U.S., the Partnershipøs oil, natural gas and NGLs revenue is also received in U.S. dollars.

The Trust indirectly receives distributions of income from the Partnership in U.S. dollars and pays distributions to Unitholders in Canadian dollars. The Trust also raises funds primarily in Canada from the sale of Units in Canadian dollars and invests indirectly through the Partnership in U.S. oil and gas assets, using U.S. dollars. Thus, when the Canadian dollar increases in value against the U.S. dollar, the Trustøs indirect investments in U.S. oil and gas assets will be less expensive; however, distributions received by the Trust indirectly from the Partnership will also be reduced. When the Canadian dollar decreases in value against the U.S. dollar, the Trustøs indirect investments in U.S. oil and gas assets will be more expensive; however, distributions received by the Trust indirectly from the Partnership will increase.

The Trust's level of indebtedness may reduce financial flexibility

The CT and the Partnership will be required to comply with covenants under the Credit Facility. In the event that they do not comply with covenants under the Credit Facility, access to capital could be restricted or repayment could be required on an accelerated basis by the lenders, and the ability to make distributions to Unitholders may be restricted. The lenders have security over substantially all of the assets of the Partnership. If the Partnership becomes unable to pay its debt service charges or otherwise commits an event of default such as breach of its financial covenants, the lender may foreclose on or sell the Partnershipøs working interests in its properties. Amounts paid in respect of interest and principal on debt may reduce distributions. Variations in interest rates and scheduled principal repayments could result in significant changes in the amount required to be applied to debt service before payment by the CT of distributions on the CT Units and interest on the CT Notes and distributions by the Partnership to the CT. Certain covenants in the Credit Facility may also limit distributions. Although Management believes the Credit Facility will be sufficient for the near term, there can be no assurance that the amount will be adequate for the Trustøs future financial obligations including the Partnershipøs future capital expenditure programs, or that additional funds will be able to be obtained. For more information, see ñDevelopment of the Business ï 2011 ï Credit Facilityò.

A high level of indebtedness increases the risk that the Trust may default on its debt obligations. The Trustøs ability to meet its debt obligations and to reduce its level of indebtedness depends on future performance. General economic conditions, oil and natural gas prices and financial, business and other factors affect operations and future performance. Many of these factors are beyond the Trustøs control. The Trust may not be able to generate sufficient cash flows to pay the interest on debt and future working capital, borrowings or equity financing may not be available to pay or refinance such debt. Factors that will affect the ability to raise cash through an offering of capital stock or a refinancing of debt include financial market conditions, the value of assets and performance at the time the Trust needs capital.

Future acquisition and development projects will require substantial capital expenditures. Trusts have historically relied on external sources of capital, borrowings and equity sales, and the Trust may be unable to obtain needed capital or financing on satisfactory terms, which could lead to expiration of leases or a decline in reserves

The Trustøs planned acquisition and development activities will be capital intensive. The Trust expects to make substantial capital expenditures in its business for the acquisition, development and production of oil and natural gas reserves. If adequate sources of capital are not available on attractive terms, or at all to fund planned capital expenditures, the Trust may not be able to fully implement its current drilling strategy. The actual amount and timing of future capital expenditures may differ materially from estimates as a result of, among other things, commodity prices, actual drilling results, the availability of drilling rigs and other services and equipment, and regulatory, technological and competitive developments.

Changes in the Trustõs financing needs may require it to alter capitalization substantially through the issuance of debt or additional Units. The issuance of additional debt may require that a portion of cash flows provided by operating activities be used for the payment of principal and interest on existing debt, thereby reducing the ability to use cash flows to fund working capital, capital expenditures, acquisitions and distributions. The issuance of additional Units could have a dilutive effect on the value of previously issued Units.

The Trust participates in hedging activities that reduce the realized prices received for oil, natural gas and NGLs sales. This may require the Trust to provide collateral for hedging liabilities and involve risk that counterparties may be unable to satisfy their obligations to the Trust

In order to manage exposure to price volatility in marketing oil and natural gas, the Trust enters into oil and natural gas price risk management arrangements for a portion of expected production. Commodity price hedging may limit the prices actually realized and therefore reduce revenues in the future. Commodity hedging activities could impact earnings in various ways, including recognition of certain mark-to-market gains and losses on derivative instruments. The fair value of commodity derivative instruments can fluctuate significantly between periods. In addition, commodity price risk management transactions may expose the Trust to the risk of financial loss in certain circumstances, including instances in which:

- production is less than expected;
- there is a widening of price differentials between delivery points for production and the delivery point assumed in the hedge arrangement; or
- the counterparties to these contracts fail to perform their obligations.

Hedging transactions involve the risk that counterparties, which are generally financial institutions, may be unable to satisfy their obligations. If any counterparties were to default on obligations under the hedging contracts or seek bankruptcy protection, it could have an adverse effect on the ability to fund planned activities and could result in a larger percentage of future production being subject to commodity price changes. The risk of counterparty default is heightened in a poor economic environment.

Units may from time to time trade at a price that is less than the net asset value per Unit

Net asset value from time to time will vary depending upon a number of factors beyond the Trustõs control, including oil, natural gas and NGLs prices. The trading price of the Units from time to time is determined by a number of factors, some of which are beyond the Trustõs control and such trading price may be greater or less than the net asset value.

The Trust will be highly reliant on operators of any properties it acquires interest in but does not operate

To the extent that the Partnership will not be the operator of its properties, it will be dependent upon other operators or third parties for the timing of such activities and will be largely unable to control the activities of such operators. The failure of such operators and their contractors to properly perform their obligations would have a material adverse effect on the Trustõs business, financial condition, results of operations, and the value of its Units.

Failure of third parties to meet their contractual obligations may have a material adverse effect on the Trust's financial condition

The Trust is exposed to third party credit risk through contractual arrangements with current or future joint venture partners, third party operators, marketers of its petroleum and natural gas production and other parties. Poor credit conditions in the industry and of joint venture partners may impact a joint venture partnerõs willingness to participate in ongoing capital programs, potentially delaying such programs and the results thereof until the Trust finds a suitable alternative partner.

The Trust's business is heavily regulated and such regulation increases its costs and may adversely affect its financial condition

Oil and natural gas operations (including land tenure, exploration, development, production, refining, transportation and marketing) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. Governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Regulation increases costs. In order to conduct oil and gas operations, licenses from various governmental authorities are required. There can be no assurance that the Trust will be able to obtain all of the licenses and permits that may be required to conduct operations that it may wish to undertake. See ñThe Industryò.

Income tax laws, or other laws or government incentive programs or regulations relating to the industry may in the future be changed or interpreted in a manner that adversely affects the Trust and its Unitholders

The Trust intends to continue to qualify as a ñunit trustò and a ñmutual fund trustò for purposes of the Tax Act. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Unitholders. Should the Trust cease to qualify as a mutual fund trust under the Tax Act, the significant consequences are as follows:

- The Units would not be qualified investments for Registered Plans.
- The Trust would be taxed on certain types of income distributed to Unitholders, including income generated by the CT Notes and the CT Units. Payment of this tax may have adverse consequences for some Unitholders, particularly Unitholders that are not residents of Canada and residents of Canada that are otherwise exempt from Canadian income tax.
- The Trust would cease to be eligible for the capital gains refund mechanism available under the Tax Act.

