

PLAN OF ALLOCATION

THE DEFINED TERMS

1. The definitions set out in the Settlement Agreement, except as modified or defined herein, apply to and are incorporated into this Plan of Allocation:
 - (a) “**Acquisition Expense**” means the total monies paid by the Claimant (including brokerage commissions) to acquire Qualified Shares;
 - (b) “**Alberta Claimant**” means an Authorized Claimant that is an Alberta Class Member;
 - (c) “**Authorized Claimant**” means a Class Member who: (i) submitted a properly completed Claim Form and all required supporting documentation to the Administrator prior to the Claims Bar Deadline; and (ii) is eligible to receive a Distribution from the Compensation Fund;
 - (d) “**Claimant**” means a Class Member who submits a properly completed Claim Form and all required supporting documentation to the Administrator, on or before the Claims Bar Deadline;
 - (e) “**Compensation Fund**” means the Settlement Amount less Class Counsel Fees and the Administration Expenses;
 - (f) “**Database**” means the web-based database in which the Administrator stores information acquired through the claims process;
 - (g) “**Distribution**” means payment to Authorized Claimants in accordance with this Plan of Allocation, the Settlement Agreement and any order of the Courts;

- (h) “**Distribution List**” means a list containing the name and address of each Authorized Claimant, the calculation of his/her/its Net Loss and the calculation of the Authorized Claimant’s *pro rata* share of the Compensation Fund;
- (i) “**FIFO**” means the principle of first-in first-out, wherein securities are deemed to be sold in the same order that they were purchased (i.e. the first securities purchased are deemed to be the first sold), which requires, in the case of a Claimant who held Shares at the commencement of the Class Period, that those Shares be deemed to have been sold completely before Qualified Shares are sold;
- (j) “**Nominal Entitlement**” means an Authorized Claimant’s nominal damages as calculated pursuant to the formula set forth herein, which forms the basis upon which each Authorized Claimant’s *pro rata* share of the Compensation Fund is calculated;
- (k) “**Ontario Claimant**” means an Authorized Claimant that is an Ontario Class Member;
- (l) “**Period One Shares**” means Shares purchased or acquired during the First Class Period;
- (m) “**Period Two Shares**” means Shares purchased or acquired during the Second Class Period;
- (n) “**Qualified Shares**” means Period One Shares and Period Two Shares;
- (o) “**Québec Claimant**” means an Authorized Claimant that is a Québec Class Member;
- (p) “**Reference**” means the procedure by which a Claimant who disagrees with the Administrator’s decision relating to eligibility for compensation, the determination of the number of Qualified Shares, or the amount of the Nominal

Entitlement, may appeal the Administrator's decision and have it reviewed by the Referee; and

- (q) **“Website”** means the website at www.pennwestclassaction.com.

THE OVERVIEW

2. This Plan of Allocation contemplates a determination of eligibility and an allocation and Distribution to each Authorized Claimant of a share of the Compensation Fund calculated as the ratio of his/her/its Nominal Entitlement to the total Nominal Entitlement of all Authorized Claimants multiplied by the amount of the Compensation Fund.

CALCULATION OF COMPENSATION

Formulae for Calculating Nominal Entitlement

3. The Administrator will apply FIFO to distinguish the sale of Penn West securities held at the beginning of the Class Period from the sale of Qualified Shares, and will continue to apply FIFO to determine the purchase transactions which correspond to the sale of Qualified Shares. The date of sale or disposition shall be the trade date, as opposed to the settlement date, of the transaction. The Administrator will use this data in the calculation of an Authorized Claimant's Nominal Entitlement according to the formulae listed below.
4. An Authorized Claimant's Nominal Entitlement will be calculated as follows:

A. For Period One Shares

- (a) No Nominal Entitlement shall be available for any Period One Shares disposed of prior to the close of trading on July 29, 2014.
- (b) For Period One Shares disposed of during the ten (10) trading day period following July 29, 2014, that is, on or between July 30, 2014 and August 13,

2014, the Nominal Entitlement shall be an amount equal to the number of Period One Shares disposed of, multiplied by the difference between the volume weighted average price paid for those Period One Shares (including any commissions paid in respect thereof) and the price received upon the disposition of those Period One Shares (without deducting any commissions paid in respect of the disposition).

