

**2009 ANNUAL INFORMATION FORM**

**Respecting Units of**

**ENERVEST DIVERSIFIED INCOME TRUST**

**Managed by  
EnerVest Diversified Management Inc.**

**March 29, 2010**

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## GLOSSARY OF TERMS

In this Annual Information Form, the following terms shall have the meanings set forth below, unless otherwise indicated.

"**AGF**" means AGF Management Ltd.

"**Allowable Capital Loss**" means a realized capital loss upon the disposition of an EnerVest Unit, upon which a Unitholder will generally be entitled to deduct one-half of any such capital loss.

"**Business Day**" means any day except Saturday, Sunday or a statutory holiday in Calgary, Alberta or Toronto, Ontario.

"**Canoe**" means Canoe Financial L.P.

"**Canoe Acquisition**" means the indirect acquisition by Canoe of all issued and outstanding shares of the Manager on May 16, 2008.

"**CSRA Decision**" means a decision made by the Canadian Securities Regulatory authorities that permits investment funds, such as EnerVest, to calculate its Net Asset Value in accordance with Canadian GAAP without giving effect to Section 3855 for purposes other than issuing annual or interim financial statements, such as the issue and redemption of Units.

"**Custodian**" or "**CIBC**" means Canadian Imperial Bank of Commerce, in its capacity as custodian under the Custodian Agreement.

"**Custodian Agreement**" means the custodian agreement dated October 1, 1999 between the Manager, the Custodian, CIBC Mellon Global Securities Services Company and Mellon Bank, N.A.

"**Declaration of Trust**" means the declaration of trust of the Trust dated as of August 5, 1997, as amended and restated on October 7, 1999, and as of March 14, 2002, and as of March 6, 2006, and as of July 5, 2007 and as of March 26, 2009.

"**DRIP**" means the distribution reinvestment plan pursuant to which Unitholders resident in Canada may elect to have all of their cash distributions invested in additional EnerVest Units.

"**EML**" means EnerVest Management Ltd., a direct wholly-owned subsidiary of Canoe.

"**EnerVest Group**" means EnerVest Diversified Income Trust or other closed-end income trusts that are part of the EnerVest group of funds.

"**EnerVest Units**" or "**Units**" means the single class of transferable, non-redeemable units which comprise the beneficial interest in the assets of EnerVest.

"**Exempt Plans**" means, collectively, registered retirement savings plans, registered retirement income funds, registered education savings plans, deferred profit sharing plans and tax free savings accounts.

"**Existing SIFT**" means a trust that was a "SIFT trust" (as defined in the Tax Act) on October 31, 2006.

"**Independent Review Committee**" means the independent review committee of the Trust established in accordance with N1 81-107.

"**Investor Relations**" means the investor relations department of the Trust.

**"Investment Management Agreement"** means the investment management agreement dated as of May 31, 2000 and amended and restated as of March 14, 2002 between the Manager and the Investment Manager, as it may be amended from time to time.

**"Investment Management Fee"** means the investment management fee, payable monthly in arrears to the Investment Manager by the Administrator from the Administration Fee.

**"Manager"** means EnerVest Diversified Management Inc.

**"Management Agreement"** means the management agreement dated as of July 24, 1997 as amended and restated as of October 7, 1999, as of March 14, 2002, and as of March 26, 2009 between the Manager and the Trustee.

**"Net Asset Value"** or **"NAV"** means the net asset value of the Trust, as determined by subtracting the aggregate amount of the liabilities of the Trust from the Total Assets and as more particularly set forth in the Declaration of Trust.

**"NI 81-102"** means National Instrument 81-102 — Mutual Funds of the Canadian Securities Administrators, as it may be amended from time to time.

**"NI 81-106"** means National Instrument 81-106 — Investment Fund Continuous Disclosure of the Canadian Securities Administrators, as it may be amended from time to time.

**"NI 81-107"** means National Instrument 81-107 — Independent Review Committee for Investment Funds of the Canadian Securities Administrators, as it may be amended from time to time.

**"Non-Residents"** means unitholders of EnerVest who are non-residents of Canada.

**"Normal Growth Guidelines"** means normal growth guidelines for SIFT trusts issued by the Department of Finance (Canada) on December 15, 2006 and amended by the Department of Finance (Canada) on December 4, 2008.

**"Portfolio Manager"** means the Trust's Portfolio Manager, Cypress Capital Management Ltd. and, if applicable, its successor.

**"Portfolio Securities"** means securities generally acquired by the Portfolio Manager through trades made through the facilities of the Toronto Stock Exchange and, from time to time, securities acquired pursuant to exchange offers whereby EnerVest issues EnerVest Units in exchange for certain specified royalty trusts, income trusts, limited partnership units and other investments.

**"Pricing NAV"** means Net Asset Value calculated in accordance with Canadian GAAP without giving effect to Section 3855.

**"Proposed Amendments"** means specific proposals to amend to Tax Act and such regulations publicly announced by the Minister of Finance (Canada).

**"REITs"** means Real Estate Investment Trusts.

**"Section 3855"** means Section 3855 – Financial Instruments – Recognition and Measurement of the handbook of the Canadian Institute of Chartered Accountants.

**"Securities Lending Agreement"** means the standard securities lending agreement between EnerVest or its agents and securities borrowers acceptable to EnerVest and its agents.

**"SIFT Rules"** means, collectively, the **"Tax Fairness Plan"** released by the Minister of Finance (Canada) on October 31, 2006, the guidelines released by the Minister of Finance (Canada) on December 15, 2006 with respect

to the "normal growth" of certain trusts and partnerships that were publicly listed as of October 31, 2006 and Bill C-52, an Act to implement certain provisions of the budget tabled in Parliament on March 19, 2007, which received Royal Assent on June 22, 2007.

"**Special Meeting**" refers to the March 26, 2009 special meeting of Unitholders to approve amendments to the Declaration of Trust and the Management Agreement.

"**Tax Act**" means the Income Tax Act (Canada), as now or hereafter amended, or successor statutes, and shall include the regulations promulgated thereunder.

"**Taxable Capital Gain**" means a realized capital gain upon the disposition of an EnerVest Unit, upon which a Unitholder will be required to include in computing the Unitholder's income one-half of any such capital gain.

"**Termination Date**" means the date the Trust is terminated.

"**Total Assets**" means the aggregate value of the assets of the Trust as determined in accordance with the terms of the Declaration of Trust.

"**Trust**" or "**EnerVest**" means EnerVest Diversified Income Trust, a closed-end investment trust established under the laws of Alberta pursuant to the Declaration of Trust.

"**Trustee**" means initially Computershare Trust Company of Canada, in its capacity as Trustee under the Declaration of Trust, and thereafter such successor as may be appointed the Trustee in accordance with the provisions of the Declaration of Trust.

"**Trust Units**" or "**Units**" means the transferable, redeemable trust units of the Trust, each of which represents an equal, fractional, undivided beneficial interest in the net assets of the Trust.

"**TSX**" means TSX Inc., carrying on business as the Toronto Stock Exchange.

"**Unitholders**" means holders of Trust Units.

## FORWARD-LOOKING STATEMENTS

Certain statements included in this Annual Information Form as they relate to EnerVest or the Portfolio Manager constitute forward-looking statements. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects", "does not expect", "is expected", "anticipates", "does not anticipate", "plans", "estimates", "believes", "does not believe" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or achieved) are not statements of historical fact but reflect EnerVest's current expectations regarding future results or events and may be "forward-looking statements".

These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed below and under "Risk Factors" and in other sections of this Annual Information Form:

- competition;
- departure of key personnel or consultants;
- fluctuation in foreign exchange or interest rates;
- negative conditions in general economic and financial markets;
- losses from credit exposure;
- stock market volatility and market valuations;
- conflicts of interest; and
- changes in income tax laws and other government regulations.

With respect to forward-looking statements contained in this document, EnerVest has made assumptions regarding, among other things: future exchange rates; the impact of increasing competition; the continuity of existing business relationships; conditions in general economic and financial markets; and the ability to obtain financing on acceptable terms.

EnerVest believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct. These statements speak only as of the date of this Annual Information Form and EnerVest does undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by applicable laws.

**Readers are cautioned that the foregoing lists of factors are not exhaustive. Should one or more of these risks and uncertainties materialize, or should EnerVest's estimates or underlying assumptions prove incorrect, actual results, performance or achievements may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements**

## NAME AND FORMATION OF THE TRUST

EnerVest Diversified Income Trust ("**EnerVest**" or the "**Trust**") is a closed end investment trust established under the laws of Alberta pursuant to a Declaration of Trust dated as of August 5, 1997 (as amended and restated as of October 7, 1999, and as of March 14, 2002, and as of March 6, 2006, and as of July 5, 2007, and as of March 26, 2009) (the "**Declaration of Trust**"). Computershare Trust Company of Canada is EnerVest's trustee (the "**Trustee**"), and Canadian Imperial Bank of Commerce ("**CIBC**") is the custodian of EnerVest's assets. EnerVest Diversified Management Inc. is EnerVest's manager (the "**Manager**") and Cypress Capital Management Ltd. is EnerVest's portfolio manager (the "**Portfolio Manager**") pursuant to an investment management agreement dated as of May 31, 2000 (as amended and restated as of March 14, 2002). EnerVest's office is located at Suite 3900, 350 - 7th Avenue S.W., Calgary, Alberta T2P 3N9. EnerVest's registered office is located at Suite 3500, 855 - 2<sup>nd</sup> Street S.W., Calgary, Alberta, T2P 4J8. The fiscal year end of EnerVest is December 31. The Portfolio Manager's head office is located at Suite 1700 - 1055 West Georgia Street, Vancouver, British Columbia, V6E 3P3.

## HISTORY OF THE TRUST

### 2000

On May 31, 2000, the Manager announced that Cypress Capital Management Ltd. (the current Portfolio Manager) would be appointed as the new portfolio manager of EnerVest effective June 1, 2000, replacing Morrison Williams Investment Management Ltd.

On August 21, 2000, EnerVest closed a rights offering, issuing an additional 2,143,253 EnerVest Units for total proceeds of approximately \$11.2 million.

On November 17, 2000, EnerVest closed an exchange offer whereby EnerVest issued 2,679,236 EnerVest Units having an aggregate value of approximately \$16.2 million in exchange for certain royalty trust, income trust and limited partnership units.

### 2001

On August 21, 2001, EnerVest closed a rights offering, issuing an additional 5,578,102 EnerVest Units for total proceeds of approximately \$34 million.

On November 27, 2001, EnerVest closed an exchange offer whereby EnerVest issued 10,010,598 EnerVest Units having an aggregate value of approximately \$67 million in exchange for certain royalty trust, income trust and limited partnership units.

### 2002

On February 26, 2002, EnerVest closed a rights offering, issuing an additional 11,640,436 EnerVest Units for total proceeds of approximately \$71 million.

At a special meeting of the Unitholders held on March 14, 2002, the following amendments to the Declaration of Trust and to the Management Agreement were approved:

- (a) an amendment to the Declaration of Trust that allowed for the appointment of Computershare Trust Company of Canada as the new trustee of EnerVest;
- (b) an amendment to the Declaration of Trust that removed the provision that the termination of EnerVest's trustee required the approval of the Unitholders by the affirmative vote of two-thirds;
- (c) an amendment to the Declaration of Trust that broadened borrowing powers to permit the Manager to establish a margin account for EnerVest;
- (d) an amendment to the Declaration of Trust that clarified that EnerVest can transfer or lodge assets with a brokerage firm as security for the establishment of a margin account; and
- (e) an amendment to the Management Agreement that reduced annual management fees from 1.5% to 1.0% of EnerVest's Net Asset Value in excess of \$250,000,000 and changed the termination fee payable to the Manager from 2 years to 5 years in the event EnerVest Diversified Management Inc. is removed as manager of EnerVest or if EnerVest is terminated.

On October 10, 2002, EnerVest closed an exchange offer whereby EnerVest issued 19,841,770 EnerVest Units having an aggregate value of approximately \$137.7 million in exchange for certain royalty trust, income trust and limited partnership units.

## 2003

On February 21, 2003, EnerVest closed a rights offering, issuing an additional 20,135,005 EnerVest Units for total proceeds of approximately \$118.8 million.

On October 7, 2003, EnerVest closed an exchange offer whereby EnerVest issued 19,426,971 EnerVest Units having an aggregate value of approximately \$126.7 million in exchange for certain royalty trust, income trust and limited partnership units.

## 2004

On February 19, 2004, EnerVest closed a rights offering, issuing an additional 25,058,519 EnerVest Units for total proceeds of approximately \$159.1 million.

In June, 2004, the Portfolio Manager was acquired by AGF. All key personnel of the portfolio manager continued with the company, including the lead portfolio manager for EnerVest. See "Portfolio Manager". The investment management philosophy and investment objectives of EnerVest did not change as a result of this event.

On October 13, 2004, EnerVest closed an exchange offer whereby EnerVest issued 22,537,786 EnerVest Units having an aggregate value of approximately \$165.5 million in exchange for certain royalty trust, income trust and limited partnership units.

## 2005

On February 15, 2005, EnerVest closed a rights offering, issuing an additional 29,670,361 EnerVest Units for total proceeds of approximately \$213.6 million.

On October 4, 2005, all of the issued and outstanding shares of the Manager were acquired by Avenir Operating Corp., the operator and a wholly-owned subsidiary of Avenir Diversified Income Trust.

On November 22, 2005, EnerVest closed an exchange offer whereby EnerVest issued 15,610,648 EnerVest Units having an aggregate value of approximately \$112.8 million in exchange for certain royalty trust, income trust and limited partnership units.

## 2006

On January 30, 2006, a notice was delivered to Unitholders advising that the Declaration of Trust would be amended in respect of EnerVest's financial reporting obligations to align such requirements with current applicable securities law.

On January 31, 2006, EnerVest entered into a syndicated credit facility (the "**2006 Credit Facility**") evidenced by a Credit Agreement between EnerVest, as borrower, CIBC, as lead arranger, administrative agent and security agent, and Alberta Treasury Branch, Union Bank of California, Canadian Western Bank and CIBC, as lenders, for an amount up to \$350 million..

On February 24, 2006, EnerVest closed a rights offering whereby EnerVest issued an additional 38,878,205 EnerVest Units for total proceeds of approximately \$282 million.

As of March 6, 2006, the Declaration of Trust was amended to reflect changes set out in the January 30, 2006 notice to Unitholders described above.

On October 24, 2006, EnerVest closed an exchange offer whereby EnerVest issued 37,527,748 EnerVest Units having an aggregate value of approximately \$257 million in exchange for units of select income, royalty and real estate investment trusts, limited partnerships and similar issuers.

## 2007

On January 30, 2007, EnerVest renewed and amended the 2006 Credit Facility and increased the maximum borrowing base thereunder to \$400 million. CIBC and the Bank of Montreal were the lenders under the amended 2006 Credit Facility.

On May 1, 2007, EnerVest announced the appointment of an independent review committee pursuant to National Instrument 81-107 – Independent Review Committee for Investment Funds. See "Trust Governance – Independent Review Committee" below for more details.