The SIFT Rules will apply to a trust that is a SIFT trust. The Trust will not be a SIFT trust for the purposes of these rules because the Trust will not hold any ñnon-portfolio propertyò (as defined in the Tax Act), based on its investment restrictions. If the SIFT Rules were to apply to the Trust, they would have an adverse impact on the Trust and on the distributions received by the Unitholders. There can be no assurance that there will not be changes to the SIFT Rules which will adversely affect the Trust and its Unitholders.

The scope of the October 2003 Proposals limiting the deductibility of losses is uncertain. There can be no assurance that the October 2003 Proposals or an alternative proposal will not have an adverse effect on the Trust.

A successful IRS contest of the United States federal income tax positions taken may adversely affect the market for the Units, and the cost of an IRS contest will reduce cash available for distribution to Unitholders

The IRS may adopt tax positions that differ from the positions taken by the Trust, including the Trustõs position that the interest on the CT Notes is deductible. It may be necessary to resort to administrative or court proceedings to sustain some or all of the positions taken by the Trust. A United States court may not agree with some or all of the positions taken by the Trust. Any contest with the IRS may materially and adversely impact the market for the Units and the price at which they trade. In addition, the costs of any contest with the IRS will be borne indirectly by Unitholders because the costs will reduce cash available for distribution.

Potential legislative and regulatory actions could increase costs, reduce revenue and cash flow from oil and natural gas sales, reduce liquidity or otherwise alter the way the Trust conducts its business

The activities of exploration and production companies operating in the United States are subject to extensive regulation at the federal, state and local levels. Changes to existing laws and regulations or new laws and regulations such as those described below could, if adopted, have an adverse effect on the Trustõs business.

United States federal tax law relating to acquisitions by non-U.S. corporations could negatively affect the Trust's results and require tax withholding on distributions to Unitholders

United States federal income tax law provides that a non-U.S. corporation (or an entity that elects to be classified as a non-U.S. corporation for United States federal tax purposes, such as the Trust) may be taxable as a U.S. corporation for United States federal income tax purposes where the non-U.S. corporation acquires substantially all of the equity interests in, or the assets of, a U.S. partnership and the former partners own at least 80% of the stock in the non-U.S. corporation, generally ignoring any stock issued in a public or private offering. For this purpose, under current Treasury Regulations, the former partners may be treated as owning stock in the acquiring non-U.S.

corporation if the partners hold distribution rights that are substantially similar in all material respects to the distribution rights provided by stock in the non-U.S. corporation. If the law did apply to the Trust, the Trust would be taxable as a U.S. corporation for United States federal income tax purposes, which would negatively impact cash flows and the cash available for distribution to Unitholders and could negatively impact the amount of any distributions to Unitholders and the value of the Units. In addition, U.S. withholding taxes would be imposed on certain distributions paid on the Units to Non-U.S. Unitholders. This law should not apply to the Trust, because neither Bravo nor its members own any Units in the Trust as a result the sale of a working interest in the West Panhandle Field to the Trust and related transactions and the distribution and other rights of Bravoês members with respect to the West Panhandle Field assets should not be considered as substantially similar to those of holders of Units in the Trust.

Regulation of environmental matters related to climate change could have a negative impact on the Trust's business

Many nations have agreed to limit emissions of ñgreenhouse gasesò pursuant to the United Nations Framework Convention on Climate Change, also known as the ñKyoto Protocolò. Methane (a primary component of natural gas), carbon dioxide (a byproduct of the burning of oil), natural gas and refined petroleum products are ñgreenhouse gasesò regulated by the Kyoto Protocol. Although the United States is not participating in the Kyoto Protocol at this time, several states have adopted legislation and regulations to reduce emissions of greenhouse gases. Additionally, the U.S Supreme Court ruled in Massachusetts, et al. v. EPA (2007) that the EPA abused its discretion under the Clean Air Act by refusing to regulate carbon dioxide emissions from mobile sources. As a result of the Supreme Court decision and the change in presidential administrations in 2009, the EPA recently enacted federal greenhouse gas regulations and emissions limits under the Clean Air Act. The EPAês action may affect the outcome of other climate change lawsuits pending in U.S. federal courts in a manner unfavourable to the oil and natural gas industry. The EPA has proposed and finalized a number of rules requiring various industry sectors to track and report, and in some cases control, greenhouse gas emissions. The EPAês Mandatory Reporting of Greenhouse Gases Rule was published in October 2009. This rule requires large sources and suppliers in the United States to track and report greenhouse gas emissions. On November 8, 2010, the EPA finalized a rule that sets forth reporting requirements under the Mandatory Reporting Rule for the petroleum and natural gas industry. Among other things, this final oil and gas reporting rule requires persons that hold state permits for onshore oil and gas exploration and production and that emit 25,000 metric tons or more of carbon dioxide equivalent per year to annually report carbon dioxide, methane and nitrous oxide combustion emissions from sources such as (i) stationary and portable equipment and (ii) flaring. In June 2010, the EPAês Greenhouse Gas Tailoring Rule became effective. For this rule to apply initially, the source must already be subject to the Clean Air Act Prevention of Significant Deterioration program or the Title V permit program. The 111th Congress considered a number of bills designed to regulate greenhouse gas emissions, but did not pass any of those bills. It is unclear whether the 112th or a later Congress will take further action on greenhouse gases, for example, to further regulate greenhouse gas emissions or alternatively to statutorily limit the EPAês authority over greenhouse gases. Almost one-half of the states, however, have begun taking actions to control and/or reduce emissions of greenhouse gases, primarily through the planned development of greenhouse gas emission inventories and/or regional greenhouse gas cap and trade programs. Although most of the state-level initiatives have to date focused on large sources of greenhouse gas emissions, such as coal-fired electric plants, it is possible that smaller sources of emissions could become subject to greenhouse gas emission limitations or allowance purchase requirements in the future. Any one of these climate change regulatory and legislative initiatives could have a material adverse effect on the Trustês business, financial condition and results of operations. The adoption and implementation of regulations imposing reporting obligations or limiting emissions of greenhouse gases from equipment and operations could increase costs for tracking, reporting and reducing emissions of greenhouse gases associated with operations or could adversely affect demand for the oil and natural gas produced.

Acquiring, developing and exploring for oil and natural gas involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome

The Trustês business plan contemplates acquisitions of additional producing properties and developmental drilling, and the Trustês future financial condition and results of operations will depend on the success of these activities. Oil and natural gas acquisition, development and production activities are subject to numerous risks beyond the Trustês control.

These risks include, but are not limited to, encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, craterings (sanding in or watering out of a well) equipment failures and other accidents, sour gas releases, uncontrollable flows of oil, natural gas or well fluids, pipeline ruptures or spills, adverse weather conditions, pollution, other environmental risks, explosions, fires, spills and delays in payments between parties caused by operation or economic matters. These risks will increase as the Trust undertakes more developmental drilling. Although the Trust maintains insurance in accordance with customary industry practice, it is not fully insured against all of these risks. Continuing production from a property, and to some extent the marketing of production therefrom, are largely dependent upon the ability of the operator of the property. Other companies may operate properties the Trust acquires in the future and as a result returns on assets operated by others depends upon a number of factors outside its control. To the extent the operator fails to perform these functions properly, operating income may be reduced. Losses resulting from the occurrence of any of these risks may have a material adverse effect on the Trustös business, financial condition, results of operations and prospects and its ability to maintain distributions.