- (c) For Period One Shares disposed of after the ten (10) trading day period following July 29, 2014, that is, after the close of trading on August 14, 2014, the Nominal Entitlement shall be the lesser of:
 - (i) an amount equal to the number of Period One Shares disposed of, multiplied by the difference between the volume weighted average price paid for those Period One Shares (including any commissions paid in respect thereof) and the price received upon the disposition of those Period One Shares (without deducting any commissions paid in respect of the disposition); and
 - (ii) an amount equal to the number of Period One Shares disposed of multiplied by the difference between the volume weighted average price paid for those Period One Shares (including any commissions paid in respect thereof) and \$8.36, being the 10 trading day volume weighted average trading price of Penn West common shares on the TSX from July 30, 2014 to August 13, 2014.
- (d) For Period One Shares still held at the time the Claim Form is completed, the Nominal Entitlement shall be an amount equal to the number of Period One Shares still held, multiplied by the difference between the volume weighted average price paid for those Period One Shares (including any commissions paid in respect thereof) and \$8.36, being the 10 trading day volume weighted average trading price of Penn West common shares on the TSX from July 30, 2014 to August 13, 2014.

B. For Period Two Shares

- (e) No Nominal Entitlement shall be available for any Period Two Shares disposed of prior to the close of trading on September 18, 2014.
- (f) For Period Two Shares disposed of during the ten (10) trading day period following September 18, 2014, that is, on or between September 19, 2014 and October 2, 2014, the Nominal Entitlement shall be an amount equal to the number of Period Two Shares disposed of, multiplied by the difference between the volume weighted average price paid for those Period Two Shares (including any commissions paid in respect thereof) and the price received upon the disposition of those Period Two Shares (without deducting any commissions paid in respect of the disposition).
- (g) For Period Two Shares disposed of after the ten (10) trading day period following the September 18, 2014, that is, after the close of trading on October 2, 2014, the Nominal Entitlement shall be the lesser of:
 - (i) an amount equal to the number of Period Two Shares disposed of, multiplied by the difference between the volume weighted average price paid for those Period Two Shares (including any commissions paid in respect thereof) and the price received upon the disposition of those Period Two Shares (without deducting any commissions paid in respect of the disposition); and
 - (ii) an amount equal to the number of Period Two Shares disposed of multiplied by the difference between the volume weighted average price paid for those Period Two Shares (including any commissions paid in respect thereof) and \$7.62, being the 10 trading day volume weighted average trading price of Penn West common shares on the TSX from September 19, 2014 and October 2, 2014.
- (h) For Period Two Shares still held at the time the Claim Form is completed, the Nominal Entitlement shall be an amount equal to the number of Period Two Shares still held, multiplied by the difference between the volume weighted

average price paid for those Period Two Shares (including any commissions paid in respect thereof) and \$7.62, being the 10 trading day volume weighted average trading price of Penn West common shares on the TSX from September 19, 2015 and October 2, 2014.

5. Subject to the provisions of paragraph 6 for Ontario Claimants, each Authorized Claimant's actual compensation will be a portion of the Compensation Fund calculated as the ratio of his/her/its Nominal Entitlement to the total Nominal Entitlements of all Authorized Claimants multiplied by the amount of the Compensation Fund.
6. The compensation of Ontario Claimants will be subject to a ten (10) percent deduction for the Class Proceedings Fund, which provided funding and an indemnity for the Ontario Action. The compensation of Québec Claimants will be subject to a deduction for the Fonds d'aide aux actions collectifs at the percentage provided for by the applicable regulation for individual recovery of claims as defined by article 599 of the *Québec Code of Civil Procedure, CQLR c. C-25.01*, which provided funding and an indemnity for the Québec Action.

GENERAL PRINCIPLES OF THE ADMINISTRATION

7. The administration to be established shall:
 - (a) implement and conform to the Plan of Allocation;
 - (b) employ secure, paperless, web-based systems with electronic registration and record keeping, wherever practical; and
 - (c) be bilingual (English, French) in all respects and include a bilingual website and a bilingual toll-free telephone helpline.

THE ADMINISTRATOR

8. The Administrator shall have such powers and rights reasonably necessary to discharge its duties and obligations to implement and administer the Escrow Account and the Plan of Allocation in accordance with their terms, subject to the direction of the Courts.

THE ADMINISTRATOR'S DUTIES AND RESPONSIBILITIES

9. The Administrator shall administer the Plan of Allocation under the oversight and direction of the Courts and act as trustee in respect of the monies held within the Escrow Account upon receipt from Sutts Strosberg LLP.
10. The Administrator shall, wherever practical, develop, implement and operate an administration system utilizing web-based technology and other electronic systems for the following:
 - (a) receipt of information from TMX Equity Transfer Services or Broadridge Financial Solutions Inc. concerning the identity and contact information of registered holders or beneficial owners of Shares, respectively;
 - (b) class notification, as required;
 - (c) claim filing and document collection;
 - (d) claim evaluation, analysis, and Reference procedures;
 - (e) distribution analysis and Distributions;
 - (f) *cy près* award distribution, if any, and reporting thereon;
 - (g) Administration Expense payments; and
 - (h) cash management, audit control and reporting thereon.