At a special meeting of the Unitholders held on July 5, 2007, the following amendments to the Declaration of Trust were approved:

- (a) the clarification and broadening of the investment objectives to allow for a greater percentage of investments in debt and equity, including shares of corporations;
- (b) the incorporation of new national securities legislation (National Instrument 81-107) which required all investment funds to establish an independent review committee by May 1, 2007;
- (c) the amendment of provisions relating to Unitholder communications and deliveries to conform with the guidelines set out in National Instrument 54-101 - "Communications with Beneficial Owners of Securities of a Reporting Issuer"; and
- (d) changing the quorum requirements for a meeting of Unitholders to two or more Unitholders present in person or by proxy and representing not less than 5% of the outstanding Units.

On July 24, 2007, the Management Agreement between EnerVest and the Manager was renewed for another five year term.

On September 24, 2007, EnerVest announced the renewal of its normal course issuer bid with the Toronto Stock Exchange. During the 12 months preceding September 24, 2007, EnerVest repurchased 3,750,925 Units at a weighted average trading price of \$6.04 per Unit.

On October 22, 2007, EnerVest closed an exchange offer whereby EnerVest issued 33,941,261 EnerVest Units having an aggregate value of approximately \$201.5 million in exchange for certain royalty trust, income trust, limited partnership units and securities of corporations.

On December 13, 2007, EnerVest renewed its \$400 million 2006 Credit Facility with CIBC and the Bank of Montreal for a further period of 364 days from January 29, 2008 to January 27, 2009.

## 2008

On May 16, 2008 all of the issued and outstanding shares of the Manager were indirectly acquired (the "**Canoe Acquisition**") by Canoe Financial L.P. ("**Canoe**").

On September 24, 2008, EnerVest announced the renewal of its normal course issuer bid with the Toronto Stock Exchange.

On October 23, 2008, EnerVest announced it had received a waiver of a technical breach of the 2006 Credit Facility due to a 30% decline in Net Asset Value of EnerVest as a result of external market factors beyond the control of the Manager. In connection with the waiver, EnerVest reduced its indebtedness and the size of the 2006 Credit Facility to \$300 million.

## 2009

On February 9, 2009, EnerVest announced a reduction of the Fund's monthly distribution to \$0.07 per Unit from \$0.10 effective with the February 2009 monthly distribution.

On March 26, 2009, at a special meeting, Unitholders approved amendments to the Declaration of Trust and Management Agreement to allow for the following:

- (a) a voluntary cash redemption once every calendar year pursuant to which EnerVest may offer to redeem up to 10% of outstanding EnerVest Units;
- (b) a reduction of the fee the Manager would receive on termination of EnerVest. Pursuant to the amendment, the Manager receives a fee equal to 5% of the Net Asset Value of any Units being redeemed pursuant to the voluntary cash redemption with the cumulative fees paid on any such redemptions being deducted from any final termination fee to be paid to the Manager; and
- (c) further flexibility in managing the investment portfolio and the consolidation or split of EnerVest Units to maintain EnerVest Unit market prices at levels acceptable for margin accounts and for trading.

On February 26, 2009, EnerVest renewed its 2006 Credit Facility with a syndicate of Canadian financial institutions for a further period of 364 days from February 25, 2009 to February 24, 2010 for an amount up to \$200 million with an option to increase to \$300 million.

On April 20, 2009, EnerVest announced a consolidation of the Units on the basis of three (3) pre-consolidation Units for one (1) post-consolidation Unit. In connection with the consolidation, monthly distributions were adjusted to \$0.15 per Unit.

On August 19, 2009, EnerVest announced a reduction of the Fund's monthly distribution to \$0.10 per Unit from \$0.15 per Unit effective with the August 2009 monthly distribution.

On October 8, 2009 9,984,999 Units were redeemed in connection with the first voluntary annual cash redemption for an approximate price of \$12.77 per Unit.

On September 28, 2009, EnerVest announced the renewal of its normal course issuer bid with the Toronto Stock Exchange. During the 12 months preceding September 28, 2009, EnerVest repurchased 1,130,667 Units pursuant to its normal course issuer bid at a weighted average trading price of \$9.43 per unit on a post consolidation basis.

On December 15, 2009, EnerVest filed a final prospectus for an offering of Warrants to Unitholders. Each Unitholder of record on December 23, 2009 received one-quarter of a Warrant for each Unit held. Each whole Warrant entitles the holder to subscribe for one Unit upon payment of the subscription price of \$13.31 at any time prior to 5:00 p.m. (Calgary time) on September 23, 2010 (or such earlier date as EnerVest may determine in accordance with the provisions of the Warrants). To date, 16,949 Units have been issued pursuant to the exercise of Warrants.

## 2010

On February 11, 2010 EnerVest announced that it has established a new 364-day credit facility with a Canadian lending institution effective February 11, 2010. The credit facility remains at \$200 million, with the option to increase the facility up to \$300 million. EnerVest is limited to borrowing up to 20% of the Total Assets and generally applies a strategy that keeps the fund conservatively levered well below the maximum. EnerVest's credit facility was drawn by approximately \$138 million as at February 11, 2010

## INVESTMENT RESTRICTIONS AND PRACTICES

The Trust is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. Consequently, the Trust is not subject to the various policies and regulations that apply to mutual funds under such legislation. The Trust is subject to certain other requirements and restrictions contained in applicable securities laws, including National Instrument 81-106 – *Investment Fund Continuous Disclosure* ("NI 81-106"), which governs the continuous disclosure obligations of investment funds, such as the Trust.

EnerVest is currently also subject to certain restrictions and practices contained in the Declaration of Trust which are designed in part to ensure that the investments of EnerVest are diversified and to ensure the proper administration of EnerVest. In particular, the Declaration of Trust contains investment restrictions to the effect that EnerVest may not:

- (a) hold any security issued by any issuer (other than short-term debt securities issued or guaranteed by the Government of Canada or any Canadian province or municipality) if as a result more than 10% of EnerVest's Total Assets would consist of securities issued by such issuer;
- (b) borrow money in excess of 20% of EnerVest's Total Assets after giving effect to the borrowing;
- (c) purchase or sell commodities or commodity contracts;
- (d) make loans or guarantee obligations, except that EnerVest may purchase and hold debt obligations (including bonds, debentures or other obligations and certificates of deposit, bankers' acceptances and fixed time deposits) in accordance with its investment objectives;
- (e) participate in mining, oil and gas or similar ventures, other than through the ownership of securities issued by royalty and income trusts, corporations, partnerships or other issuers and such other investments as the Manager may determine in its sole discretion from time to time;
- (f) sell securities short, provide a security interest over Trust assets in connection with the short sales, or deposit Trust assets with dealers as security in connection with such transactions selling securities short, unless the following conditions are met:
  - (A) securities shall be sold short only for cash and the Trust will receive the cash proceeds within normal trading settlement periods for the market in which the short sale is made;
  - (B) short sales shall only be effected through market facilities through which those securities normally are bought and sold;
  - (C) the Trust shall only sell short a security which is listed and posted for trading on a stock exchange and either the issuer of the security has a market capitalization of not less than \$300 million, or the equivalent thereof in another currency, at the time the short sale is effected or the Investment Manager has pre-arranged to borrow securities for the purposes of such short sale, or if the security sold short is a bond, debenture or other evidence of indebtedness of or is guaranteed by the Government of Canada or any province or territory of Canada or the Government of the United States;
  - (D) at the time securities of a particular issuer are sold short by the Trust, the aggregate market value of all securities of that issuer sold short will not exceed 5% of the total net assets of the Trust;
  - (E) the Trust shall place a "stop-loss" order (effectively a standing instruction) with a dealer to immediately repurchase for the Trust the securities sold short if the trading price of the securities exceeds 115% (or a lower percentage determined by the Manager) of the price at which the securities were sold short;

- (F) the aggregate market value of all securities sold short by the Trust will not exceed 10% of its total net assets on a daily marked-to-market basis;
  - (G) the Trust shall hold cash cover in an amount, including the Trust's assets deposited with lenders, that is at least 150% of the aggregate market value of all securities it sold short on a daily marked-to-market basis;
  - (H) no proceeds from short sales shall be used by the Trust to purchase long positions other than cash cover;
  - (I) where a short sale is effected in Canada, each dealer that holds Trust assets as security in connection with the short sale must be a registered dealer in a province and a member of a self-regulatory organization that is a participating member of the Canadian Investor Protection Fund;
  - (J) where a short sale is effected outside Canada, each dealer that holds Trust assets as security in connection with the short sale must be a member of a stock exchange and have a net worth in excess of the equivalent of \$50 million determined from its most recent audited financial statements; and
  - (K) the aggregate assets deposited by the Trust with any single dealer as security in connection with short sales will not exceed 10% of the Trust's total net assets at the time of deposit;
- (g) own more than 10% of any class of securities issued by any issuer or purchase securities for the purpose of exercising control over management of any issuer;
  - (h) purchase or sell derivatives, other than covered call or put options, exchange-traded options and derivatives used for the purpose of currency hedging, provided that, in the case of exchange-traded options and derivatives used for currency hedging purposes, such use does not result in the Trust failing to qualify as a "unit trust" as defined in the Income Tax Act, and in the case of derivatives used for currency hedging purposes, such use is in compliance with the provisions of section 2.7 of NI 81-102 as if such section applied to the Trust;
  - (i) invest more than 15% of EnerVest's Total Assets in securities for which a market quotation is not readily available, directly or indirectly;
  - (j) invest more than 10% of the net assets in mutual funds, as that term is defined in the Securities Act (Alberta);
  - (k) make any investment that would result in EnerVest failing to qualify as a "unit trust" within the meaning of the *Income Tax Act* (Canada) (the "**Tax Act**");
  - (l) loan portfolio assets unless the loan transaction is in compliance with the provisions of section 2.12(1)2 to 2.12(1)12, section 2.12(2) and section 2.12(3) of NI 81-102 as if such sections applied to the Trust;
  - (m) purchase real estate, real estate mortgage loans or real estate limited partnership interests (other than securities issued by issuers that invest in real estate or interests therein including real estate investment trusts); or
  - (n) act as underwriter except to the extent that EnerVest may be deemed to be an underwriter in connection with the sale of securities in its portfolio.

Percentage limitations specified in or applicable to the investment restrictions apply only immediately after a transaction, and any subsequent change in any applicable percentage resulting from changing values will not require the sale of any security in the portfolio (except for the restrictions in paragraphs (a) and (k) which must be complied with at all times and which may necessitate the selling of securities from time to time). If EnerVest receives from an issuer subscription rights to purchase securities of that issuer, and if EnerVest exercises such subscription rights at a time when EnerVest's holdings of securities of that issuer would otherwise exceed the limits set forth above, the investment restrictions will not be considered to have been violated if, prior to receipt of securities upon exercise of such rights, EnerVest has sold at least as many securities of the same class and value as would result in the restrictions being complied with.

The investment restrictions may not be changed without the approval by Unitholders of a resolution passed by two-thirds of the votes cast at a meeting of Unitholders called for such purpose, except to the extent necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time.

### **INVESTMENT POLICIES**

The investment objectives of EnerVest are to maximize monthly distributions relative to risk and maximize Net Asset Value, while maintaining and expanding a diversified investment portfolio, primarily through acquiring, investing, holding, transferring, disposing of or otherwise dealing with or in equity and debt securities of royalty and income trusts, corporations, partnerships, or other issuers and such other investments as the Manager may determine in its sole discretion from time to time.

The investment objectives set forth above may be achieved through direct acquisitions, investments or, at the election of the Manager, through "exchange offers" or rights offerings completed by EnerVest from time to time. The assets of EnerVest may be invested in equity or debt securities which include, but are not limited to, (i) energy-related royalty and income trusts and corporations and partnerships (including, but not limited to, oil and gas, oil and gas services, industrial, propane, natural gas liquids, pipeline, production and handling facilities, and coal royalty and income trusts, corporations or partnerships, or other issuers and such other investments as the Manager may determine in its sole discretion from time to time), (ii) other resource-oriented royalty trusts, corporations or partnerships or other issuers and such other investments as the Manager may determine in its sole discretion from time to time, and (iii) real estate investment trusts.

The business of EnerVest is to invest its funds in a broad range of income-producing investments, including the securities of publicly traded royalty trusts, income funds, real estate investment trusts, qualified limited partnerships, corporations and similar issuers, corporate debt, convertible debentures and preferred shares in various industries and geographic regions. Income from these investments, including capital gains arising from capital appreciation, is used to support regular monthly distributions to Unitholders. To the extent any income generated during the year has not been fully distributed to Unitholders through regular monthly distributions, a special distribution will be declared to ensure all income of EnerVest is distributed to its Unitholders. The Declaration of Trust states that the assets of EnerVest and any monies available for reinvestment at any time are to be invested in accordance with EnerVest's investment objective, policies and restrictions as expeditiously as prudent investment practice permits. Pending such investment, from time to time, funds of EnerVest may be invested at the written direction of the Portfolio Manager in debt securities issued or guaranteed by the Government of Canada having less than 12 months to maturity from the date of purchase or in short-term commercial paper of investment grade having less than 12 months to maturity from the date of purchase. Any funds not so invested must be deposited in an interest-bearing account at a Canadian chartered bank or trust company selected by the Trustee.

The Declaration of Trust provides that EnerVest is entitled to borrow for investment purposes and to mortgage its assets to secure such borrowings, subject to compliance with the investment restrictions and the limitations on the amounts that may be borrowed contained in the Declaration of Trust. See "Risk Factors — Borrowing".

Certain of the issuers in which EnerVest may invest may be related to EnerVest through responsible persons of either the Portfolio Manager or the Manager. However, the Investment Management Agreement provides that the Portfolio Manager shall not knowingly cause EnerVest, without first presenting and receiving clearance from EnerVest's Independent Review Committee, to:

- (a) invest in any issuer in which a responsible person or an associate of a responsible person is an officer or director unless such investment represents less than 10% of EnerVest's Net Asset Value at the time of such investment;
- (b) invest in any issuer in which a responsible person or an associate of a responsible person is an officer or director if such investment would cause the market value of EnerVest's aggregate investment in all issuers in which a responsible person or an associate of a responsible person is an officer or director to exceed 20% of EnerVest's Net Asset Value at the time of such investment;
- (c) purchase or sell the securities of any issuer from or to the account of a responsible person or any associate of a responsible person;
- (d) make a loan to a responsible person or an associate of a responsible person; or
- (e) breach any of the investment restrictions set out above.

For these purposes, "responsible person" means the Portfolio Manager, the Manager, their respective directors and officers or affiliates, the directors and officers of such affiliates, the employees of such affiliates, and the employees of the Portfolio Manager or the Manager if such affiliate or individual participates in the formulation of, or has access prior to implementation of, investment decisions made on behalf of or advice given to EnerVest. See "Conflicts of Interest".

#### **ELIGIBILITY FOR INVESTMENT**

EnerVest is a registered investment as defined in subsection 204.4(1) of the Tax Act with the result that EnerVest Units are, subject to the provisions of any particular plan, qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans and tax-free savings accounts. EnerVest has not deviated from the rules of the Tax Act with respect to the EnerVest Units being a registered investment at any time since inception.

If EnerVest loses its status as a registered investment, the EnerVest Units will, subject to the provisions of any particular plan, continue to be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans and tax-free savings accounts, provided that EnerVest qualifies, and continues at all times to qualify, as a "mutual fund trust" under the Tax Act, and the EnerVest Units are listed on a designated stock exchange (which includes the TSX).