Distributions on Units are variable and may be reduced or suspended entirely

The actual cash flow available for distribution to Unitholders is dependent on the amount of cash flow paid to the Trust by its operating entities and can vary significantly from period to period for a number of reasons, including among other things: (i) the operating entitiesô operational and financial performance (including fluctuations in the quantity of their oil, natural gas and NGLs production and the sales price that they realize for such production (after hedging contract receipts and payments)); (ii) fluctuations in the costs to produce oil, natural gas and NGLs, including royalty burdens, and to administer and manage the Trust and its subsidiaries; (iii) the amount of cash required or retained for debt service or repayment; (iv) amounts required to fund capital expenditures and working capital requirements; and (v) foreign currency exchange rates and interest rates. These amounts are subject to the discretion of the Board, which will regularly evaluate the Trustös distribution payout with respect to anticipated cash flows, debt levels, capital expenditure plans and amounts to be retained to fund acquisitions and expenditures. In addition, the Trustös level of distributions per Unit will be affected by the number of outstanding Units and other securities that may be entitled to receive cash distributions. Distributions may be increased, reduced or suspended entirely depending on the Trustös operations and the performance of its assets. The market value of the Units may deteriorate if the Trust is unable to meet distribution expectations in the future and such deterioration may be material.

The Administrator Directors have discretion in the payment of distributions and may not choose to maintain distributions in certain circumstances

The Trust Indenture and the CT Trust Indenture provide that all of the distributable income of the Trust or the CT, as the case may be at the end of any calendar month, including December 31 shall be declared payable and distributed to the Unitholders (or the CT Unitholder) of record on the last day of each such calendar month. These distributions are enforceable by the Unitholders or the CT Unitholder of record. However, if this amount is not determined and declared payable in accordance with the rules of the TSX, the right to receive this income will trade with the Units. The Trust Indenture provides that this distributable income is allocated to Unitholders for tax purposes and to the extent a Unitholder trades Units in this period; they will be allocated such income but will have disposed of their right to receive such distribution. The Trust Indenture also provides for the consolidation of the Units to the pre-distribution number of Units after any pro-rata distribution of additional Units to all Unitholders. Accordingly, the Trust Indenture allows for the payment of distributions in a form other than cash and Unitholders may have taxable income and cash taxes payable in excess of the amount of cash distributions they receive from the Trust.

The Trust has risks related to completing drilling programs in the West Panhandle Field

The Partnership plans to undertake drilling activity in respect of the West Panhandle Field. Significant cost over-runs could make drilling uneconomic. The Trustös ability to complete a drilling program and market oil, natural gas and NGLs depends upon numerous factors beyond Managementös control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;

- the availability of water supplies and/or disposal facilities;
- reductions in oil, natural gas and/or NGLs prices;
- the availability of alternative fuel sources;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- changes in regulations;
- the availability and productivity of skilled labour; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, the Partnership could be unable to complete a drilling program on time, on budget or at all, and may not be able to effectively market the oil and natural gas that is produced.

Substantially all of the Partnership's producing properties and operations are located in the West Panhandle Field making the Trust vulnerable to risks associated with operating in one geographic area

All of the proved reserves of the Partnership and all of the production of the Partnership are located in the West Panhandle Field. As a result, the Partnership, and by extension the CT and the Trust, may be disproportionately exposed to the impact of delays or interruptions of production from these wells caused by transportation capacity constraints, curtailment of production, availability of equipment, facilities, personnel or services, significant governmental regulation, natural disasters, adverse weather conditions, plant closures for scheduled maintenance or interruption of transportation of oil, natural gas or NGLs produced from the wells in this area. In addition, the effect of fluctuations on supply and demand may become more pronounced within specific geographic oil and gas producing areas containing the West Panhandle Field, which may cause these conditions to occur with greater frequency or magnify the effect of these conditions on the Partnership, the CT and the Trust. Due to the concentrated nature of the Partnershipφs portfolio of properties, a number of these properties could experience any of the same conditions at the same time, resulting in a relatively greater impact on the Partnershipφs results of operations than they might have on other companies that have a more diversified portfolio of properties. Such delays or interruptions could have a material adverse effect on the results of operations of the Partnership and the financial condition of the Partnership, the CT and the Trust.

The Trust only operates in one region of the United States and expansion outside of this area or into new business activities may increase its risk exposure

All proved reserves and production are located in the West Panhandle Field. The Trustφs business plan contemplates acquisitions of additional production and the development thereof onshore U.S. In addition, the Trust Indenture does not limit activities to oil and gas production and development, and allows the Trust to acquire and own assets or property in connection with gathering, processing, transporting, extracting, buying, storing or selling oil, natural gas, NGLs or other related products, or in connection with other forms of energy and related businesses, or in connection with such other investments as the Trustee may determine. Expansion of activities into new areas may present new additional risks or alternatively, significantly increase the exposure to one or more of the present risk factors which may adversely affect the Trustφs future operational and financial conditions.

Oil and gas reserves are a depleting resource and decline as such reserves are produced

Distributions by the Trust of distributable cash in respect of properties, absent commodity price increases or cost effective acquisition and development activities, will decline over time in a manner consistent with declining production from typical oil, natural gas and NGLs reserves. Future oil and natural gas reserves and production, and therefore the Trustφs cash flows from operating activities, will be highly dependent on success in exploiting reserves base and acquiring additional reserves. Without reserves additions through acquisition or development activities, reserves and production may decline over time as reserves are produced. There can be no assurance that the Trust will be successful in developing or acquiring additional reserves on terms that meet investment objectives.

The Trust's growth strategy depends on the successful acquisition of additional proved reserves. The Trust may be subject to risks in connection with acquisitions and the integration of significant acquisitions may be difficult

The overall business strategy contemplates future acquisitions targeting undercapitalized, conventional oil and natural gas producing properties and developmental drilling thereon. The successful acquisition of producing properties requires an assessment of several factors, including:

- recoverable reserves;
- future oil, natural gas and NGLs prices and their appropriate differentials;
- development and operating costs; and
- potential environmental and other liabilities.

The accuracy of these assessments is inherently uncertain. In connection with these assessments, Management anticipates undertaking a review of the subject properties that is generally consistent with industry practices. Managementôs review may not reveal all existing or potential problems nor will it permit Management to become sufficiently familiar with the properties to fully assess their deficiencies and potential recoverable reserves. Inspections may not always be performed on every well, and environmental problems are not necessarily observable even when an inspection is undertaken. Even when problems are identified, the seller may be unwilling or unable to provide effective contractual protection against all or part of the problems. The Trust may not be entitled to contractual indemnification for environmental liabilities and may acquire properties on an ñas isò basis.

Significant acquisitions and other strategic transactions may involve other risks, including:

- diversion of Managementôs attention to evaluating, negotiating and integrating significant acquisitions and strategic transactions;
- challenge and cost of integrating acquired operations, information management and other technology systems and business cultures with those of the Trust while carrying on its ongoing business;
- difficulty associated with coordinating geographically separate organizations; and
- challenge of attracting and retaining personnel associated with acquired operations.

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of the Trustôs business. Management may be required to devote considerable amounts of time to this integration process, which will decrease the time they will have to manage the business. If Management is not able to effectively manage the integration process, or if any significant business activities are interrupted as a result of the integration process, the Trustôs business could suffer.

The Trust may not be able to realize the anticipated benefits of acquisitions and dispositions

The Trust plans to make acquisitions of producing properties in the ordinary course of business. The price the Trust pays for the purchase of properties is based on engineering and economic estimates of the reserves made by Management and independent engineers modified to reflect technical and economic views. These assessments include a number of material factors and assumptions. Consequently, the reserves acquired may be less than expected, which could adversely impact cash flow from operating activities and distributions to Unitholders. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the ability to realize the anticipated developmental drilling opportunities. There is no assurance that the Trust will be able to continue to complete acquisitions or dispositions of oil and natural gas properties which realize all the synergistic benefits.

Operations are subject to hazards and unforeseen interruptions for which the Trust may not be adequately insured

There are a variety of operating risks inherent in the Trustõs wells, gathering systems and associated facilities, such as leaks, explosions, mechanical problems and natural disasters, all of which could cause substantial financial losses. Any of these or other similar occurrences could result in the disruption of operations, substantial repair costs, personal injury or loss of human life, significant damage to property, environmental pollution, impairment of operations and substantial revenue losses. The location of the Trustõs wells, gathering systems and associated facilities near populated areas, including residential areas, commercial business centers and industrial sites, could significantly increase the level of damages resulting from these risks.

The Trust is not fully insured against all risks. In addition, pollution and environmental risks generally are not fully insurable. Additionally, Management may elect not to obtain insurance if they believe that the cost of available insurance is excessive relative to the perceived risks presented. Losses could, therefore, occur for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. Moreover, insurance may not be available in the future at commercially reasonable costs and on commercially reasonable terms. Losses and liabilities from uninsured and underinsured events and a delay in the payment of insurance proceeds could adversely affect the Trustõs business, financial condition, results of operations and ability to make distributions to Unitholders.

The Trust has the authority to impose restrictions on the issuance of Units to, or the transfer by any Unitholder, of Units to a non-resident

The Trust intends to comply with the requirements under the Tax Act for a ñunit trustò and ñmutual fund trustò at all relevant times such that it maintains its status of a unit trust and a mutual fund trust for purposes of the Tax Act. Under current law, a mutual fund trust may lose its status under the Tax Act as a ñmutual fund trustò if it can reasonably be considered that the trust was established or is maintained primarily for the benefit of non-residents of Canada (including partnerships owned in whole or in part by non-residents), except in limited circumstances. Among those circumstances are that all or substantially all of the mutual fund trustõs property is not ñtaxable Canadian propertyò, as defined by the Tax Act.

As a result of the Trustõs investment restrictions, the Trust will not own any ñtaxable Canadian propertyò, as defined by the Tax Act. Therefore, the Trust will not be subject to the Tax Actõs non-resident ownership restrictions. However, in the event that the Trust determines that such non-resident restrictions nonetheless apply, the Trustee has various powers that can be used for the purpose of monitoring and controlling the extent of non-resident ownership of the Units. Restrictions on issuances by the Trust to non-residents, to the extent such restrictions become applicable, could negatively affect the ability of the Trust to raise financing for future acquisitions or operations by issuing Units, since non-residents may not be able to subscribe for Units in an offering. In addition, the fact that such restrictions may be implemented in the future may limit the ability of Unitholders to sell their Units at the best price, and could discourage certain categories of investors from purchasing Units in the open market. This reduced demand for Units could negatively affect the liquidity of the Units and the future market price for Units.

The nature of the Trust's assets exposes it to significant costs and liabilities with respect to environmental, operational and safety matters

Environmental and safety requirements applicable to oil and gas production activities can create significant costs and liabilities. These costs and liabilities could arise under a wide range of U.S. federal, state and local environmental and safety laws and regulations, including agency interpretations of the foregoing and governmental enforcement policies, which have tended to become increasingly strict over time. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, imposition of cleanup and site restoration costs and liens, and to a lesser extent, issuance of injunctions to limit or cease operations. In addition, claims for damages to persons or property may result from environmental and other impacts of operations.

Strict, joint and several liabilities may be imposed under certain environmental laws, which can result in liability for the conduct of others as well as for consequences of a partyõs own actions that were in compliance with all applicable laws at the time the conduct occurred or actions were taken. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent or costly waste handling, storage, transport, disposal or cleanup requirements could require significant expenditures to attain and maintain compliance and may otherwise have a material adverse effect on its results of operations, competitive position or financial condition. If the Trust is not able to recover the resulting losses through insurance or increased revenues, the ability to make distributions to Unitholders could be adversely affected.

Competition in the oil and natural gas industry is intense, making it more difficult to acquire properties, market oil and natural gas and secure trained personnel

The Trustôs ability to acquire and develop additional reserves in the future will depend on the ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment for acquiring properties, marketing oil and natural gas and securing equipment and trained personnel. Also, there is substantial competition for capital available for investment in the oil and natural gas industry. Many competitors possess and employ financial, technical and personnel resources substantially greater than the Trustôs. Those companies may be able to pay more for productive oil and natural gas properties or to identify, evaluate, bid for and purchase a greater number of properties than the Trustôs financial or personnel resources permit. Furthermore, these companies may also be better able to withstand the financial pressures of unsuccessful drilling attempts, sustained periods of volatility in financial markets and generally adverse global and industry-wide economic conditions, and may be better able to absorb the burdens resulting from changes in relevant laws and regulations, which would adversely affect competitive position. In addition, companies may be able to offer better compensation packages to attract and retain qualified personnel. The cost to attract and retain qualified personnel has increased over the past few years due to competition and may increase substantially in the future. The Trust may not be able to compete successfully in the future in acquiring and developing reserves, marketing hydrocarbons, attracting and retaining quality personnel and raising additional capital, which could have a material adverse effect on the Trustôs business.

The Trust competes with other entities in the oil and gas industry to acquire properties and to hire and retain skilled personnel

There are numerous trusts, publicly traded partnerships and corporations in the oil and gas industry, who are competing for the acquisitions of properties with longer life reserves, properties with exploitation and development opportunities and undeveloped land. As a result of such competition, it may be more difficult to acquire reserves on beneficial terms. Many of these other oil and gas companies have significantly greater financial and other resources. The Trust competes with other oil and gas entities to hire and retain skilled personnel necessary for the daily operations of the Trust including planning, realizing on available technical advances and the execution of the annual capital development program. The inability to hire and retain skilled personnel could adversely impact certain of operational and financial results.

Application of Canadian GAAP to the Trust's financial results may result in non-cash losses which may adversely affect the market price of Units

Canadian GAAP requires that management apply certain accounting policies and make certain estimates and assumptions which affect reported amounts in the financial statements. The accounting policies may result in non-cash charges to net income and write-downs of net assets in the financial statements. Such non-cash charges and write-downs may be viewed unfavourably by the market and may result in an inability to borrow funds and/or may result in a decline in the Unit price. Under Canadian GAAP, the net amounts at which petroleum and natural gas costs on a cash generating unit (ñCGUò) basis are subject to an assessment at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, an estimate of the recoverable amount will be made. The recoverable amount is determined as the higher of the assets value in use or fair value less costs to sell. If net capitalized costs for a CGU exceed the estimated recoverable amounts, the Trust will have to charge the amounts of the excess to earnings. A decline in the net value of oil and natural gas properties will cause capitalized costs to exceed the recoverable amounts, resulting in a charge against earnings. The net value of oil and gas properties is highly dependent upon the prices of oil and natural gas. Under Canadian GAAP, the accounting for financial instruments may result in non-cash charges against net income as a result of changes in the fair market value of financial instruments. A decrease in the fair market value of the financial instruments as the result of fluctuations in commodity prices and foreign exchange rates may result in a write-down of net assets and a non-cash charge against net income. Such write-downs and non-cash charges may be temporary in nature if the fair market value subsequently increases. Where there is objective evidence of a subsequent increase in fair value, these non-cash impairment charges may be reversed.