Notwithstanding the foregoing, if Trust Units held by a trust governed by a tax-free savings account are "prohibited investments" with respect to such account, the holder of the tax-free savings account will be subject to a penalty tax as set out in the Tax Act. A "prohibited investment" includes an interest in a trust which does not deal at arm's length with the holder, or an interest in a trust in which the holder has a "significant interest" (within the meaning of the Tax Act) or which does not deal at arm's length with a corporation, partnership or trust in which the holder has a "significant interest".

#### **DECLARATION OF TRUST**

EnerVest is an unincorporated closed-end investment trust established pursuant to the Declaration of Trust and governed by the laws of Alberta. EnerVest is a reporting issuer in each of the provinces of Canada. The following description of the Declaration of Trust does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Declaration of Trust.

##### **Description of EnerVest Units**

The beneficial interest in the assets of EnerVest are divided into a single class of transferable, non-redeemable Units ("**EnerVest Units**" or "**Units**"). Each Unit represents an equal fractional undivided beneficial interest in the assets of

EnerVest and entitles the holder to one vote and to participate proportionately with the holders of all other EnerVest Units in all payments made to Unitholders out of EnerVest's assets. If as a result of any act of the Trustee any person becomes entitled to a fraction of an EnerVest Unit, such person is not entitled to be registered on the records of EnerVest as an Unitholder in respect thereof or to receive a Unit certificate therefore, but such person shall receive cash equal to the Net Asset Value of such fraction. The aggregate number of EnerVest Units which may be issued is unlimited, and the Manager has sole discretion with respect to the issue of EnerVest Units.

The number of EnerVest Units outstanding as of March 29, 2010 was 90,033,417.

### **Information and Reports to Unitholders**

EnerVest mails to Unitholders such financial statements (including interim unaudited and annual audited financial statements) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation.

Prior to any meeting of Unitholders, EnerVest will mail to the Unitholders (along with notice of such meeting) all such information as is required by applicable law to be provided to such Unitholders.

### **Non-Resident Unitholders**

At no time may non-residents of Canada ("**Non-Residents**") be the beneficial owners of a majority of the EnerVest Units. The registrar for the EnerVest Units, at the direction of the Manager, may require declarations as to the jurisdictions in which beneficial owners of EnerVest Units are resident. If the Manager becomes aware, as a result of the registrar requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the EnerVest Units then outstanding are, or may be, Non-Residents or that such a situation is imminent, the Manager may make a public announcement thereof. If the Manager determines that a majority of the EnerVest Units are beneficially held by Non-Residents, the registrar shall send a notice to such Non-Resident Unitholders, chosen in inverse order to the order of acquisition or in such manner as the Manager may consider equitable and practicable, requiring them to sell their EnerVest Units or a portion thereof within a specified period of not less than 30 days. If the Unitholders receiving such notice have not sold the specified number of EnerVest Units or provided the registrar or the Manager with satisfactory evidence that they are not Non-Residents within such period, the Manager may on behalf of such Unitholders sell such EnerVest Units and, in the interim, shall direct the Trustee to suspend the voting and distribution rights attached to such EnerVest Units. Upon such sale, the affected holders shall cease to be beneficial holders of EnerVest Units and their rights shall be limited to receiving the net proceeds from the sale of such EnerVest Units.

### **Repurchase of EnerVest Units**

The Declaration of Trust provides that, subject to any applicable laws, EnerVest may from time to time purchase EnerVest Units. Such EnerVest Units so purchased shall, unless they are held for resale in connection with a redemption by the Trust, in accordance with the provisions of the Declaration of Trust, be cancelled.

Since December of 1999, the Manager has made the necessary filings to permit EnerVest to make normal course purchases of EnerVest Units from time to time to the extent permitted by applicable securities laws. The normal course issuer bid must be renewed by the Manager annually. The current normal course issuer bid is set to expire September 29, 2010, or at such earlier date as the bid is completed or terminated at the option of EnerVest. During the 12 months preceding renewal of the normal course issuer bid, EnerVest repurchased 1,130,667 Units pursuant to its normal course issuer bid at a weighted average trading price of \$9.43 per unit on a post consolidation basis. Unitholders may obtain a copy of EnerVest's notice of intention to make a normal course issuer bid by contacting the Manager. See the last page of this Annual Information Form. EnerVest's normal course issuer bid is subject to the general rules of the TSX which apply to normal course issuer bids.

### **Modification of Declaration of Trust and Meetings of Unitholders**

Except as provided below, the Declaration of Trust may be amended by a resolution passed by a majority of the votes cast at a meeting of Unitholders, duly convened and held in accordance with the provisions contained in the Declaration of Trust. Not less than 21 and not more than 50 days notice will be given of any meeting of Unitholders. Except in respect of a meeting called to consider the termination of the Manager (for which the quorum is 20% of the EnerVest Units outstanding), the quorum for any meeting of Unitholders is two or more Unitholders present in person or represented by proxy, representing not less than 10% of the EnerVest Units outstanding. If a quorum is not present, the meeting shall be dissolved if it was convened upon the request of Unitholders, but in any other case the meeting shall be adjourned to not less than 14 days later and the Unitholders present in person or represented by proxy at such adjourned meeting will constitute a quorum.

The following matters relating to EnerVest require the approval of Unitholders by the affirmative vote of a two-thirds majority of the votes cast at a meeting called for such purpose:

- (a) a change of the manager of EnerVest (other than to an affiliate of the manager) other than in circumstances where the manager has been removed by the Trustee pursuant to the Declaration of Trust or the Management Agreement;
- (b) any change in the investment objectives and/or the investment restrictions of EnerVest;
- (c) the liquidation, dissolution or termination of EnerVest (prior to the Termination Date specified in the Declaration of Trust);
- (d) an amendment to the Declaration of Trust to permit the redemption or retraction of EnerVest Units at the option of the Unitholder or EnerVest;
- (e) any amendment to the Declaration of Trust which would adversely affect the Manager that has not been approved by the Manager;
- (f) any increase in the management fee to be paid to the Manager under the Management Agreement;
- (g) the sale of all or substantially all of the assets of EnerVest other than in the ordinary course of business; and
- (h) any amendment, modification or variation in the provisions or rights attaching to the EnerVest Units.

The Trustee is entitled to amend the Declaration of Trust without the consent of the Unitholders to:

- (a) ensure compliance with applicable laws, regulations or requirements of any governmental authority having jurisdiction over EnerVest;
- (b) maintain the status of EnerVest as a "unit trust", "mutual fund trust" and an authorized investment under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans;
- (c) make changes or corrections which counsel for EnerVest advise are necessary or desirable for the correction of typographical mistakes or are required for the purpose of curing any ambiguity, defective, inconsistent provisions, omission or manifest error;
- (d) provide added protection for Unitholders upon the advice of counsel to EnerVest;

- (e) remove or cure any conflict or inconsistency between the provisions of the Declaration of Trust or any supplemental or amended indenture, provided that in the opinion of the Manager, the rights of the Trustee and the Unitholders are not prejudiced thereby, or
- (f) providing for the electronic delivery by EnerVest to Unitholders of documents relating to EnerVest (including annual and interim reports, including financial statements, notices of Unitholder 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 to the Declaration of Trust are not contrary to or in conflict with such laws,

but only if such amendments do not, in the opinion of the Manager, adversely affect the pecuniary value of the interest of the Unitholders or, in the opinion of the Trustee, restrict any protection for the Trustee or the Manager or increase their respective responsibilities.

EnerVest does not hold annual meetings. The Trustee may call a meeting of the Unitholders at any time, and the holders of not less than 10% of the then outstanding EnerVest Units may requisition the Trustee to call a meeting of Unitholders.

### **Cash Distributions**

Unitholders of record at the close of market on the last TSX trading day of each month are entitled to receive cash distributions from EnerVest equal to the income and other distributions which EnerVest has received or realized from its investments during the month less estimated expenses and estimated taxes payable by EnerVest, if any. Sufficient income must be earned from investments and/or realized gains must be generated on the sale of securities in order to maintain the current monthly distribution of \$0.10 per Unit. Return of capital may result if there are insufficient realized gains. Unitholders are also entitled to receive a distribution on December 31 of each year of (i) the net realized capital gains of EnerVest for the year then ended and (ii) any excess of the income of EnerVest for the purposes of the Tax Act over distributions otherwise made for that year.

All distributions are paid directly to Unitholders, unless a Unitholder requests that his or her distributions be reinvested in EnerVest Units pursuant to EnerVest's distribution reinvestment plan. See "Declaration of Trust — Distribution Reinvestment Plan". All distributions payable to Non-Resident Unitholders are paid in cash and not reinvested in additional EnerVest Units.

Distributions declared and paid to Unitholders since the inception of EnerVest are as follows:

- (a) Certain of the issuers of the securities in which EnerVest invests are entitled to tax deductions relating to the nature of their assets. As a result, EnerVest anticipates that cash distributions by such issuers will exceed the amount required to be included in the income of the recipients and that cash distributions received by Unitholders in a year will exceed the amount required to be included in their income for tax purposes for some period of time;
- (b) The distributions received by EnerVest from issuers whose securities it holds may vary substantially from month to month and certain of these issuers may pay distributions less frequently than monthly, with the result that the monthly distributions payable to Unitholders could vary from month to month; and
- (c) Distributions are denominated in Canadian dollars and are payable to Unitholders of record on the last TSX trading day of each month. Annually each Unitholder is mailed information necessary to enable such Unitholder to complete an income tax return with respect to amounts paid or payable by EnerVest in the preceding taxation year of EnerVest.

### **Distribution Reinvestment Plan**

EnerVest has a distribution reinvestment plan (the "**DRIP**") pursuant to which Unitholders resident in Canada may elect to have all of their cash distributions invested in additional EnerVest Units. The DRIP also has an optional cash payment component which allows DRIP participants to purchase up to \$1,000 per month in additional EnerVest Units. Participants do not pay any costs associated with the DRIP, including the payment of brokerage commissions. Reinvestment of cash distributions will not relieve participants of any income tax applicable to such distributions.

EnerVest's DRIP was amended on March 15, 2004 to provide, among other things:

- (a) That the purchase price for EnerVest Units purchased under the DRIP from treasury shall be the lesser of a 20 day weighted average trading price and the net asset value;
- (b) That the purchase price for EnerVest Units purchased pursuant to the optional cash payment component of the DRIP from treasury shall also be at the lesser of a 20-day weighted average trading price and the Net Asset Value;
- (c) Compliance with new federal anti-money laundering and anti-terrorism legislation; and
- (d) Compliance with new federal and provincial privacy legislation.

Unitholders may obtain a copy of EnerVest's DRIP by contacting the Manager. See the last page of this Annual Information Form.

### **Termination of EnerVest**

EnerVest will remain in existence until December 31, 2050, subject to any extension approved by the Unitholders or earlier termination as described below.

The Trustee or the Manager may at any time propose a special resolution to terminate the existence of EnerVest. If such special resolution is approved by the Unitholders, the Trustee is required to wind-up the affairs of EnerVest and distribute its property to the Unitholders within one year from the date of the Unitholder meeting at which such resolution was approved. The Unitholders may, however, reject such proposal and appoint a successor trustee, whereupon the Trustee shall resign immediately and transfer its interest under the Declaration of Trust to the new trustee and the Manager shall be deemed to have given notice of its resignation as of the date of the meeting at which the Unitholders rejected the termination proposal.

The Manager may resign as manager of EnerVest upon 120 days' notice. If no new manager is appointed within such 120-day period, the existence of EnerVest will be terminated.

Upon termination, the remaining assets of EnerVest will be distributed to the Unitholders in proportion to the number of EnerVest Units held by them after the repayment of outstanding liabilities.

## **PORTFOLIO SECURITIES**

### **Acquisition of Portfolio Securities**

Portfolio securities of EnerVest ("**Portfolio Securities**") are generally acquired by the Portfolio Manager through trades made through the facilities of the Toronto Stock Exchange. However, EnerVest also acquires securities pursuant to exchange offers whereby EnerVest issues EnerVest Units in exchange for certain specified royalty trusts, income trusts, limited partnership units and other investments.

## **Characteristics of Portfolio Securities**

### *Royalty Trusts*

Royalty trusts are investments that provide exposure to resource sectors. Under a typical royalty trust structure, a corporation and a royalty trust enter into a royalty agreement pursuant to which the corporation provides the trust with the right to receive royalty income from all or some of its resource properties. Typically, the royalty trust pays for the royalty with the proceeds from the issue of trust units. Generally, the royalty entitles the royalty trust to the net cash flow generated by the assets held by the corporation. The purchase of the royalty provides the royalty trust with tax pools which will allow deductions to be made and reduce taxable income at the royalty trust level but will not affect the amount of cash that can be distributed by the unitholders of the royalty trust. That portion of the cash distributions made by the trust which is not taxable to the unitholders in the year of distribution is treated as a return of capital and reduces the unitholders adjusted cost base for tax purposes. Recent amendments to the Tax Act will treat certain distributions from certain trusts as a taxable dividend (See "Income Tax Considerations – Taxation of the Trust".) Subsequent acquisitions financed with new trust unit issues may generate additional tax pools which will further reduce taxable income at the royalty trust level.

Royalty trusts, based upon conventional oil and gas assets, typically have a diminishing distribution profile, but certain royalty trusts based on conventional oil and gas assets have been successful to date in replacing reserves, thereby sustaining distribution levels and extending the distribution profile. Royalty trusts are highly sensitive to commodity prices and tend to retain greater levels of cash flow during periods of high prices and in turn use this cash to acquire or replace reserves.

### *Income Trusts*

Unlike royalty trusts which own a direct royalty interest in resource property, generally an income trust is structured to own debt and/or equity of an underlying company which carries on active business. The operating corporation typically distributes its cash flow to the income trust by means of dividends, interest and/or repayments of debt principal, which in turn distributes such cash flow to its unitholders. That portion of unitholder distributions which is not taxable to the unitholder in the year of distribution is treated as a return of capital and reduces the unitholder's adjusted cost base for tax purposes. Recent amendments to the Tax Act will treat certain distributions from certain trusts as a taxable dividend. See "Income Tax Considerations – Taxation of the Trust".

Over the last several years the variety of business on which Income Funds have been created has expanded tremendously, both in the nature of the underlying industry and assets and in geographic location. Since distributions to holders of units of income trusts are derived from the operation of any underlying business, many with additional growth potential, the projected life of distributions and the sustainability of distribution levels tend to be substantially longer than that of conventional royalty trusts. They are therefore generally considered to be of lower risk than conventional royalty trusts.

### *Real Estate Investment Trusts*

Real estate investment trusts ("**REITs**") are typically publicly traded closed-end investment trusts that invest in income-producing real estate assets such as shopping centres, apartment buildings, multiple-unit industrial buildings and office properties. They often operate with balance sheets that are more conservative than those of traditional real estate companies. Typically, borrowing is limited, and they do not normally invest in raw land or engage in speculative development.

REITs typically pay out most of their distributable income. The capital cost allowance available to the REIT will reduce taxable income at the trust level but will not affect the amount of cash that can be distributed to unitholders of the REIT. The portion of distributed income which is not immediately taxable to the unitholder is treated as a return of capital and reduces the unitholder's cost base. Revenue and income growth may be derived from rent increases, increased occupancy, redevelopment and expansion of properties within the portfolio, and the acquisition of new properties.