Success depends in large measure on certain key personnel and the Trust's ability to retain its key personnel

The loss of such key personnel could delay the completion of certain projects or otherwise have a material adverse effect on the Trust. Unitholders will be dependent on Management in respect of the administration and management of all matters relating to the Trustôs properties, the royalties and Units and the safekeeping of its primary workspace and computer systems.

The Trust may incur losses as a result of title defects in the properties in which the Trust invests

Industry practice in the U.S. for acquiring oil and gas leases or interests does not typically involve retaining lawyers to examine the title to the mineral interest and instead relies upon the judgment of oil and gas lease brokers or landmen who perform the fieldwork in examining records in the appropriate governmental office before attempting to acquire a lease in a specific mineral interest.

Prior to the drilling of an oil or gas well, however, it is the normal practice in the industry for the person or company acting as the operator of the well to obtain a preliminary title review to ensure there are no obvious defects in title to the well. Frequently, as a result of such examinations, certain curative work must be done to correct defects in the marketability of the title, and such curative work entails expense. Failure to cure any title defects may adversely impact the ability in the future to increase production and reserves.

There is no assurance that the Trust will not suffer a monetary loss from title defects or title failure. Additionally, undeveloped acreage has greater risk of title defects than developed acreage. If there are any title defects or defects in assignment of leasehold rights in properties in which the Partnership holds an interest, it may suffer a financial loss.

Risk Relating to the Trust's Structure and Ownership of Units

Distributions do not represent a "yield" and are not comparable to debt instruments and rights of redemption have limited liquidity

Units will have no value when reserves from the properties owned by the Trust can no longer be economically produced and, as a result, distributions do not represent a ñyieldò in the traditional sense and are not comparable to bonds or other fixed yield securities, where investors are entitled to a full return of the principal amount of debt on maturity in addition to a return on investment through interest payments. Distributions represent a blend of return of Unitholdersô initial investment and a return on Unitholdersô initial investment. Unitholders have a limited right to require a repurchase of their Units, which is referred to as a redemption right. It is anticipated that the redemption right will not be the primary mechanism for Unitholders to liquidate their investment. The right to receive cash in connection with a redemption is subject to material limitations. Any securities which may be distributed *in specie* to Unitholders in connection with a redemption may not be listed on any stock exchange and a market may not develop for such securities and such securities may be illiquid. The CT Notes are not expected to be qualified investments within the meaning of the Tax Act for Registered Plans. In addition, there may be resale restrictions imposed by law upon the recipients of the securities pursuant to the redemption right. See ñDescription of the Trust ï Redemption at the Option of Unitholdersò.

The Units do not represent a traditional investment in the oil and natural gas sector and should not be viewed by investors as shares in a corporation

The Units represent a fractional interest in the Trust. Corporate law does not govern the Trust and the rights of Unitholders. As Unitholders, Unitholders do not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring oppression or derivative actions. The rights of Unitholders are specifically set forth in the Trust Indenture. In addition, trusts are not defined as recognized entities within the definitions of legislation such as the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada) and in some cases the *Winding Up and Restructuring Act* (Canada). As a result, in the event of an insolvency or restructuring, a Unitholderôs position as such may be quite different than that of a shareholder of a corporation. The Trustôs sole assets are the CT Notes and the CT Units. The price per Unit is a function of anticipated distributable income, the properties acquired by the Trust and the ability to effect long-term growth in value. The market price of the Units is sensitive to a variety of market conditions including, but not limited to, interest rates and the ability to acquire suitable oil and natural gas properties. Changes in market conditions may adversely affect the trading price of the Units.

The Units are not ñdepositsò within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that Act or any other legislation. Furthermore, the Trust is not a trust company and, accordingly, is not registered under any trust and loan company legislation as does not carry on or intend to carry on the business of a trust company.

Unitholder limited liability is subject to contractual and statutory assurances which may have some enforcement risks

The Trust Indenture provides that no Unitholder will be subject to any liability in connection with the Trust or its obligations and affairs and, in the event that a court determines Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of the Trustôs assets. Pursuant to the Trust Indenture, the Trust will indemnify and hold harmless each Unitholder from any costs, damages, liabilities, expenses, charges and losses suffered by a Unitholder resulting from or arising out of such Unitholder not having such limited liability. The Trust Indenture provides that all written instruments signed by or on behalf of the Trust must contain a provision to the effect that such obligation will not be binding upon Unitholders personally. Personal liability may also arise in respect of claims against the Trust that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability of this nature arising is considered unlikely. The *Income Trusts Liability Act* (Alberta) provides that a Unitholder will not be, as a beneficiary, liable for any act, default, obligation or liability of the trustee that arises after the legislation came into force. The Trustôs operations will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible any material risk of liability on Unitholders for claims against the Trust.

Risk Factors Applicable to Residents of the United States and Other Non-Residents of Canada

Persons not resident in Canada may have difficulty enforcing civil remedies

The Trust and the CT are organized under the laws of Alberta, Canada and have their principal place of business in Canada. The Partnership is organized under the laws of the State of Delaware and has its principal place of business in Houston, Texas. Most of the Trustôs directors and officers and the representatives of the experts who provide services to the Trust (such as its auditors and its independent reserve engineers), and all of the Trustôs assets and all or a substantial portion of the assets of such persons are located in Canada. As a result, it may be difficult for investors in the United States to effect service of process within the United States upon such directors, officers and representatives of experts who are not residents of the United States or to enforce against them judgments of the United States courts based upon civil liability under the United States federal securities laws or the securities laws of any state within the United States. There is doubt as to the enforceability in Canada against the Trust and the CT or against any of the Trustôs directors, officers or representatives of experts who are not residents of the United States, in original actions or in actions for enforcement of judgments of United States courts of liabilities based solely upon the United States federal securities laws or securities laws of any state within the United States.

There are differences in reporting practices in Canada and the United States

The Trust reports its production and reserve quantities in accordance with Canadian practices and specifically in accordance with NI 51-101. These practices are different from the practices used to report production and to estimate reserves in reports and other materials filed with the Securities Exchange Commission by companies in the United States. The Trust incorporates additional information with respect to production and reserves which is either not generally included or prohibited under rules of the Securities Exchange Commission and practices in the United States. The Trust follows the Canadian practice of reporting gross production and reserve volumes (before deduction of Crown and other royalties); however, it also follows the United States practice of separately reporting reserve volumes on a net basis (after the deduction of royalties and similar payments). The Trust also follows the Canadian practice of using forecast prices and costs when estimating reserves; whereas the Securities Exchange Commission requires that prices and costs be averaged for the 12 months as of the date of the Reserve Report. Included in this Annual Information Form are estimates of proved and proved plus probable reserves. Probable reserves are higher risk and are generally believed to be less likely to be accurately estimated or recovered than proved reserves. The Securities Exchange Commission generally prohibits the inclusion of estimates of probable reserves in filings made with it. This prohibition does not apply to the Trust as a Canadian foreign private issuer.

As a consequence of the foregoing, the reserve estimates and production volumes in this Annual Information Form may not be comparable to those made by companies utilizing United States reporting and disclosure standards.

There is additional taxation applicable to non-residents

The Tax Act may impose additional withholding or other taxes on the distributions or other property paid by the Trust to Unitholders who are non-residents of Canada (including partnerships owned in whole or in part by non-residents of Canada), and these taxes and any reduction thereof under a tax treaty between Canada and another country may change from time to time. Since January 1, 2005, a 15% Canadian withholding tax is applied to the return of capital portion of distributions made to non-resident unitholders for publicly traded trusts whose trust units derive more than 50% of their value from any combination of real property situation in Canada, ñCanadian resource propertyò (as defined in the Tax Act), or ñtimber resource propertyò (as defined in the Tax Act). Since the Trust does not expect to hold any of the properties referred to above, the 15% Canadian withholding tax applicable to returns of capital should not apply to the Trust and its Unitholders, however, no assurance can be given in this regard. There can be no assurance that Canadian federal and/or provincial income tax laws or international tax treaties will not be changed in a manner which adversely affects the rate of withholding on distributions of the Trustôs capital and/or income.

If the Trust ceases to qualify as a ñmutual fund trustò for purposes of the Tax Act, Unitholders may be subject to Canadian tax (subject to any treaty relief) on gains realized on a disposition of Units if such Units constitute ñtaxable Canadian propertyò as defined in the Tax Act. Units will generally not constitute ñtaxable Canadian propertyò unless in the 60 month period preceding the disposition date more than 50% of the value of the Units was derived, directly or indirectly, from ñreal or immovable property situated in Canadaò, ñCanadian resource propertyò (as defined in the Tax Act), ñtimber resource propertyò (as defined in the Tax Act) and/or options and interests in any of the foregoing. Given the anticipated holdings of the Trust, it is not expected that the Units will constitute ñtaxable Canadian propertyò; however, no assurances can be given in this regard.

It is also anticipated that the application of the SIFT Rules may have tax consequences for non-residents of Canada that are more adverse than the tax consequences to other classes of Unitholders.

Non-resident Unitholders will be subject to additional foreign exchange risk

The Trustôs distributions are declared in Canadian dollars and converted to foreign denominated currencies at the spot exchange rate at the time of payment. As a consequence, investors are subject to foreign exchange risk. To the extent that the Canadian dollar strengthens with respect to their currency, the amount of the distribution will be reduced when converted to their home currency.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Trust is not aware of any material outstanding, threatened or pending litigation as at the date hereof by or against the Trust, the CT, the Partnership, the Administrator or any other direct or indirect subsidiaries of the Partnership.

There have not been any penalties or sanctions imposed against the Trust by a court relating to provincial and territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Trust, and the Trust has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Units is Computershare Trust Company of Canada, at its principal offices in Calgary, Alberta and Toronto, Ontario where transfers of securities may be recorded.

EXPERTS

Ernst & Young LLP, Chartered Accountants, are the Trustôs auditors and have audited the financial statements of the Trust for the year ended December 31, 2014. Ernst & Young LLP is independent in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Alberta.

As at the date hereof, the principals of Ryder Scott, independent engineering consultants to the Administrator, do not beneficially own, directly or indirectly, any of the outstanding Units, and such groups respectively each owns less than 1% of the outstanding securities of any associate or affiliate of the Trust.

MATERIAL CONTRACTS

Copies of the following documents are available for inspection during normal business hours at the Administratorôs office 840, 519 10th Avenue S.W., Calgary, Alberta, T2R 0A8, or on the SEDAR website at www.sedar.com.

1. Trust Indenture.
2. CT Trust Indenture
3. LP Agreement.
4. Administrative Services Agreement.
5. CT Note Indenture.
6. Voting Agreement.
7. Credit Agreement relating to the Credit Facility.
8. Indenture.

ADDITIONAL INFORMATION

Additional information relating to the Trust is available through SEDAR at www.sedar.com. In particular, additional information, including remuneration and indebtedness of directors and officers of the Trust, the principal holders of Units and the securities authorized for issuance under equity compensation plans, is contained in the Trustôs Management Information Circular relating to the most recent Annual Meeting of Unitholders. Management Information Circulars are available on SEDAR at www.sedar.com and on the Corporationôs website at www.parallelenergy.ca. Additional financial information is contained in the Trustôs financial statements and managementôs discussion and analysis for the year ended December 31, 2014.

SCHEDULE A

Report on Reserves Data by Independent Qualified

Reserves Evaluator or Auditor

Terms to which a meaning is ascribed in National Instrument 51-101 have the same meaning herein.

To the board of directors of Parallel Energy Inc. as Administrator of Parallel Energy Trust (the ñAdministratorò):

1. We have evaluated the Administratorôs reserves data as at December 31, 2014. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2014 estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Administratorôs management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

   We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the ñCOGE Handbookò) prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Administrator evaluated by us for the year ended December 31, 2014, and identifies the respective portions thereof that we have evaluated and reported on to the Administratorôs management.

			Net Present Value of Future Net Revenue (MM$ USD) (before income taxes, 10% discount rate)			
Independent Qualified Reserves Evaluator	Description and Preparation Date of Evaluation Report	Location of Reserves	Audited	Evaluated	Reviewed	Total
Ryder Scott Company	Estimate of Reserves and Future Income Report Prepared March 9, 2015	Oklahoma and Texas, USA	-	$353	-	$353

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

6. We have no responsibility to update our report referred to in paragraph 4 for events and circumstances occurring after the preparation date.

7. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above.

Ryder Scott Company ï Canada, Calgary, Alberta, Canada
(signed) ***"Lynn Kis, P. Eng."***

March 9, 2015

SCHEDULE B

Report of Management and Directors on Reserves Data and Other Information

Management of Parallel Energy Inc., as administrator (the ñAdministratorò) of Parallel Energy Trust (the ñTrustò) are responsible for the preparation and disclosure of information with respect to the Trustôs oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2014, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated the Trustôs reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report. The Reserves Committee of the board of directors of the Administrator has:

(a) reviewed the Trustôs procedures for providing information to the independent qualified reserves evaluator;

(b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and

(c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserve Committee of the board of directors has reviewed the Trustôs procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has, on the recommendation of the Reserves Committee, approved:

(a) the content and filing with securities regulatory authorities of Form 51-101F1 presented in the Trustôs Annual Information Form containing reserves data and other oil and gas information;

(b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and

(c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

ñ*Richard Alexander"*
Richard Alexander
Chief Executive Officer

"Richard Miller"
Richard Miller
Chief Financial Officer

"Hilary Foulkes"
Hilary Foulkes
Director and Chairman of the Reserves Committee

"Christopher Burley"
Christopher Burley
Director and Chairman of the Board

March 13, 2015

SCHEDULE C - ADMINISTRATOR AUDIT COMMITTEE CHARTER

PARALLEL ENERGY TRUST

PARALLEL ENERGY INC.