### *Limited Partnerships*

Limited partnership structures in this context are pools of income producing assets structured in the form of a limited partnership to allow for the ongoing operation of the assets and the regular distribution of income. While the limited partnership structure can be utilized for a wide range of asset mixes, the limited partnerships in which EnerVest will invest will tend to have utility type asset bases. Utilities can provide stable long-term cash flow with some growth potential. When operated in a limited partnership structure, such cash flow can often be distributed to unitholders in a tax advantageous manner.

### *Other Investments*

EnerVest Portfolio Securities also include investments in common shares, corporate debt, convertible debt and preferred shares.

### *Valuation of Portfolio Securities and Calculation of Net Asset Value*

The Declaration of Trust provides that the net asset value of EnerVest is determined by subtracting the aggregate value of the liabilities of EnerVest from the aggregate value of the assets of EnerVest (the "**Net Asset Value**"). The Net Asset Value per Unit is obtained by dividing the Net Asset Value by the total number of outstanding EnerVest Units. The Net Asset Value of EnerVest and the Net Asset Value per Unit as at the close of business on every day that the TSX is open for trading are calculated by the Manager daily. The Net Asset Value per Unit is posted daily on the Internet at [www.enervest.com](http://www.enervest.com).

In calculating the Net Asset Value at any time:

- (a) the value of any cash on hand or on deposit, bills, demand notes, accounts receivable, prepaid expenses, cash received (or declared to holders of record on a date before the date as of which the Net Asset Value is being determined and to be received) and interest accrued and not yet received, shall be deemed to be the full amount thereof, provided that (i) the value of any security which is a debt obligation which, at the time of acquisition, had a remaining term to maturity of one year or less shall be the amount paid to acquire the obligation plus the amount of any interest accrued on such obligation since the time of acquisition (for the purposes of the foregoing, interest accrued will include amortization over the remaining term to maturity of any discount or premium from the face value of an obligation at the time of its acquisition) and (ii) if the Manager has determined that any such deposit, bill, demand note or account receivable is not worth the full amount thereof, the value shall be deemed to be such value as the Manager determines to be fair value;
- (b) the value of any security which is listed on a stock exchange or traded on an over-the-counter market will be the last sale price prior to the time of determination of Net Asset Value, or if no such sale price is available at that time, the closing price quoted for the security, but if bid and asked quotations are available, the average of the bid and the asked price, rather than the quoted closing price;
- (c) if a security is interlisted or trades on more than one exchange or market the Manager shall use the last sale price or quoted or average price (as described in (b) above), as the case may be, reported on the exchange or market determined by the Manager to be the principal exchange or market for the security;
- (d) the value of any security or other asset for which a market quotation is not readily available will be its fair market value on that day as determined by the Manager (generally, the Manager will value such investments at cost until there is a clear indication of an increase or decrease in value);
- (e) any value of a security or other asset reported in any currency other than Canadian dollars will be translated into Canadian currency at the prevailing rate of exchange, as determined by the Manager at the time of valuation; and

- (f) the liabilities of EnerVest shall be calculated in accordance with Canadian generally accepted accounting principles.

NI 81-106 requires an investment fund, such as EnerVest, to calculate its Net Asset Value in accordance with Canadian GAAP. Canadian GAAP was modified by the introduction of Section 3855 Financial Instruments — Recognition and Measurement ("**Section 3855**") of the handbook of the Canadian Institute of Chartered Accountants. Section 3855 redefines fair value as being the closing bid price for long positions and the closing ask price for short positions, in lieu of the closing or last trade price for all positions. Section 3855 applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2006. Therefore, the combined effect of NI 81-106 and Section 3855 would require EnerVest to determine the value of securities listed on a recognized public securities exchange using the fair value as defined by Section 3855 instead of the valuation principles described above. However, the Canadian securities regulatory authorities have issued a related decision (the "**CSRA Decision**") that permits investment funds, such as EnerVest, to calculate its Net Asset Value in accordance with Canadian GAAP without giving effect to Section 3855 ("**Pricing NAV**") for purposes other than issuing annual or interim financial statements, such as the issuance and redemption of Units. This relief is available until changes to Part 14 of NI 81-106 come into effect.

EnerVest has determined to rely on this relief, pending completion by the Canadian Securities Administrators of their review of this matter. Financial statements of EnerVest will contain a reconciliation of the Net Asset Value that is reported in such financial statements in accordance with Canadian GAAP to the Net Asset Value used by EnerVest for all other purposes as determined in accordance with Pricing NAV.

#### **PURCHASE OF ENERVEST UNITS**

EnerVest Units are listed and posted for trading on the TSX under the ticker symbol EIT.UN. An investor who wishes to purchase EnerVest Units can do so through the facilities of the TSX by contacting their investment advisor. Investors may also purchase EnerVest Units through any new offering of EnerVest Units at the time of any such offering or by purchasing EnerVest Units from existing holders of EnerVest Units, subject to compliance with applicable regulatory requirements. Investors should contact their investment representatives to determine their eligibility and ability to participate in any new offering of EnerVest Units that may take place in the future. Investors should contact their investment representatives to determine what fees, if any, are payable in connection with purchases of EnerVest Units.

The price of the EnerVest Units purchased is determined by the bid and ask prices for the EnerVest Units as established through the facilities of the TSX. While EnerVest calculates and publishes the Net Asset Value per Unit on a daily basis, investors will not be able to purchase EnerVest Units at these amounts and must purchase their EnerVest Units through the facilities of the TSX or by purchasing EnerVest Units from existing Unitholders, subject to compliance with applicable regulatory requirements.

A dealer may make provision in arrangements that it has with an investor that will require the investor to compensate the dealer for any losses suffered by the dealer in connection with a failed settlement of a purchase of EnerVest Units by such investor.

#### **REDEMPTION OF ENERVEST UNITS**

##### *Optional Unitholder Redemption*

Subject to the provisions of the Declaration of Trust, up to 10% of the aggregate outstanding Units may be surrendered for redemption on a date determined by EnerVest in each calendar year. This redemption right may be exercised by the Unitholder giving written notice of redemption to the Manager. The surrender of Units for redemption shall be irrevocable except with respect to any Units surrendered for redemption in respect of which the redemption proceeds are not paid by the Trust on or before the date on which such payment is due and except as otherwise provided in the Declaration of Trust.

### *Redemption Price and Fee*

Unitholders whose Units are redeemed pursuant to the annual redemption shall be entitled to receive a cash redemption price per Unit equal to 95% of the average Net Asset Value of such Units (calculated in accordance with the Declaration of Trust), less any expenses incurred by the Trust in order to fund such redemption payment. The difference between 100% of the average Net Asset Value of such Units and 95% of the average Net Asset Value of such Units shall be paid to the Manager. For greater certainty, no such fee shall be payable in respect of any Units that are recirculated. See "Redemption of EnerVest Units – Recirculation of Units".

### *Redemption Payment*

A Unitholder redeeming Units pursuant to the annual redemption shall receive payment therefor as soon as reasonably practicable but, in any event, on or before the 30th day following the date determined by EnerVest for the redemption. If the Manager has received requests to redeem more than 10% of the Units outstanding on the redemption date, the number of Units to be redeemed shall be determined on a pro rata basis (based upon the number of Units tendered for redemption) from the holdings of each redeeming Unitholder. In no event, however, shall any redeeming Unitholder be left with a fraction of a Unit.

### *Recirculation of Units*

If the Trust is able to arrange for the sale of Units tendered for redemption at a price not less than the redemption price, then the redeeming Unitholder will be paid the redemption price as consideration for the sale of those Units and the Trust shall be entitled to the excess, if any.

### *Suspension of Redemptions*

The Trustee, on the written direction of the Manager, may suspend the redemption of Units or the payment of redemption proceeds during a period when normal trading is suspended on any stock exchange, options exchange or futures exchange on which the Trust's assets are traded which, in the aggregate, represent more than 50% of the Net Asset Value (or underlying market exposure) of the Trust.

## **RESPONSIBILITY FOR TRUST OPERATIONS**

### **The Manager**

The Manager was incorporated under the laws of Alberta on February 13, 1997. Under the terms of a management agreement dated as of July 24, 1997 (as amended and restated as of October 7, 1999, as of March 14, 2002, and as of March 26, 2009) between the Manager and the Trustee, the Manager is responsible for providing, or causing to be provided, certain management and administrative services to EnerVest, including the retention of the Portfolio Advisor, the provision of office space, equipment, facilities, supplies and clerical services, the maintenance of EnerVest's books and records, the handling of communications and correspondence with Unitholders, the preparation of accounting, management and other reports, and the provision of such other managerial and administrative services as may be reasonably necessary to administer EnerVest. The head office of the Manager is located at Suite 3900, 350 - 7th Avenue S.W., Calgary, Alberta T2P 3N9.

The Manager is a wholly-owned subsidiary of EnerVest Management Ltd., a Calgary-based investment management organization providing a wide range of technical, operational, administrative and investor services. The directors and officers of the Manager have investment experience in various areas of the oil and gas, real estate and financial services sectors.

The competitiveness and the performance of EnerVest, and in turn the Manager, will depend in large part on the performance of the securities in which EnerVest invests. The amount of distributions available for payment to Unitholders will depend in part on the amount of distributions paid by the issuers of securities held by EnerVest in its portfolio. See "Risk Factors — Performance of Issuers".

The Manager is a member of the EnerVest group of companies ("**EnerVest Group**"), which was founded in 1995 and is involved primarily in investment management services. As of the date of this Annual Information Form, the EnerVest Group had nine full-time employees and one contract employee.

The EnerVest Group manages approximately \$1.5 billion in capital. Managed investments include EnerVest, oil and gas flow-through share limited partnerships, EnerVest Energy and Oil Sands Total Return Trust and the mutual fund EnerVest Natural Resource Fund Ltd.

### **Management Agreement**

Under the terms of the Management Agreement, the Manager is responsible for providing, or causing to be provided, management and administrative services to EnerVest, including the retention of the Portfolio Manager, the provision of office space, equipment, facilities, supplies and clerical services, the maintenance of the books and records of EnerVest, the handling of communications and correspondence with Unitholders, the preparation of accounting, management and other reports, and the provision of such other managerial and administrative services as may be reasonably necessary to administer EnerVest.

The Manager is entitled to fees for services rendered as further described under "Fees and Expenses".

The Manager is required to exercise the powers and discharge the duties of its office honestly, in good faith, and in the best interests of the Unitholders, and in connection therewith must exercise the degree of care, diligence and skill that a reasonably prudent manager would exercise in comparable circumstances.

The Management Agreement was for an initial term expiring July 24, 2007, and is subject to automatic renewal for successive five year terms, unless terminated as described below. The Management Agreement was renewed for a further five year term on July 24, 2007 and its current term expires on July 24, 2012. The Manager may resign on 120 days' written notice to the Trustee. The Manager's appointment may be terminated by the Trustee on 90 days' written notice to the Manager in the event of the persistent failure of the Manager to perform its duties and discharge its obligations under the Management Agreement or the continuing malfeasance or misfeasance of the Manager in the performance of its duties under the Management Agreement. The Management Agreement may be terminated immediately by the Trustee if the Manager has committed a material fraudulent act or made a material deliberate misrepresentation under the Management Agreement or if the Trustee has actual knowledge that the Manager (i) has become bankrupt or insolvent, (ii) has resolved to wind-up or dissolve, or (iii) has been ordered dissolved or has made a general assignment for the benefit of its creditors. In addition, the Management Agreement may be terminated by EnerVest on 30 days' written notice authorized by a resolution approved by at least two-thirds of the votes cast at a meeting of Unitholders called to approve a termination of the Manager's appointment at which the quorum is 20% of the EnerVest Units outstanding. The Trustee shall not be required to terminate the Management Agreement unless the Trustee is so directed by a resolution of the Unitholders.

If the Manager's retainer or appointment is terminated for any reason (other than for cause as a result of a material fraudulent act or a material deliberate misrepresentation, or as a result of the bankruptcy, insolvency or dissolution of the Manager) or EnerVest is terminated, EnerVest must pay to the Manager at the time of termination an amount equal to an estimate of five years of management fees, calculated on a pro forma basis, based on the Net Asset Value of EnerVest at the time of termination less any fees paid to the Manager pursuant to the annual redemption of Units. See "History of the Trust - 2009" and "Redemption of EnerVest Units".

No prior approval of Unitholders or EnerVest is required for an assignment of the Management Agreement by the Manager to an affiliate of the Manager.

## Directors and Senior Officers of the Manager

The following table summarizes the name, place of residence, all positions held with the Manager and principal occupations during the preceding five years for each of the senior officers and directors of the Manager:

| Name and Place of Residence        | Position  | Principal Occupation   |
|------------------------------------|---|--|
| Jacob Roorda<br>Calgary, Alberta   | President, Chief Executive Officer and Director | Mr. Roorda is the President and Chief Executive Officer of Canoe Financial Corp., the general partner of the partnership which is the indirect owner of the Manager. Prior to joining Canoe Financial Corp. in October, 2008, he was a consultant at Caribou Capital Corp, which he joined in May 2008; prior to that, he served in various capacities, including as a Vice-President and President of Harvest Energy Trust, an income trust listed on the Toronto Stock Exchange, which he joined in July 2002. |
| David J. Rain<br>Calgary, Alberta  | Vice-President and Director                     | Mr. Rain is a director and the Chief Financial Officer of Caribou Capital Corp. From August 2004 to March 2006, Mr. Rain was the Chief Financial Officer of Harvest Energy Trust and prior thereto from October 2001 to March 2004 was the Chief Financial Officer of Petrobank Energy and Resources Ltd.  |
| Crain N. Spurn<br>Calgary, Alberta | Corporate Secretary and Director                | Mr. Spurn is a partner with Venn Law. Prior to joining Venn Law, from October 2001 to March 2010 Mr. Spurn was a partner with Blake, Cassels & Graydon LLP, a Canadian law firm.   |
| Renata Colic<br>Calgary, Alberta   | Director of Finance and Investor Relations      | Ms. Colic is the Director of Finance and Investor Relations at Canoe Financial Corp. Prior to joining Canoe Financial Corp. in October 2008, she was the Manager of Accounting Policy at Enbridge Gas Distribution Inc. from July 2007 to August 2008. From February 2005 to April 2007 she was the Manager of Corporate Reporting at Harvest Energy Trust.  |
| Marcy Bowers<br>Calgary, Alberta   | Director of Corporate Finance                   | Ms. Bowers is the Director of Corporate Finance of Caribou Capital Corp. Prior to April 2005, she was the Manager of Canadian Tax and a Senior Tax Analyst for Precision Drilling Corp.  |

## PORTFOLIO MANAGER

Pursuant to an amended and restated investment management agreement dated as of March 14, 2002, between the Manager and the Portfolio Manager (the "**Investment Management Agreement**"), the Portfolio Manager was appointed the Portfolio Manager of EnerVest. Prior thereto, another Portfolio Manager had managed the assets of EnerVest from the date of its establishment.

The Portfolio Manager has been retained to provide portfolio management services to EnerVest pursuant to the Investment Management Agreement. The principal office of the Portfolio Manager is Suite 1700 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 3P3. The Portfolio Manager is a wholly-owned subsidiary of AGF Management Limited, an investment management company incorporated in the Province of Ontario. The Portfolio Manager was formed in October 1998 and currently manages approximately \$3.5 billion.

The principal of the Portfolio Manager that is involved in managing the assets of EnerVest is:

*Greg Bay, B.Comm, CFA – Portfolio Manager – President and CEO of Cypress Capital Management Ltd.*

Mr. Bay has over 25 years of experience in the investment industry. Since October 1998, Mr. Bay has been a partner with the Portfolio Manager specializing in private client portfolio management and small cap Canadian equities for the institutional market. He began his career with Rhodes Denton as a private placement analyst and went on to work as an account executive with Nesbitt Thomson for two years. Mr. Bay then moved to Royal Trust for four years where he worked as a portfolio manager. Following that, he spent four years as the Assistant Vice President of Investments at National Trust. From 1992 to 1998, Mr. Bay was a managing partner at M. K. Wong & Associates

Ltd. (now HSBC Asset Management Canada Ltd.) where he specialized in institutional and private client portfolio management. At M. K. Wong & Associates Ltd., he was the lead portfolio manager on the Lotus Canadian Equity Fund and the Hong Kong Bank Small Cap Growth Funds and the HSBC Canadian Growth Component Funds. As well, Mr. Bay was the portfolio manager for various private segregated accounts and several specialized institutional portfolios. At Cypress, Mr. Bay is the primary contact and portfolio manager for EnerVest. Mr. Bay received his undergraduate degree from the Faculty of Finance of Brigham Young University in 1980 and he holds the Chartered Financial Analyst designation.

The Portfolio Manager is arm's length to the Manager. The Portfolio Manager uses a combination of fundamental, cycle and technical analysis supplementing its own efforts with research from the investment community. The investment philosophy of the Portfolio Manager is conservative with quality of management, financial strength and reasonable valuations as the key ingredients the Portfolio Manager looks for in each potential new investment.

For its services to EnerVest, the Portfolio Manager is paid an investment management fee pursuant to the terms of the Investment Management Agreement. The fee paid to the Portfolio Manager is the responsibility of the Manager and not of EnerVest.

On June 30, 2004, AGF Management Ltd. ("**AGF**") acquired 100% of the outstanding shares of the Portfolio Manager. The Portfolio Manager's investment team and investment strategies and policies remain independent of AGF's. See "History of the Trust".

### **Investment Management Agreement**

Pursuant to the Investment Management Agreement, the Portfolio Manager has been retained to perform various investment management services for EnerVest and has been granted discretionary authority with respect to the investment or reinvestment of EnerVest's assets, subject to compliance with the investment objectives, investment policies and investment restrictions specified in the Declaration of Trust.

The Portfolio Manager is permitted to provide portfolio managerial services to other clients, and if the Portfolio Manager considers a potential investment to be suitable for EnerVest and for one or more of its other clients, the Portfolio Manager is obliged to allocate such opportunity in a manner which it considers to be fair and equitable to EnerVest and such other clients. However, during the term of the Investment Management Agreement, the Portfolio Manager may not, without the consent of the Manager, provide services similar to those provided to EnerVest to any investment fund which primarily invests in royalty and income trusts.

The Portfolio Manager is required to exercise the powers granted to it and discharge its duties honestly, in good faith and in the best interests of EnerVest and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent Portfolio Manager would exercise in comparable circumstances.

The Portfolio Manager follows the code of conduct prescribed by The Investment Funds Institute of Canada regarding internal conflicts of interest and other business practices.

The Portfolio Manager may, in consultation with the Manager, retain sub-advisers having experience in providing investment advice respecting investments in, or in managing investment portfolios invested exclusively or substantially in, securities of royalty trusts, REITs and similar investments structures located or carrying on business outside of Canada. The fees of any such sub-adviser are the responsibility of the Portfolio Manager and/or the Manager and are not payable or reimbursable by EnerVest. The Portfolio Manager is at all times responsible to EnerVest for any advice provided or given by any sub-adviser.

The Investment Management Agreement will remain in effect unless it is terminated by the Manager or the Portfolio Manager on 60 days' notice to the other party. The Investment Management Agreement may be terminated immediately by the Manager if the Portfolio Manager commits any fraudulent act in the performance of its duties, makes a material deliberate misrepresentation in the Investment Management Agreement, becomes bankrupt or insolvent, passes a resolution for its winding-up or dissolution, is ordered dissolved, or makes a general assignment for the benefit of its creditors.

## **BROKERAGE ARRANGEMENTS**

The purchase and sale of Portfolio Securities of EnerVest are arranged through registered brokers and dealers selected on the basis of the Portfolio Manager's assessment of the ability of the broker or dealer to execute transactions promptly and on favourable terms and the quality and value of services provided to the Trust by the broker or dealer, such as research, statistical and other services used in assessing potential investments.

No pre-arrangements have been made with any brokers or dealers with regard to the purchase and sale of portfolio securities and none are contemplated.

## **TRUSTEE**

Computershare Trust Company of Canada is the trustee of EnerVest. The Trustee's principal offices in Calgary, Alberta are located at 600, 530 - 8th Avenue S.W., Calgary, AB T2P 3S8. The Declaration of Trust provides that the Trustee, its directors, officers, employees, shareholders and agents shall not be subject to any liability whatsoever to a Unitholder or any other person, in tort, contract or otherwise, in connection with any matter pertaining to EnerVest or its property, arising from the exercise by the Trustee of any powers, authorities or discretion conferred under the Declaration of Trust, including, without limitation, in respect of any loss or diminution in value of the assets of EnerVest. Further, the Trustee shall not be liable to EnerVest or to any Unitholder or other person for the acts, omissions, receipts, neglects or defaults of any person employed or engaged by it as permitted under the Declaration of Trust, or for joining in any receipt, or for any loss or damage caused to EnerVest through the insufficiency or deficiency of any security in or upon which any of the assets of EnerVest shall be laid out or invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom or which any of the assets of EnerVest shall be lodged or deposited, or for any loss or damage occasioned by error in judgment or oversight on the part of the Trustee, or for any other loss, damage or misfortune which may happen in the execution by the Trustee of its duties. The Trustee is entitled to rely on statements, advice or opinions of the Manager, the Portfolio Manager, consultants or professional advisers and may act or refuse to act based on the statements, advice or opinions of such persons without liability. In addition, the Declaration of Trust contains other customary provisions limiting the liability of the Trustee.

## **CUSTODIAN OF PORTFOLIO SECURITIES**

The Portfolio Securities and cash of the Trust are held in safekeeping by its custodian, Canadian Imperial Bank of Commerce (the "**Custodian**"), a diversified financial institution governed by the *Bank Act* (Canada). The head office of the Custodian is located in Toronto, Ontario. The Custodian may appoint sub-custodians outside Canada and the sub-custodians may hold Portfolio Securities. The Custodian will continue to have overall responsibility for the assets of EnerVest. The Manager may appoint and remove the Custodian provided that any appointed party shall in all cases be a Canadian chartered bank or a trust company which complies with the requirements of the applicable regulatory authorities.

The custodian agreement dated October 1, 1999 (the "**Custodian Agreement**"), between the Manager, the Custodian, CIBC Mellon Global Securities Services Company and Mellon Bank, N.A. may be terminated by the Manager or the Custodian upon at least 90 days written notice. The Custodian Agreement may be terminated immediately if any party becomes insolvent or makes an assignment for the benefit of creditors, or if a petition in bankruptcy is filed by or against that party and is not discharged within 30 days, or if proceedings for the appointment of a receiver for that party are commenced and not discontinued within 30 days.

## **AUDITORS**

The auditors of the Trust are PricewaterhouseCoopers LLP at its principal offices in Calgary, Alberta.

## **REGISTRAR**

The transfer agent and registrar for the EnerVest Units is Computershare Trust Company of Canada at its principal offices in Calgary and Toronto.

## CONFLICTS OF INTEREST

This information in this section is current as of the date of this Annual Information Form.

### Principal Holders Of Securities

#### *The Trust*

As of March 29, 2010, to the knowledge of the directors and officers of the Manager, no person or company beneficially owns, directly or indirectly, more than 10% of the outstanding EnerVest Units.

#### *The Manager*

EnerVest Management Ltd. ("EML") owns 100% of the voting securities of the Manager. EML is a direct wholly-owned subsidiary of Canoe.

### Conflict of Interest

Conflicts of interest may arise with respect to proposed investments of the Trust to the extent that persons associated with the Manager are also involved in or associated with issuers in which the Trust may invest funds or which are in competition with the Trust. Conflicts of interest are generally delegated to the Independent Review Committee. See below under the heading "Trust Governance – Independent Review Committee".

The services of the Portfolio Manager are not exclusive to EnerVest. The Portfolio Manager is permitted to provide portfolio managerial services to other clients, and if the Portfolio Manager considers a potential investment to be suitable for EnerVest and for one or more of its other clients, the Portfolio Manager is obliged to allocate such opportunity in a manner which it considers to be fair and equitable to EnerVest and such other clients. However, during the term of the Investment Management Agreement, the Portfolio Manager may not, without the consent of the Manager, provide services similar to those provided to EnerVest to any investment fund which primarily invests in royalty and income trusts.

## TRUST GOVERNANCE

The Manager is responsible for fund governance. Please see page 17 for information regarding members of the Manager's board of directors. One director of the Manager, Craig Spurn, is independent to the Manager in that he is not involved in the day-to-day operations of the Manager.

Principals of the Manager meet regularly to review the investment policies of the Trust with respect to regulatory issues, risk management controls, internal conflicts of interest and general business practices relating to the operations of the Trust.

EnerVest has established an Independent Review Committee to which conflict of interest matters will be referred by the Manager for review or approval in accordance with National Instrument 81-107 – Independent Review Committee for Investment Funds ("NI 81-107").

### Independent Review Committee

The Trust has established an Independent Review Committee to which conflict of interest matters relating to the Trust shall be referred by the Manager for review or approval in accordance with NI 81-107. The mandate of the Independent Review Committee is to review all conflict of interest matters related to the Trust referred to it by the Manager and to approve or withhold its approval from such matters in accordance with its written charter, NI 81-107 and applicable securities laws.

The Manager has established written policies and procedures for dealing with conflict of interest matters, maintaining records in respect of these matters and providing assistance to the Independent Review Committee in

carrying out its functions. The Independent Review Committee is required to be comprised of a minimum of three independent members, and will be subject to requirements to conduct regular assessments and provide reports to the Manager and the Unitholders in respect of its functions at least annually. The current members of the Independent Review Committee are as follows:

| <b>Name</b>             | <b>Principal Occupation</b>   |
|-------------------------|---|
| Allen B. Clarke (Chair) | Mr. Clarke acts as a consultant on design, implementation and marketing of financial products and reviews on matters of corporate governance. He was the founder, CEO and Chief Investment Officer of Opus 2 Financial, an investment portfolio company, from 1999 to 2004. Prior to this, Mr. Clarke was a Senior Vice- President at AGF Funds.  |
| William J. Byrne        | Mr. Byrne was the former Deputy Minister of Alberta for Advanced Education. Other portfolios held by Mr. Byrne in his long career with the Government of Alberta included Alberta Community Development, Cultural Facilities and Historic Resources. He holds a Masters and Doctor of Philosophy from Yale University.  |
| Mark Brown              | Mr. Brown is a former Vice President of the TSX Venture Exchange and its predecessor exchanges (CDNX and the Alberta Stock Exchange) responsible for company listings and corporate finance activities in Alberta from 1995 to 2007. Prior to 1995 Mr. Brown was with the Alberta Securities Commission. Mr. Brown is a Chartered Accountant and is currently working at the Olympic Oval in Calgary as a Business Manager. |

The Manager believes that these individuals are independent within the meaning of NI 81-107 and have the skills and experience to carry out the requirements of the Independent Review Committee. EnerVest has always been committed to high standards of corporate governance and believes that the Independent Review Committee will play an important role in continuing to meet these standards.

The Manager will report to the Independent Review Committee regularly on the operation of the Trust and periodically on (i) compliance with their policies and procedures for dealing with conflict of interest matters, (ii) appropriate resolution of potential or perceived conflicts of interest, (iii) general compliance with regulatory requirements; and (iv) the accuracy of Net Asset Value calculations.

NI 81-107 came into force on November 1, 2006. The initial members of the Independent Review Committee were appointed on May 1, 2007 and full compliance with NI 81-107 was achieved by November 1, 2007.

The Trust will be responsible for the fees and expenses (including costs of independent counsel or advisors, if the Independent Review Committee deems it appropriate to retain such experts) of the Independent Review Committee and the members of the Independent Review Committee will be indemnified by the Trust. The compensation and other reasonable expenses of the Independent Review Committee will be paid from the assets of the Trust.

The members of the Independent Review Committee will not be responsible for the investments made by the Trust, or the performance of the Trust. The members of the Independent Review Committee are required to act honestly and in good faith and conduct such reasonable investigations that a reasonable person (who is not a professional manager) with a comparable mandate would conduct and will be indemnified by the Trust, except in cases of wilful misconduct, bad faith, negligence or breach of their standard of care.

In accordance with NI 81-107, the mandate of the Independent Review Committee will be to consider and provide recommendations to the Manager on conflicts of interest to which the Manager is subject when managing the Trust. The Manager is required under NI 81-107 to identify conflicts of interest inherent in its management of the Trust

and request input from the Independent Review Committee on how it manages those conflicts of interest, as well as its written policies and procedures outlining its management of those conflicts of interest. The Independent Review Committee will provide its recommendations to the Manager with a view to the best interests of the Trust. The Independent Review Committee will report annually to Unitholders of the Trust as required by NI 81-107. The reports of the Independent Review Committee will be available free of charge from the Manager on request by contacting the Manager at 1-877-434-2796 or on SEDAR at [www.sedar.com](http://www.sedar.com) or at [www.enervest.com](http://www.enervest.com).

### **Securities Lending**

As described above under the heading "Investment Restrictions and Practices", the Declaration of Trust prohibits the Trust from loaning portfolio assets unless the security received by EnerVest and maintained by the borrower is not less than that required under the laws of the TSX for margin accounts.

Subject to such requirement and in order to generate additional returns, EnerVest (through its agents) may lend Portfolio Securities to securities borrowers acceptable to EnerVest and its agents pursuant to the terms of a standard securities lending agreement between EnerVest or its agents and each such borrower (a "**Securities Lending Agreement**"). Under a Securities Lending Agreement: (i) the borrower will pay to EnerVest or its agents a negotiated securities lending fee and will make payments to EnerVest or its agents equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as "securities lending arrangements" for the purpose of the Tax Act; and (iii) EnerVest or its agents will receive certain collateral security acceptable to EnerVest and its agents. See "Risk Factors – Securities Lending".

The Board of Directors of the Manager has approved a Securities Lending Authorization Agreement between the Trust, CIBC Mellon Global Securities Services Company, Mellon Bank, N.A. and CIBC which sets out specific terms governing the Trust's securities lending activities. The Chief Executive Officer is responsible for overseeing all lending and risk management practices undertaken by the Trust, as well as authorizing these transactions. The Board of Directors of the Manager reviews and approves any lending and risk management practices carried out by the Trust.

## **PROXY VOTING**

### **Introduction**

The Trust has developed policies and procedures to describe how it intends to vote on some commonly raised or potentially contentious issues.

As part of the Manager's obligation to Unitholders, and in support of strong corporate governance, the Manager exercises voting rights in the best interests of Unitholders. The Manager participates in the corporate governance process by voting for securityholder resolutions that are likely to enhance securityholder value and by opposing resolutions that are likely to dilute or diminish securityholder value. The Manager will only refrain from exercising proxies for the Trust when doing so would cause the Trust to not comply with the corporate or securities laws applicable to it.