AUDIT COMMITTEE CHARTER

General

Parallel Energy Inc. (the ñ**Corporation**ò) is the administrator of Parallel Energy Trust (the ñ**Trust**ò) and as such, the board of directors of the Corporation (the ñ**Board of Directors**ò) is responsible for the stewardship of the affairs of the Trust and the Trustôs direct and indirect subsidiary entities (collectively, the ñ**Parallel Group**ò), for the benefit of the unitholders of the Trust (the ñ**Unitholders**ò). The Board of Directors has established an Audit Committee (the ñ**Committee**ò) the primary role of which is to assist the Board of Directors in fulfilling its oversight responsibilities regarding the following matters:

1. the integrity, accuracy and completeness of the Trustôs consolidated financial statements and related management discussion and analysis (ñ**MD&A**ò);
2. the design and implementation of an effective system of internal financial controls and disclosure controls and procedures of the Parallel Group;
3. the selection (subject to approval by the Unitholders), engagement and monitoring of the activities of the Trustôs external auditor;
4. the Parallel Groupôs risk management strategy;
5. the Parallel Groupôs compliance with legal, statutory and regulatory requirements as they relate to financial statements and taxation matters; and
6. any additional duties set out in this mandate or otherwise delegated to the Committee by the Board of Directors.

While the Committee has the responsibilities and powers set forth in this Charter, the role of the Committee is oversight. It is not the duty of the Committee to plan or conduct audits or to determine that the Parallel Groupôs financial statements are complete and accurate and are in accordance with Canadian generally accepted accounting principles applicable to publicly accountable enterprises (ñ**Canadian GAAP**ò). These are the responsibility of senior financial management of the Corporation (the ñ**Management**ò) on behalf of the Trust and the Trustôs external auditor.

Composition and Operation

The Board of Directors will in each year appoint a minimum of three (3) directors (ñ**Directors**ò) as members of the Committee. All members of the Committee shall be ñindependentò Directors as such term is defined in National Instrument 52-110 ï *Audit Committees*, such that each member of the Committee shall have no direct or indirect relationship with the Parallel Group or the Corporation that could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of his or her independent judgment.

The Board of Directors will in each year appoint a chairman of the Committee (the ñ**Committee Chair**ò). In the Committee Chairôs absence, or if the position is vacant, the Committee may select another member as Committee Chair. The Committee Chair will have the right to exercise all powers of the Committee between meetings but will attempt to involve all other members of the Committee as appropriate prior to the exercise of any powers and will, in any event, advise all other members of the Committee of any decisions made or powers exercised.

All members of the Committee shall be financially literate. While the Board of Directors shall determine the definition of and criteria for financial literacy, this shall, at a minimum, include the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Parallel Groupôs financial statements.

Directors who are not members of the Committee may attend all or any part of meetings of the Committee, but shall not be entitled to vote on any questions before the Committee. Other than members of the Board of Directors, entitlement to attend all or any portion of any Committee meeting shall be determined by the Committee Chair or by the members of the Committee.

Mandate

The Committeeôs duties and responsibilities include, but are not limited to, the following matters:

Financial Reporting and Disclosure

In connection with the financial reporting and disclosure obligations of the Parallel Group, the Committee will:

1. review the audited consolidated annual financial statements of the Trust as prepared by Management in conjunction with the external auditors, the related MD&A and the associated press releases for submission to the Board of Directors for approval;
2. review the unaudited consolidated quarterly financial statements of the Trust as prepared by Management, the related MD&A and the associated press releases for submission to the Board of Directors for approval;
3. review with Management and the external auditor, significant accounting practices employed by the Parallel Group and disclosure issues, including complex or unusual transactions, judgmental areas such as the financial implications of reserves or estimates, and significant changes to accounting principles, with a view to gaining reasonable assurance that the accounting policies and critical accounting estimates are appropriate and that the financial statements are accurate within reasonable levels of materiality, are complete, do not contain any misrepresentations and present fairly the Parallel Groupôs financial position and results of operations in accordance with Canadian GAAP;
4. review and assess any new or proposed developments in accounting and reporting standards that may affect or have an impact on the Trust;
5. confirm through discussions with Management and the external auditor that Canadian GAAP and all applicable laws or regulations related to financial reporting and disclosure have been complied with;
6. review any unresolved significant issues between Management and the external auditor that could affect the financial reporting or internal controls of the Parallel Group;
7. review any actual or anticipated litigation or other events, including tax assessments, which could have a material current or future effect on the Trustôs financial statements, and the disclosure of such in the financial statements;
8. discuss with Management the effect of any off-balance sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons that may have a material current or future affect on the Trustôs financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues and expenses;
9. review and discuss with the Chief Executive Officer and Chief Financial Officer of the Corporation the procedures undertaken in connection with the Chief Executive Officer and Chief Financial Officer certifications for the annual and/or quarterly filings with applicable securities regulatory authorities;
10. review disclosures made by the Chief Executive Officer and Chief Financial Officer to the Corporation during their certification process for annual and/or quarterly financial statements with applicable securities regulatory authorities about any significant deficiencies in the design or operation of internal controls which adversely affect the Corporationôs ability to record, process, summarize and report financial data or any material weaknesses in the internal controls, and any fraud involving management or other employees of the Parallel Group or the Corporation who have a significant role in the Parallel Groupôs internal controls; and

11. review or satisfy itself that adequate procedures are in place for the review of the Trustôs public disclosure of financial information extracted from the Trustôs financial statements and periodically assess the adequacy of those procedures.

Oversight of Internal Controls

The Committee will:

1. monitor the quality and integrity of the Parallel Groupôs system of internal controls, disclosure controls and management information systems through discussions with Management and the external auditor;
2. oversee the system of internal controls, by:
   (a) consulting with the external auditor regarding the effectiveness of the Parallel Groupôs internal controls;
   (b) monitoring policies and procedures for internal accounting, financial controls and management information, electronic data controls and computer security;
   (c) obtaining from Management adequate assurances that all statutory payments and withholdings have been made; and
   (d) taking other actions as considered necessary;
3. oversee investigations of alleged fraud and illegality relating to the Parallel Groupôs finances and any resulting actions;
4. review compliance with the Trustôs Code of Business Conduct Policy with those matters addressed in the policy which affect the financial integrity of the Trust and to periodically review this policy and recommend to the Board changes which the Committee may deem appropriate; and
5. establish procedures for the receipt, retention and treatment of complaints received by the Parallel Group regarding accounting, internal accounting controls or auditing matters, the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters and for the protection from retaliation of those who report such complaints in good faith, including the oversight and direction of the investigation and resolution of such concerns and the periodic review of the Parallel Groupôs Whistleblower Policy.

Monitor the Internal Audit Function

The Committee will:

1. regularly monitor the responsibilities, performance and effectiveness of the internal audit function for the Parallel Group; and
2. review annually Managementôs internal audit plan for the Parallel Group.

External Auditor Appointment and Removal

The Committee will:

1. recommend the appointment or replacement of the external auditor to the Board of Directors, who will consider the recommendation prior to submitting the nomination to the Unitholders for their approval;
2. review Managementôs plans for an orderly transition to a new external auditor, if required;
3. pre-approve, in accordance with applicable law, any non-audit services to be provided to the Trust by the external auditor, with reference to compatibility of the service with the external auditorôs independence and, where appropriate, delegate to one or more members of the Committee the authority to grant pre-approvals of non-audit services with the members of the Committee being informed of any such pre-approvals at the next regularly scheduled meeting of the Committee; and

4. review and approve the Parallel Group’s hiring policies regarding partners, employees and former partners and employees of the present and former external auditor.

External Auditor Liaison

The external auditor will report directly to the Committee and will be accountable to the Committee and the Board of Directors, as representatives of the Unitholders.

In its role as liaison with the external auditor the Committee will:

1. be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Trust, including the resolution of any disagreements between Management and the external auditor regarding financial reporting;
2. review all material written communications between the external auditor and the Parallel Group, including any post-audit management letter containing the recommendations of the external auditor, Management’s response and, subsequently, follow up on identified weaknesses; and
3. meet with the external auditor independently from Management at least annually to discuss and review specific issues and any significant matters that the auditor may wish to bring to the Committee for its consideration.

External Auditor Review

The Committee will:

1. review with Management, and make recommendations to the Board of Directors, regarding the fee related to the audit. In making a recommendation with respect to the fee, the Committee shall consider the number and nature of reports issued by the external auditor, the quality of internal controls, the size, complexity and financial condition of the Parallel Group, and the extent of other support provided by the Parallel Group and Management to the external auditor;
2. review with Management the terms of the external auditor’s engagement, accountability, experience, qualifications and performance;
3. evaluate the performance of the external auditor;
4. review the audit plan and scope of the external audit with the external auditor and Management, and consider the nature and scope of the planned audit procedures prior to the commencement of the audit;
5. discuss with the external auditor any significant changes required in the approach or scope of their audit plan, Management’s handling of any proposed adjustments identified by the external auditor, and any actions or inactions by Management that limited or restricted the scope of their work;
6. review, independently from Management, the results of the annual external audit, the audit report thereon and the auditor’s review of the related MD&A, and discuss with the external auditor the quality (not just the acceptability) of accounting principles used, any alternative treatments of financial information that have been discussed with Management, the ramifications of their use and the auditor’s preferred treatment, and any other material communications with Management;
7. engage the external auditor to review all interim financial statements and review the results of the auditor’s review of the interim financial statements and the auditor’s review of the related MD&A independently of and without Management present;
8. review any other matters related to the external audit that are to be communicated to the Committee under generally accepted auditing standards or that relate to the external auditor;
9. review with Management and the external auditor any correspondence with regulators or governmental agencies, employee complaints or published reports that raise material issues regarding the Parallel Group’s financial statements or accounting policies; and

10. at least annually, and before the external auditor issues its report on the annual financial statements, review and confirm the independence of the external auditor through discussions with the auditor on their relationship with the Parallel Group, including details of all non-audit services provided. Consider the safeguards implemented by the external auditor to minimize any threats to their independence, and take action to eliminate all factors that might impair, or be perceived to impair, the independence of the external auditor. Consider the number of years the lead audit partner has been assigned to the Corporation, and consider whether it is appropriate to recommend to the Board of Directors a policy of rotating the lead audit partner more frequently than every five years, as is required under the rules of the Canadian Public Accountability Board.

Risk Management

The Committee will:

1. review and assess the adequacy of the Parallel Group's risk management policies and procedures with respect to the Parallel Group's principal business risks;
2. review with Management, at least annually, the Parallel Group's major risk exposures and the steps taken by Management to monitor and control such exposures;
3. review and monitor the results of Management's commodity price, financial and credit exposure management activities including oil and natural gas, foreign currency and interest rate hedging activities and the use of derivative instruments;
4. review and assess the adequacy of the implementation of appropriate systems to mitigate and manage the risks, and report regularly to the Board of Directors; and
5. review the Parallel Group's insurance program.

Regulatory Compliance

The Committee will review with Management the Trust's relationship with regulators and the timeliness and accuracy of the Parallel Group's filings with regulatory authorities.

Related Party Transactions

The Committee will review with Management all related party transactions and the development of policies and procedures related to those transactions.

Complaint Procedures

The Committee will establish and review procedures relating to the receipt, retention and treatment of complaints received by the Parallel Group respecting accounting, internal accounting controls or auditing matters and the confidential anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

Board of Directors Relationship and Reporting

The Committee will:

1. report regularly to the Board of Directors on Committee activities, issues and related recommendations;
2. oversee appropriate disclosure of the Committee mandate, and other information required to be disclosed by applicable securities laws, in the Trustôs annual information form and all other applicable disclosure documents, including any management information circular distributed in connection with the solicitation of proxies from Unitholders; and
3. conduct an annual review and assessment of its performance, including compliance with this Charter and its role, duties and responsibilities, and submit such report to the Board of Directors.

Administrative Matters

The following general provisions shall have application to the Committee:

1. A quorum of the Committee shall be the attendance of two (2) members thereof present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and hear each other. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by a resolution in writing signed by all the members of the Committee.
2. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee, by resolution of the Board of Directors. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, each member of the Committee shall hold such office until the close of the annual meeting of Unitholders next following the date of appointment as a member of the Committee or until a successor is duly appointed.
3. The Committee may invite such officers, directors and employees of the Parallel Group or the Corporation, as it may see fit, from time to time to attend at meetings of the Committee and to assist thereat in the discussion of matters being considered by the Committee. The external auditor is to appear before the Committee when requested to do so by the Committee.
4. The time and place for the Committee meetings, the calling and the procedure at such meetings shall be determined by the Committee having regard to the by-laws of the Corporation.
5. The Committee shall meet a minimum of four (4) times a year.
6. The Committee Chair shall preside at all meetings of the Committee. In the absence of the Committee Chair or in the event of a vacancy in the position of the Committee Chair, the other members of the Committee shall appoint a representative amongst them to act as Committee Chair for that particular meeting.
7. Notice of meetings of the Committee shall be given to the external auditor. The external auditor has the right to appear before and to be heard at any meeting of the Committee. Upon the request of the external auditor, the Committee Chair shall convene a meeting of the Committee to consider any matters which the external auditor believes should be brought to the attention of the Directors or Unitholders.
8. The following representatives from Management shall be invited to attend all meetings of the Committee, except executive sessions and private sessions with the external auditors:
   (a) Chief Executive Officer
   (b) President
   (c) Executive Chairman
   (d) Chief Financial Officer
   (e) Controller
   (f) Corporate Secretary

9. The Committee shall report to the Board of Directors on such matters and questions relating to the financial position of the Parallel Group as the Board of Directors may from time to time refer to the Committee.

10. The members of the Committee shall, for the purpose of performing their duties, have the right to inspect all the books and records of the Parallel Group and the Corporation, and to discuss such books and records that are in any way related to the financial position of the Parallel Group with the officers and employees of the Corporation and the Parallel Group and the external auditor of the Parallel Group.

11. The Committee shall meet, in separate, non-management, *in camera* sessions at each regularly scheduled meeting.

12. The Corporate Secretary of the Corporation shall be the secretary of the Committee, unless otherwise determined by the Committee. Minutes of the Committee meetings shall be recorded and maintained. The Committee Chair will report to the Board of Directors on the activities of the Committee and/or the minutes of the Committee meetings will be promptly circulated to the Directors or otherwise made available at the next meeting of Directors.

13. The external auditors shall report directly to the Committee and the external auditors and internal auditors (if any) shall have a direct line of communication to the Committee through its chair and may bypass management if deemed necessary. The Committee, through its chair, may contact directly any employee in the Corporation as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper financial practices or transactions.

Experts and Advisors

In order to carry out its duties, the Committee may retain or appoint, at the Corporationô s expense, such independent counsel and other experts and advisors, as it deems necessary and may set and pay the compensation for any counsel or advisor so engaged. The Committee may also request any officer or employee of the Corporation or the Parallel Group to attend a meeting of the Committee or to meet with any members of, or consultants or advisors to, the Committee.