The Portfolio Manager subscribes to an institutional shareholder service through RiskMetrics Group. RiskMetrics Group provides corporate governance research and proxy voting services to institutional investors. The Trust will, from time to time, review the proxy voting recommendations of RiskMetrics Group for some of the Trust's holdings.

Although these policies and procedures contain specific voting recommendations, these are not rigid positions and the Manager may consider extenuating circumstances that might cause it to deviate from a specific guideline. In such instances the Manager will consider each proposal on a case by case basis. These policies and procedures are reviewed on a regular basis.

### **Standing Policy**

The Trust's standing policy for proxy voting is based on several key principles, including:

1. Management is accountable to the Board of Directors. The Board of Directors is accountable to and reports to securityholders. The Board of Directors is responsible for maximizing longterm growth of securityholder value.
2. The Board of Directors should reinforce these concepts when making management appointments and by appropriately defining the separate roles of Board members and management.
3. The proxy vote is an important asset of the Trust. Stakeholders with fiduciary obligations are obligated to exercise their ownership rights by voting proxies diligently in order to optimize the long-term value of their investments.
4. Ownership rights should not be subordinated. Minority securityholders should not be treated differently from controlling securityholders. All securityholders have a right to receive proper notice of corporate actions and to vote on issues that have a material impact on their investments.
5. The interests of all stakeholders (investors, management, directors and employees), are best served when their goals converge with the long-term economic objectives of the corporation or business. Proper allocation of the rewards are important to the establishment and maintenance of long-term value.

#### **Specific Standing Policies for Routine Matters**

##### **I. Board of Directors**

In proxy voting matters pertaining to the nomination and election of board members and the establishment and operation of Board committees, the Trust uses the following specific policies as a guideline in reaching a decision:

1. It is imperative that Boards of Directors are independent from management and insiders in general in order to ensure that Boards are able to represent securityholders without potential of conflict. Voting is structured to encourage independence through:
  - (a) the majority of the Board of Directors is composed of independent, unrelated directors;
  - (b) all Boards should have, at a minimum, audit and corporate governance committees. These committees should be composed of a majority of independent, unrelated directors and should be lead by an independent director. Committee members should possess appropriate skills and expertise relative to the mandate of the committee on which they serve;
  - (c) the Chairman of the Board of Directors and the Chief Executive Officer should be different individuals; and
  - (d) the Board of Directors should be nominated individually and therefore the Manager does not support any slate voting of the Board.
2. The Manager look for Boards of Directors that are diverse, experienced, competent and motivated to represent their companies and businesses:
  - (a) Boards should be of appropriate size to ensure its orderly and effective operations;
  - (b) Board members should be adequately compensated (which may include stock options) to ensure commitment to their role and responsibilities;
  - (c) all Boards should attempt to draw members from different backgrounds and expertise that provide useful and relevant industry experience; and

- (d) there should be an established internal process for evaluating the contributions of current Board members and for nominating new Board members.

## II. Auditors

The Manager will generally support the choice of auditors recommended by the Board of Directors, specifically by the audit committee of those directors.

However it is important to have auditors that remain independent of the company or the business. The Manager would vote against management's recommendation if the auditors were changed without suitable explanation.

## III. Executive Compensation

In proxy voting matters pertaining to executive compensation, EnerVest uses the following specific policies as a guideline in reaching a decision:

1. Variable compensation should be directly tied to pre-determined and measurable performance benchmarks that are consistent with long-term creation of securityholder value.
2. Compensation policies should not reward failure.
3. The Manager does not support company loans to employees or directors to purchase securities.
4. Security based compensation as an incentive can be effective in aligning the long-term interests of management and securityholders.
5. When evaluating stock option plans the Manager considers the following:
  - (a) the Manager does not support plans that authorize securities representing more than 10% of the outstanding securities;
  - (b) the Manager will oppose stock options that are granted with an exercise price that is less than 100% of the fair market value of the underlying security at the date of the grant;
  - (c) the Manager will oppose repricing, replacing, extending or otherwise altering stock options where the stock price falls or underperforms the market; and
  - (d) options should not have any voting rights granted to them.
6. The Manager will vote against any excessive "golden parachutes" or other unreasonably large settlements to departing executives.

### **Circumstances When the Trust May Deviate From Standing Policy**

The Trust may deviate from its standing policy for routine matters when an entity in which the Trust invests carries out unacceptable practices or in other circumstances where the Manager believes it is in the best interests of Unitholders. Each instance where the Trust deviates from its standing policy will be evaluated on a case by case basis with the intention of voting the proxy in the best interests of the Trust's Unitholders.

### **Specific Policies for Non-Routine Matters**

#### *Takeover Protection*

In proxy voting matters pertaining to takeover protection, the Trust uses the following specific policies as a guideline in reaching a decision:

1. The Trust will not generally support defense strategies as they usually serve only to entrench management and discourage potential buyers from offering higher bids in the event a company or business becomes an acquisition target.
2. Generally the Trust will vote its proxies regarding takeover protection issues according to the following principles:
  - (a) proposed takeover protection measures, which could potentially dilute securityholder value, should be approved in advance by a full securityholder vote;
  - (b) takeover protection measures should be structured with the goal of maximizing long-term value for all securityholders;
  - (c) lock-up agreements should be structured so that competing bids are not prevented;
  - (d) partial takeover bids should be offered equally to all securityholders on a pro-rata basis and remain open for a sufficient period of time to allow for informed decisions; and
  - (e) adopted takeover protection measures should have a sunset clause not greater than three years, after which they must be resubmitted to a security holder vote for renewal.

## **Securityholders Rights**

In proxy voting matters pertaining to securityholders rights, the Trust uses the following specific policies as a guideline in reaching a decision:

### 1. General Policies on Securityholders Rights

Changes to securityholders rights should be reviewed by a committee of independent directors and then submitted to a securityholder vote. Any issuance of new securities with rights that exceed those in securities currently outstanding should be offered equally to all securityholders on a pro-rata basis.

### 2. Unequal or Subordinate Voting Securities

Generally the Trust opposes the creation of securities with unequal or multiple-voting rights. Securities with multiple-voting rights concentrate control among a few individuals and generally are not in the best interests of all securityholders.

### 3. Super-Majority Voting Securities

Super-majority voting rights require a level of securityholder approval above a simple majority. They may range as high as 80% of outstanding securities. Super-majority voting rights can make a securityholder approval all but impossible. Generally the Trust will vote against super-majority voting rights that exceed 2/3 (67%) of the outstanding securities.

### 4. Linked Proposals

Linked proposals are resolutions that link two issues together. Generally the Trust will vote against linked proposals.

### 5. Security Buybacks — Normal Course Issuer Bids

Common share buybacks can enhance long-term securityholder value. Share buybacks near or below net asset value can often be beneficial to securityholders. Generally the Trust supports security buyback plans or normal course issuer bids.

## **Procedures Implementing Proxy Policy**

### *Proxy Voting Record*

The Trust has internally appointed an individual who is responsible for collecting, updating and maintaining a proxy voting record.

The Trust's proxy voting record will comply with NI 81-106.

### *Voting Procedures*

All proxies that are received at the Trust's offices are forwarded to the Trust's investor relations department ("**Investor Relations**").

Investor Relations will review the proxy and if it falls within the Trust's Standing Policy for Routine Matters will vote the proxy in accordance with the Standing Policy.

If a proxy contains resolutions that are not covered by the Standing Policy or if circumstances exist such that the Trust may consider deviating from the Standing Policy, Investor Relations will review the proxy with a senior officer of the Manager.

In addition, Investor Relations or the senior officer may consult with the Portfolio Manager regarding such proxy. The Trust may review RiskMetrics Group's recommendation (if one exists) for the proxy. However the Trust is responsible for voting its proxies and not the Portfolio Manager. If a conflict of interest arises between shareholders and the Portfolio Manager (or an affiliate or associate of the Portfolio Manager), the Trust will vote the proxy in the best interests of its Unitholders.

The policies and procedures that the Manager follow when voting proxies relating to portfolio securities are available on request, at no cost, by calling toll-free 1-877-434-2796 or by writing to EnerVest at the address indicated on the last page of this Annual Information Form.

In addition, the proxy voting record for the Trust for the most recent period ending June 30 of each year is available free of charge to any securityholder of the Trust upon request at any time after August 31 of that year. The information is also be available on the Trust's website at [www.enervest.com](http://www.enervest.com).

## **FEES AND EXPENSES**

In consideration for the services performed by the Manager, EnerVest pays the Manager a monthly management fee as follows:

- (a) when the average Net Asset Value of EnerVest during the month is less than or equal to \$250,000,000, the management fee is equal to one-twelfth (1/12) of one and one half percent (1.5%) of the average Net Asset Value of EnerVest during the month; and
- (b) when the average Net Asset Value of EnerVest during the month is greater than \$250,000,000, the management fee shall be equal to one-twelfth (1/12) of one and one half percent (1.5%) of \$250,000,000 plus one-twelfth (1/12) of one percent (1.0%) of the average Net Asset Value of EnerVest during the month in excess of \$250,000,000.

EnerVest also reimburses the Manager for all expenses incurred on EnerVest's behalf by the Manager in connection with the operation and administration of EnerVest. These expenses include fees payable to the Trustee under the Declaration of Trust, fees payable to the Trustee for the performance of any extraordinary services on behalf of EnerVest, fees payable to the transfer agent and registrar with respect to the EnerVest Units, fees payable to the Custodian, fees payable to the auditors of EnerVest, any extraordinary expenses incurred by the Manager or the Trustee which relate to and are for the benefit of EnerVest, brokerage commissions, interest, operating and

administrative costs and expenses, costs and expenses relating to the issue of EnerVest Units, costs and expenses of financial and other reports and costs and expenses relating to complying with all applicable laws and regulations or incurred on termination of EnerVest.

### **INCOME TAX CONSIDERATIONS**

The following is a general summary of the principal Canadian federal income tax considerations, as of the date hereof, for the Trust and for a prospective individual investor (other than a trust) who, for the purposes of the Tax Act, is resident in Canada, holds EnerVest Units as capital property and deals with the Trust at arm's length and is not affiliated with the Trust. This summary is based upon the current provisions of the Tax Act and regulations thereunder, all specific proposals to amend the Tax Act and such regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof ("**Proposed Amendments**") and counsel's understanding of the current published administrative and assessing policies of the Canada Revenue Agency. Except where this summary indicates otherwise, this summary assumes that the Proposed Amendments will be enacted in their current form. However, there can be no assurance that the Proposed Amendments will be implemented in their current form or at all. This summary does not take into account or anticipate any other changes in law, whether by legislative, administrative or judicial action, and it does not take into account provincial or foreign income tax legislation or considerations.

Generally, EnerVest Units will be considered to be capital property to a Unitholder provided that the Unitholder does not hold the EnerVest Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their EnerVest Units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making an irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to (i) a Unitholder that is a "financial institution", as defined in the Tax Act for purposes of the mark-to-market rules, (ii) a Unitholder an interest in which would be a "tax shelter investment" as defined in the Tax Act, or (iii) a Unitholder that is a "specified financial institution" as defined in the Tax Act, or (iv) a Unitholder to whom the functional currency reporting rules in subsection 261(4) of the Tax Act apply. Any such Unitholders should consult their own tax advisors.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax consequences applicable to Unitholders and is not intended to be legal or tax advice to any particular Unitholder and no representations to any particular Unitholder are made. In addition, the income tax consequences of acquiring, holding and selling EnerVest Units will vary depending on the Unitholder's particular situation. Consequently, Unitholders should consult their own tax advisors for advice with respect to their particular circumstances.

#### **Status of the Trust**

This summary assumes that the Trust has qualified, and will qualify, at all material times as a "unit trust" and a "mutual fund trust" under the Tax Act. In order to qualify as a mutual fund trust, the Trust must have at least 150 Unitholders, each of whom owns not less than one "block" of EnerVest Units having a fair market value of not less than \$500. A "block of EnerVest Units" means 100 EnerVest Units if the fair market value of one Unit is less than \$25, 25 EnerVest Units if the fair market value of one Unit is \$25 or more but less than \$100 and 10 EnerVest Units if the fair market value of one Unit is \$100 or more. In addition, the Trust cannot, and may not at any time, reasonably be considered to be established or maintained primarily for the benefit of non-resident persons, the undertaking of the Trust must be restricted to certain activities and the Trust must meet all of these requirements on a continuous basis. A trust will be deemed not to be a mutual fund trust if it is established or maintained primarily for the benefit of non-resident persons unless all or substantially all of its property is property other than "taxable Canadian property" as defined in the Tax Act. Tax proposals released on September 16, 2004 proposed that a trust would cease to qualify as a mutual fund trust for purposes of the Tax Act if, at any time after 2004, the fair market value of all trust units held by non-resident persons or partnerships which are not Canadian partnerships for the purpose of the Tax Act is more than 50% of the fair market value of all issued and outstanding trust units unless no more than 10% (based on fair market value) of the trust's property is at any time taxable Canadian property within the meaning of the Tax Act and certain other types of specified property. However, this proposal was not included in

the Notice of Ways and Means motion tabled in the House of Commons by the Finance Minister on December 6, 2004 or in any subsequent Notice of Ways and Means Motions. The Trust has met these requirements at all relevant times and the Manager expects the Trust to continue to so qualify at all material times. If the Trust did not qualify as a "unit trust" and a "mutual fund trust" under the Tax Act at any time, the tax considerations may in some respects be materially different from those described herein and EnerVest may be required to pay a tax under Part XII.2 of the Tax Act, and may be subject to alternative minimum tax.

### **Taxation of the Trust**

EnerVest will be subject to tax under Part I of the Tax Act in each year on the amount of its income for the taxation year, including net realized taxable capital gains as computed in accordance with the Tax Act, except to the extent such income is paid or payable to Unitholders in the year and deducted by the Trust. For this purpose, an amount will be considered to be payable to a Unitholder in a taxation year if it is paid in the year by EnerVest or the Unitholder is entitled in the year to enforce payment of the amount. The taxation year of EnerVest is the calendar year.

EnerVest will be required to include in the calculation of its income for each taxation year its share of the net income (including net taxable capital gains) of each trust or partnership the units of which are included in EnerVest's investment portfolio which (i) in the case of trust units, is paid or payable to EnerVest in the year and (ii) in the case of partnership units, is allocated to EnerVest in respect of the fiscal year of the partnership ending in the year, notwithstanding that certain of such amounts may be reinvested in additional units of such trusts or partnerships. EnerVest will also be required to include in its income amounts received in respect of a Securities Lending Agreement. Provided that appropriate applicable designations are made by such trusts, net taxable capital gains and taxable dividends from taxable Canadian corporations paid or payable by trusts to EnerVest will effectively retain their character in the hands of EnerVest. Under the SIFT Rules (discussed below), it is expected that, commencing January 1, 2011, most of the distributions received by EnerVest from Canadian income funds (including publicly-traded partnerships) the units of which are included in its portfolio will be characterized as dividends for Canadian income tax purposes.

EnerVest will also be required to include in its income for each taxation year all interest that accrues to it to the end of the taxation year, or becomes receivable or is received by it before the end of the taxation year, except to the extent that such interest was included in computing its income for a preceding year.

In computing its income for tax purposes, EnerVest may deduct reasonable administrative, interest and other expenses incurred to earn income and may deduct over a five-year period its costs and expenses of issuing EnerVest Units, pursuant to any offering, other than such costs and expenses that are reimbursed by the Manager, subject to the relevant provisions of the Tax Act.

On a disposition of capital property held by EnerVest, EnerVest will realize a capital gain (or a capital loss) to the extent that the proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base of such property and any reasonable costs of disposition. EnerVest has made an election under subsection 39(4) of the Tax Act so that all of its Canadian securities are deemed to be capital property.

Under the Declaration of Trust, an amount equal to all of the income of EnerVest for each year, together with the taxable and non-taxable portion of any capital gains realized by EnerVest in the year net of expenses, will be payable to the Unitholders by way of cash distributions, or if Unitholders have requested in accordance with the Declaration of Trust, in the form of additional EnerVest Units.

For the purposes of the Tax Act, EnerVest intends to deduct in computing its income the full amount available for deduction in each year to the extent of its taxable income otherwise determined and, therefore, expects that it will not be liable for any material amount of tax under Part I of the Tax Act.

Recent amendments to the Tax Act (the "**SIFT Rules**") include provisions relating to the taxation of certain publicly traded partnerships and trusts which hold one or more "non-portfolio properties" (as defined in the Tax Act). A trust that was a "SIFT trust" (as defined in the Tax Act) on October 31, 2006 (an "**Existing SIFT**"), will be subject to

trust level taxation as of January 1, 2011 in respect of certain distributions that are attributable to the trust's "non-portfolio earnings" at a rate that is equivalent to the federal corporate income tax rate plus the provincial SIFT tax rate allocated in a manner similar to that utilized for corporations. The provincial SIFT tax rate will be based on the general provincial corporate income tax rate in each province in which the SIFT trust has a permanent establishment. Taxable distributions that are not allocated to any province will instead be subject to a 10% per cent rate in addition to the general federal corporate tax rate. The provincial tax rate applied to taxable distributions allocated to the Province of Quebec will be deemed to be nil to take into account provincial taxes on SIFT trusts imposed by Quebec.

Non-portfolio earnings are, generally, income (other than certain dividends) from, or capital gains realized on, "non-portfolio properties". The amount of a distribution in respect of which this tax is payable will be taxed in the hands of the unitholders of the SIFT trust as though it were a taxable dividend from a taxable Canadian corporation, which dividend will be eligible for the enhanced gross-up and dividend tax credit if paid to an individual resident in Canada. The SIFT Rules could become applicable to an Existing SIFT on a date earlier than January 1, 2011, if the Existing SIFT exceeds normal growth guidelines as determined by reference to the normal growth guidelines issued by the Department of Finance (Canada) on December 15, 2006 and amended by the Department of Finance (Canada) on December 4, 2008 (the "**Normal Growth Guidelines**").

It is not expected that EnerVest will hold any non-portfolio properties. Accordingly, it is not expected that EnerVest itself would be considered a "SIFT trust" and therefore it is expected that EnerVest will continue to not be directly liable for any material amount of income tax.

#### **Taxation of Unitholders**

A Unitholder will generally be required to include in computing income such portion of the net income of EnerVest for a taxation year, including net realized taxable capital gains (whether or not accrued or realized by EnerVest prior to the acquisition of EnerVest Units by the Unitholder), as is paid or payable to the Unitholder in that particular taxation year, whether or not any such amount is reinvested in additional EnerVest Units and whether or not such distribution is in cash or EnerVest Units. Distributions by EnerVest to a Unitholder will reduce the adjusted cost base of the Unitholder's EnerVest Units, except to the extent that such distributions are included in the Unitholder's income or constitute the Unitholder's share of the non-taxable portion of capital gains of EnerVest the taxable portion of which was designated by EnerVest in respect of the Unitholder. To the extent that the adjusted cost base of an EnerVest Unit would otherwise be less than nil, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the EnerVest Unit in the year in which the negative amount arises and the Unitholder's adjusted cost base of the EnerVest Unit will be nil immediately thereafter.

Provided that appropriate designations are made by EnerVest, such portion of (i) the net realized taxable capital gains of EnerVest, (ii) the foreign source income of EnerVest and foreign taxes eligible for the foreign tax credit, and (iii) the taxable dividends received (or deemed to have been received) by EnerVest on shares of taxable Canadian corporations, as is paid or payable to a Unitholder will effectively retain their character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. In the case of a Unitholder that is an individual, amounts which retain their character as taxable dividends on shares of taxable Canadian corporations will generally be eligible for the normal gross-up and dividend tax credit rules under the Tax Act, and in the case of Unitholders that are private corporations and certain other corporations controlled directly or indirectly by or for the benefit of an individual or a related group of individuals, a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act will be payable on such dividends. An additional refundable 6 $\frac{2}{3}$ % tax will be payable by Unitholders that are Canadian-controlled private corporations in certain circumstances. Under the SIFT Rules, it is expected that, commencing January 1, 2011, most of the distributions received by EnerVest from Canadian income funds (including publicly traded partnerships) the units of which are included in its portfolio will be classified as dividends for Canadian income tax purposes, and, provided the appropriate designations are made, will retain their character as such in the hands of the Unitholders. Under the SIFT Rules, such dividends will be deemed to be eligible dividends for purposes of the enhanced dividend tax credit, if paid or allocated to a resident of Canada.

In computing the adjusted cost base of any EnerVest Units acquired by a Unitholder or on a reinvestment of distributions from EnerVest, the cost of such EnerVest Units must be averaged with the adjusted cost base of any

other EnerVest Units then held by the Unitholder as capital property. In the case of a reinvestment of distributions, the cost of such EnerVest Units will generally be equal to the amount of the distributions so reinvested.

Upon the disposition or deemed disposition by a Unitholder of an EnerVest Unit, whether on a sale, the termination of EnerVest, a redemption of EnerVest Units or otherwise, a capital gain (or a capital loss) will be realized by the Unitholder to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the EnerVest Unit to the Unitholder immediately before the disposition.

A Unitholder who realizes a capital gain or capital loss upon the disposition of an EnerVest Unit will be required to include in computing the Unitholder's income one-half of any such capital gain ("**taxable capital gain**") and generally will be entitled to deduct one-half of any such capital loss (an "**allowable capital loss**") against taxable capital gains realized in the year of disposition. Subject to detailed rules in the Tax Act, any remaining allowable capital loss may be applied to reduce net taxable capital gains of the Unitholder in any of the three years preceding the year of disposition or in any year following the year of disposition. Where the Unitholder is a corporation or a trust (other than a mutual fund trust), a capital loss from the disposition of an EnerVest Unit may, in certain circumstances, be reduced by the amount of dividends, including deemed dividends, which have been received on the EnerVest Units. Similar rules may also apply in circumstances where a corporation or a trust (other than a mutual fund trust) is a member of a partnership that owns EnerVest Units. Where a Unitholder is an individual (other than a trust), a capital loss from the disposition of an EnerVest Unit will generally be reduced by the amount of any capital dividends (as defined in the Tax Act) previously designated by EnerVest to the Unitholder. Taxable capital gains of a Canadian-controlled private corporation may be subject to an additional refundable tax at a rate of 6 2/3%.

In general terms, where a Unitholder is an individual or a trust, net income of EnerVest paid or payable to the Unitholder that is designated as taxable dividends or capital gains as well as any capital gains realized on the disposition of EnerVest Units by such Unitholder may increase the Unitholder's liability for alternative minimum tax.

## **RISK FACTORS**

An investment in EnerVest is subject to a number of risks, including those described below.

### **Trading Price of EnerVest Units Relative to Net Asset Value**

Units of certain closed-end trusts and investment funds in Canada, including EnerVest, have traded at a discount and at a premium from their net asset values. This risk associated with the trading price of units of a closed-end trust or investment fund is a risk separate and distinct from the risk that EnerVest's Net Asset Value may decrease. EnerVest cannot predict the prices at which EnerVest Units will trade or whether the EnerVest Units will trade at a discount from, a premium to, or at EnerVest's Net Asset Value. The annual yield on the EnerVest Units as compared to the annual yield on other financial instruments may also influence the price of EnerVest Units in the public trading markets.

### **Nature of EnerVest Units**

EnerVest Units share certain attributes common to both equity securities and debt instruments. EnerVest Units are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. Investors should not equate the risk associated with an investment in EnerVest Units to an investment in high yield debt. The EnerVest Units represent a fractional interest in the assets of EnerVest. EnerVest is an unincorporated closed-end investment fund established under the laws of the Province of Alberta, and governed by the terms and conditions of the Declaration of Trust. As EnerVest is not a corporate entity, it is not governed by the provisions of either provincial or federal corporate law. EnerVest Units do not represent an investment in a corporation and should not be viewed by investors as "shares" of a corporation. Unitholders will 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. As well, under certain existing legislation such as the *Bankruptcy and Insolvency Act* (Canada) and the *Companies' Creditors Arrangement Act* (Canada), EnerVest is not a legally recognized entity within the relevant definitions of these

statutes. As a result, in the event of an insolvency or a restructuring of EnerVest, the rights of Unitholders may be different from those of shareholders of an insolvent or restructuring corporation.

EnerVest is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

### **Investment Eligibility; Mutual Fund Trust Status**

EnerVest Units will be qualified investments for registered retirement savings plans, registered retirement income funds, registered education savings plans, deferred profit sharing plans and tax-free savings accounts (collectively, "**Exempt Plans**"), as long as the EnerVest Units are listed on a "designated stock exchange" (which includes the TSX). Otherwise, if EnerVest ceases to qualify as a mutual fund trust and ceases to be a registered investment under the Tax Act, the EnerVest Units will cease to be qualified investments for Exempt Plans. This would have negative consequences to Exempt Plans which hold EnerVest Units. In addition, if EnerVest were to cease to qualify as a mutual fund trust, the EnerVest Units held by Unitholders that are Non-Residents would become taxable Canadian property. These Non-Resident Unitholders would be subject to Canadian income tax on any gains realized on a disposition of EnerVest Units held by them, subject to the application of an exemption under an income tax convention.

Currently, an investment fund or a trust will not be considered to be a mutual fund trust under the Tax Act if it is established or maintained primarily for the benefit of Non-Residents. The Declaration of Trust provides that if at any time the Manager determines that the beneficial owners of a majority of the EnerVest Units then outstanding are or may be Non-Residents, EnerVest may require Unitholders that it believes are Non-Residents to sell their EnerVest Units. These measures could be adverse to certain holders of EnerVest Units, could have an adverse effect on the value of the EnerVest Units, and may not be effective to avoid EnerVest losing its status as a mutual fund trust for the purposes of the Tax Act if certain proposed amendments are enacted as proposed. See "Income Tax Considerations – Status of the Trust".

On October 16, 2009, the Minister proposed amendments to the Tax Act that will impact tax-free savings accounts (the "**TFSA Proposals**"). While the Minister has not yet introduced legislation in this regard, the TFSA Proposals included a prohibition on asset transfer transactions between tax-free savings accounts and other accounts. The TFSA Proposals apply to transactions that occur after October 16, 2009.  **Holders should consult their own tax advisors regarding the application of the TFSA Proposals in their particular circumstances.**

### **Volatility of Oil and Natural Gas Prices**

The operations and financial condition of the issuers of a significant number of the portfolio securities which will be held by the Trust and, accordingly, the amount of distributions paid on such securities will be dependent on commodity prices applicable to such issuers. Prices for commodities have fluctuated widely during recent years and are determined by supply and demand factors including weather and general economic and political conditions. A decline in commodity prices could have an adverse effect on the operations and financial condition of the issuers of such securities and the amount of distributions paid on such securities. In addition, certain commodity prices are based on a United States dollar market price. Accordingly, an increase in the value of the Canadian dollar against the United States dollar could reduce the amount of distributions and dividends paid on such securities.

The impact on the oil and gas industry from commodity price volatility is significant. During periods of high prices, producers generate sufficient cash flows to conduct active exploration programs without external capital. Increased commodity prices frequently translate into very busy periods for service suppliers triggering premium costs for their services. Purchasing land and properties similarly increase in price during these periods. During low commodity price periods, acquisition costs drop, as do internally generated funds to spend on exploration and development activities. With decreased demand, the prices charged by the various service suppliers also decline.

Additionally, any decline in oil and gas prices could result in a decrease of cash flow available to oil and gas issuers for reinvestment. This, in turn, could result in a decrease of per share production and reserve growth of such issuers and an increase of the per unit depletion of production and reserves. In such circumstances, the Trust may need to

increase the percentage of such issuers in its portfolio to maintain the reserve life, which could have an adverse effect on the distributions available to Unitholders.

The volatility of oil and natural gas prices may become an increasing concern to the operations and financial condition of the issuers of certain of the portfolio securities held by the Trust if there is an increased emphasis placed upon the use of alternative sources of fuels as compared to sources of fossil fuels.

### **Current Global Financial Conditions**

While central banks as well as global governments are attempting to restore much needed liquidity to the global economies, no assurance can be given that economics around the world will restore liquidity in the near to medium term, if at all. Some of these economies may experience significantly diminished growth and some may suffer a recession or, if applicable, a further recession. These market conditions and unexpected volatility or illiquidity in financial markets may also adversely affect the prospects of EnerVest and the value of the Portfolio Securities. A substantial drop in the markets in which EnerVest invests could be expected to have a negative effect on EnerVest.

### **Reserve Estimates**

The reserve and recovery estimates for the oil and gas issuers included in the Trust's portfolio are only estimates and the actual production and ultimate reserves may be greater or less than the estimates provided. Any decline in the oil and natural gas estimates could have an adverse effect on the value of such issuers.

### **Performance of Issuers**

The Net Asset Value per EnerVest Unit will vary according to the value of the securities in which EnerVest invests, which will depend, in part, upon the performance of the issuers of such securities. Additionally, external economic and other forces can affect the competitive strength and profitability of the businesses represented by these securities and which could significantly affect the value of such securities. The amount of distributions available for payment to Unitholders will depend in large part on the amount of distributions paid by the issuers of the securities held by EnerVest in its portfolio. There is no assurance that EnerVest will be able to pay monthly distributions.

The securities markets have experienced significant market wide and sectoral price and volume fluctuations from time to time that often have been unrelated or disproportionate to the operating performance of particular issuers. Such fluctuations could have a material adverse effect on the market price of the EnerVest Units.

EnerVest cannot predict whether the securities of issuers held by it will trade at a discount from, a premium to, or at the net asset values of the issuers of such securities, or when or if distributions on such securities will be made.

EnerVest may make investments in issuers that have low trading volumes. Accordingly, it may be difficult for EnerVest to make trades in these issuers without adversely affecting the price of such issuers and consequently the Net Asset Value of EnerVest Units.

### **Alberta Royalty Rate Changes**

EnerVest invests in entities engaged in or indirectly impacted by the oil and natural gas industry and, therefore, is indirectly impacted by regulatory changes to the industry.

In addition to federal regulations, each province in Canada has legislation and regulations which govern land tenure, royalties, production rates, environmental protection and other matters. In all Canadian jurisdictions, producers of oil and natural gas are required to pay annual rental payments in respect of Crown leases, and royalties and freehold production taxes in respect of oil and natural gas produced from Crown and freehold lands, respectively. The royalty regime is a significant factor in the profitability of oil and natural gas production. Royalties payable on production from lands other than Crown-owned lands are determined by negotiations between the freehold mineral owner and the lessee. Crown royalties are determined by government regulation and are generally calculated as a percentage of the value of the gross production. The rate of royalties payable generally depends in part on prescribed reference

prices, well productivity, geographical location, field discovery date and the type or quality of the petroleum product produced. Other royalties and royalty-like interests are from time to time carved out of the working interest owner's interest through non-public transactions. These are often referred to as overriding royalties, gross overriding royalties or net profits or net carried interests.

From time to time, the federal and provincial governments in Canada have established incentive programs which have included royalty rate reductions (including for specific wells), royalty holidays and tax credits for the purpose of encouraging oil and natural gas exploration or enhanced planning projects. If applicable, oil and natural gas royalty holidays, reductions and tax credits would effectively reduce the amount of Crown royalties paid by oil and gas producers to the provincial governments.

### **No Guaranteed Return**

There is no guarantee that an investment in EnerVest Units will earn any positive return in the short term or long term.

### **Loss of Investment**

An investment in the Trust is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

### **Cash Distributions**

Sufficient realized gains must be generated on the sale of securities in order to maintain the current monthly distribution of \$0.10 per Trust Unit. Return of capital may result if there are insufficient realized gains and the distribution level is maintained. There can be no assurance that the monthly distribution will be maintained at its current level.

### **No Assurances on Achieving Objectives**

There is no assurance that EnerVest will be able to achieve its investment objectives. There is no assurance that EnerVest will be able to pay monthly distributions. The funds available for distribution to Unitholders will vary according to, among other things, the levels of distributions and interest paid on the securities held in EnerVest's portfolio and the value of those securities and certain of these issuers may pay distributions less frequently than quarterly, with the result that the Trust's distributable cash flow available for distributions could vary substantially. There is no assurance that the Trust's portfolio will earn any return.

There is also no assurance that the Trust will be able to meet its objective of providing monthly cash distributions to Unitholders that meet the currently targeted distribution of \$0.10 per Trust Unit per month. The funds available for distribution to Unitholders will vary according to, among other things, the levels of distributions paid on securities comprising the Trust's portfolio securities and the value of these securities.

### **Taxation**

While EnerVest has been structured so that it will generally not be liable to pay income tax, the information available to EnerVest and the Manager relating to the characterization, for tax purposes, of the distributions paid by EnerVest in any year may be insufficient to ensure that EnerVest will not be liable to pay income tax in respect of that year.

### **SIFT Rules**

Recent amendments to the Tax Act will impose income tax on the Canadian income fund issuers in which EnerVest invests (other than real estate investment trusts that meet prescribed conditions under the new rules), beginning in 2011 or sooner (See "Income Tax Considerations – Taxation of the Trust"). The SIFT Rules are expected to result in adverse tax consequences to such Canadian income funds and may adversely impact cash distributions from such

Canadian income funds to EnerVest. Based on EnerVest's portfolio, it is not expected that EnerVest itself would be considered a "SIFT trust" as defined in the Tax Act, and therefore it is expected that EnerVest will continue not to be directly liable for any material amount of income tax.

### **Changes to Portfolio**

The composition of EnerVest's portfolio may vary widely from time to time and may be concentrated by type of security, commodity or industry, resulting in the portfolio being less diversified than anticipated.

### **Liquidity Issues**

The Trust may invest in junior or medium-sized companies, some of which may be private. Investment in the securities of junior and medium-sized companies may be more volatile than investments in larger companies or trusts, as junior and medium-sized companies generally experience both higher growth rates and higher failure rates. The trading volume of these securities is normally lower than that of larger companies or trusts. Such securities may be less liquid than others and could make it difficult to purchase or sell a security at a time or price desired, particularly those that are private. Changes in the demand for these securities generally have a disproportionate effect on their market price, tending to make prices rise more in response to increased buying demand and fall more in response to selling pressure.

### **Interest Rate Fluctuations**

It is anticipated that the market price for the EnerVest Units at any given time will be affected by the level of interest rates prevailing at such time. An increase in market interest rates will result in higher yields on other financial instruments, which could have a material adverse effect on the market price of the EnerVest Units.

### **Commodity Price and Exchange Rate Fluctuations**

The operations and financial condition of resource-based issuers in which EnerVest invests and accordingly, the amount of distributions paid on their securities will be dependent on commodity prices applicable to such issuers. Prices for commodities may vary and are determined by supply and demand factors, including weather and general economic and political conditions. A decline in commodity prices could have an adverse effect on the operations and financial condition of such issuers and the value of, and amount of distributions paid on, their securities. In addition, certain commodity prices are denominated in U.S. dollars and, for most Canadian issuers, the costs of exploring for and producing these commodities is denominated in Canadian dollars. Accordingly, a decrease in the value of the U.S. dollar against the Canadian dollar could reduce the profit margins of such issuers and consequently reduce the amount of distributions paid on such securities. As EnerVest's portfolio may include securities traded in U.S. dollars or other foreign currencies, the Net Asset Value of EnerVest Units and distributable cash, when measured in Canadian dollars, will be affected by changes in the value of the U.S. dollar or other foreign currencies relative to the Canadian dollar.

### **Real Estate Investment Trusts**

Investments in REITs are subject to the general risks associated with real property investments. Real property investments are affected by various factors including changes in general economic conditions (such as the availability of long term mortgage funds) and in local conditions (such as oversupply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to tenants, competition from other available space and various other factors.

The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants. A REITs' income and funds available for distributions to its unitholders would be adversely affected if a significant number of tenants were to become unable to meet their obligations to the REIT or if the REIT were unable to lease a significant amount of available space in its properties on economically favourable lease terms.

## **Changes in Legislation**

There can be no assurance that income tax laws, administrative policies and government incentive programs relating to the resource industry and the real estate industry and the treatment of mutual fund trusts under the Tax Act will not be changed in a manner which adversely affects EnerVest and/or the Unitholders.

## **Environmental Risks**

All phases of the oil and natural gas businesses of resource-based issuers in which EnerVest invests, present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Compliance with such legislation by such issuers can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation impacting such issuers is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs.

In December 2002, the Government of Canada ratified the Kyoto Protocol and it became legally binding on February 16, 2005. This protocol calls for Canada to reduce its greenhouse gas emissions to 6 percent below 1990 levels during the period between 2008 and 2012. In addition, the Federal government of Canada also recently introduced a regulatory regime to reduce greenhouse gas emissions.

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. In 2002, the Government of Canada ratified the Kyoto Protocol which calls for Canada to reduce its greenhouse gas emissions to specified levels. There has been much public debate with respect to Canada's ability to meet these targets and the Government's strategy or alternative strategies with respect to climate change and the control of greenhouse gases.

On March 10, 2008, the Government of Canada released "Turning the Corner – Taking Action to Fight Climate Change" which provides additional guidance with respect to the Government's plan to reduce greenhouse gas emissions by 20% by 2020 and by 60% to 70% by 2050.

Implementation of strategies for reducing greenhouse gases whether to meet the limits required by the Kyoto Protocol or the new regulatory framework could have a material impact on the nature of oil and natural gas operations. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict at this time either the nature of those requirements or the impact on EnerVest and its operations and financial condition.

## **Borrowing**

One element of EnerVest's investment strategy is the utilization of borrowings to invest in securities. The risk to Unitholders may increase if securities purchased with borrowed funds decline in value. EnerVest may use leverage in order for it to achieve its targeted monthly distributions to Unitholders. The use of leverage may result in capital losses or a decrease in distributions to Unitholders. EnerVest's ability to make distributions may be impacted by contractual restrictions in the instruments governing any indebtedness of EnerVest. EnerVest's credit facility described under "Material Contracts" includes numerous covenants that limit the discretion of the Manager with respect to certain business matters. If the value of EnerVest's portfolio decreases such that the amount borrowed under the syndicated credit facility exceeds a prescribed ratio of the total value of the assets within the portfolio, EnerVest may be required to sell investments in order to comply with the terms of such credit facility. Such sales may be required to be completed at prices which may adversely affect the value of the portfolio and return to EnerVest. The degree to which EnerVest is leveraged could have important consequences for Unitholders, including: (i) all or part of EnerVest's cash flow generated by the portfolio may be dedicated to the payment of the principal of and interest on EnerVest's indebtedness, thereby reducing funds available for distribution to

Unitholders; and (ii) certain of EnerVest's borrowings will be at variable rates of interest, which exposes EnerVest to the risk of increased interest rates. These factors could have a material adverse affect on the portfolio and EnerVest's financial condition and cash flows and therefore on the distributable income available to be distributed to Unitholders. The interest expense and banking fees incurred in respect of the credit facility may exceed the incremental capital gains/losses and income generated by the incremental investment of portfolio securities. In addition, EnerVest may not be able to renew the credit facility on acceptable terms. Any failure of EnerVest to repay or refinance any credit facility at its maturity date on acceptable terms or to comply with applicable covenants under a credit facility could have a material adverse affect on EnerVest and its cash flow and, as a result, the amount of cash available for distribution to Unitholders and the value of EnerVest Units. There can be no assurance that the borrowing strategy employed by EnerVest will enhance returns.

There is a possibility that some of the interest paid on the credit facility may not be deductible by EnerVest for tax purposes. Interest expense has been estimated for the purpose of estimating cash flow available for distributions based on current market conditions that are subject to fluctuations. Such fluctuations could result in unanticipated material increases in interest rates that could in turn have a material adverse affect on cash available for distribution to Unitholders.

### **Unitholder Liability**

The Declaration of Trust provides that neither Computershare Trust Company of Canada, in its capacity as trustee of EnerVest, nor a Unitholder shall be subject to any liability whatsoever, in tort, contract or otherwise, to any person in connection with the investment obligations, affairs or assets of EnerVest and all such persons shall look solely to EnerVest's assets for satisfaction of claims of any nature arising out of or in connection therewith and EnerVest's assets only shall be subject to levy or execution. With respect to acts, defaults, obligations or liabilities of EnerVest or Computershare Trust Company of Canada, in its capacity as trustee of EnerVest, that arose prior to the proclamation of the Income Trusts Liability Act (Alberta) on July 1, 2004, there is a risk that a Unitholder could be held personally liable, notwithstanding the foregoing statement in the Declaration of Trust, for obligations of EnerVest to the extent that claims cannot be satisfied out of the assets of EnerVest. The operations of EnerVest have been conducted in such a manner as to minimize such risk.

### **Status of EnerVest**

As EnerVest is not a mutual fund as defined under Canadian securities laws, EnerVest is not subject to the Canadian policies and regulations that apply to open-ended mutual funds.

### **Other Investment Considerations**

Pursuant to the Declaration of Trust, EnerVest is not subject to the restrictions imposed on investments which may be made by a trust as set out in the *Trustee Act* (Alberta). The termination of the Manager may result in additional fees being paid to the Manager at the time of termination.

### **Cross Border Income Funds**

Based on publicly available information, it is the understanding of EnerVest that no U.S. Internal Revenue Service rulings were sought in connection with the establishment of a number of Income Funds that have significant operations in the United States. No assurance can be given that the U.S. Internal Revenue Service will not successfully challenge various aspects of the structures adopted by these Income Funds or that advisers to these Income Funds will continue to provide audit and other opinions relating to the operations of these Income Funds. Any successful challenge by the U.S. Internal Revenue Service or a withdrawal of such services by advisers may have a material and adverse affect on the after-tax income available for distribution by such Income Funds. To the extent that such Income Funds are held by EnerVest at that time, the distributions by EnerVest and the value of EnerVest Units may be adversely affected.

## **Securities Lending**

EnerVest may engage in securities lending as described under "Trust Governance – Securities Lending". Securities lending activities are exposed to the risk of loss should a securities borrower default on its obligation to return the borrowed securities to EnerVest and its agents and the collateral provided is insufficient to reconstitute the portfolio of loaned securities. Shortfalls in collateral security may occur from time to time based on the fact that the market value of such collateral will be calculated on a mark-to-market basis that will fluctuate.

## **Reliance on Management**

Unitholders will be primarily dependent on the Portfolio Manager and on the management of the Manager. The Manager has the ability to terminate the Portfolio Manager on 60 days' notice. Investors who are not willing to rely on the Portfolio Manager or management of the Manager should not subscribe for or purchase EnerVest Units.

## **REMUNERATION OF DIRECTORS, OFFICERS AND TRUSTEES**

EnerVest as a trust does not have any directors, officers or employees. The Manager does have directors and officers (see discussion under "Responsibility for Trust Operations - Directors and Officers of the Manager") but does not have any employees or consultants that receive compensation from the Manager or from any subsidiary of the Manager. EnerVest pays the Manager a monthly management fee (see discussion under "Responsibility for Trust Operations - Management Agreement") and EnerVest reimburses the Manager for all expenses incurred on EnerVest's behalf by the Manager in connection with the operation and administration of EnerVest.

Only independent directors of the Manager are paid a fee for their services as directors. Currently independent directors are paid an aggregate fee of \$5,000 per annum in respect of the Manager's activities on behalf of the entire EnerVest Group.

For the fiscal year ended December 31, 2009, the Trustee was paid approximately \$44,200 for carrying out the duties of trustee of EnerVest. See discussion under "Trustee of EnerVest".

For the fiscal year ended December 31, 2009, the members of the Independent Review Committee, as a group, were paid \$153,373 for carrying out the duties of the independent review committee of EnerVest.

## **MATERIAL CONTRACTS**

The Trust's material contracts are as follows:

1. The Declaration of Trust. See page 13 for details of the Declaration of Trust.
2. The Management Agreement. See page 20 for details of the Management Agreement.
3. The Investment Management Agreement. See page 22 for details of the Investment Management Agreement.
4. The Custodian Agreement. See page 24 for details of the Custodian Agreement.
5. The credit facility, as renewed effective February 11, 2010, with EnerVest, as borrower, and a Canadian financial institution for an amount up to \$300 million.

## **LEGAL AND ADMINISTRATIVE PROCEEDINGS**

The Manager is not aware of any material litigation outstanding, threatened or pending as of the date hereof by or against EnerVest, the Manager or any of its affiliates.

## **PENALTIES AND SANCTIONS**

No current director or officer or securityholder holding a sufficient number of securities of the Trust to affect materially the control of the Trust has been subject to: (i) 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 (ii) 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.

## **OTHER MATERIAL INFORMATION**

### **Securities Authorized for Issuance Under Equity Compensation Plans**

EnerVest has no Units authorized for issuance under equity compensation plans.

### **Indebtedness of Directors and Executive Officers**

No director or officer of the Manager is at the date of this Annual Information Form indebted to EnerVest or was indebted to EnerVest at any time during the financial year completed December 31, 2009.

### **Appointment of Auditor**

The auditors of EnerVest are PricewaterhouseCoopers LLP, Chartered Accountants, Suite 3100, 111 – 5th Avenue S.W., Calgary, Alberta. The auditors were appointed effective March 17, 2003.

**ENERVEST DIVERSIFIED INCOME TRUST**

Additional information about the Trust is available in the Trust's management reports of fund performance and financial statements. A copy of these documents is available, at no cost by calling toll free 1-877-434-2796, from your dealer or by e-mail at [info@enervest.com](mailto:info@enervest.com).

These documents and other information about the Trust, such as information circulars and material contracts, are also available on EnerVest's website at [www.enervest.com](http://www.enervest.com) or at [www.sedar.com](http://www.sedar.com).

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