11. The Administrator's duties and responsibilities shall include the following:
 - (a) receiving the monies in the Escrow Account from Sutts Strosberg LLP and investing them in trust in accordance with the Settlement Agreement;
 - (b) preparing any protocols required for submission to and approval of the Courts;
 - (c) providing the hardware, software solutions and other resources necessary for an electronic web-based bilingual claims processing centre to function in a commercially reasonable manner;
 - (d) providing, training and instructing personnel in such reasonable numbers as are required for the performance of its duties in the most expedient, commercially reasonable manner;
 - (e) instituting a tracing process to locate a current address for those Class Members whose Second Notice is returned "address unknown," and re-mailing the Second Notice, at least forty five (45) days prior to the Claims Bar Deadline, to those Class Members for whom the tracing process provides a new mailing address, and who have not yet filed a Claim Form;
 - (f) developing, implementing and operating electronic web-based systems and procedures for receiving, processing, evaluating and decision making respecting the claims of Class Members, including making all necessary inquiries to determine the validity of such claims;
 - (g) if practicable, providing any Claimant whose Claim Form is not properly completed or does not include some of the required supporting documentation, an opportunity to remedy the deficiency as stipulated in the Settlement Agreement;
 - (h) making timely assessments of eligibility for compensation and providing prompt notice thereof;

- (i) making Distributions from the Compensation Fund in a timely fashion;
 - (j) dedicating sufficient personnel to communicate with a Claimant in English or French as the Claimant elects;
 - (k) using its best efforts to ensure that its personnel provide timely, helpful and supportive assistance to Claimants in completing the claims application process and in responding to inquiries respecting claims;
 - (l) preparing for, attending and defending its decisions at all References;
 - (m) distributing and reporting on any *cy près* awards;
 - (n) making payments of Administration Expenses;
 - (o) maintaining a database with all information necessary to permit the Courts to evaluate the progress of the administration, as may, from time to time, be required;
 - (p) reporting to the Courts respecting claims received and administered, and Administration Expenses; and
 - (q) preparing such financial statements, reports and records as directed by the Courts.
12. Information in the Database concerning a claim shall be accessible to the Claimant by contacting the Administrator.
13. Once a Claim Form and required supporting documentation is received by the Administrator, the Administrator shall:
- (a) determine the number of Qualified Shares;
 - (b) decide whether the Claimant is eligible to participate in the Distribution;
 - (c) determine the number of Shares the Claimant held at the commencement of the Class Period;
 - (d) calculate the Claimant's Nominal Entitlement;

- (e) if the total value of the Nominal Entitlements of all Authorized Claimants exceeds the settlement monies, calculate the amount of the Claimant's *pro rata* share of the Compensation Fund; and
 - (f) calculate the deduction for the Class Proceedings Fund for Ontario Claimants, if required.
 - (g) if the value of all valid claims for compensation is less than the amount of the Compensation Fund, the balance shall be distributed *cy près* as set out in section 34 of this Plan of Allocation.
14. Once the Administrator determines an authorized Claimant's status, the respective number of his, her or its Qualified Shares; his, her or its Nominal Entitlement and his, her or its *pro rata* share of the Compensation Fund, the Administrator shall advise the Claimant of the Administrator's decision by email or written notice sent by mail.
15. The Administrator may deal with Claimants in a manner that is not through an electronic medium as and when it determines that such a step is feasible and/or necessary. However, in all cases the information acquired concerning Claimants shall be entered into the Database.
16. A decision of the Administrator in respect of a claim and any Claimant's entitlement to participate in or a share of the Distribution, subject to the Claimant's right to elect to refer the decision to the Referee for review, will be final and binding upon the Claimant and the Administrator.

THE REFEREE

17. The Referee shall have such powers and rights as are reasonably necessary to discharge his duties and obligations.
18. The Referee shall establish and employ a summary procedure to review any disputes arising from a decision of the Administrator, and may enter into such mediation and arbitration proceedings as the Referee may deem necessary.
19. All decisions of the Referee shall be in writing and shall be final and conclusive and there shall be no appeal therefrom whatsoever.

The Procedure for References

20. If a Claimant disagrees with the Administrator's decision relating to eligibility to share in the Distribution, the determination of the number of Qualified Shares, or the amount of the Nominal Entitlement, a Claimant may elect a Reference by the Referee by delivering a written election for review to the Administrator within fifteen (15) days of receipt of the Administrator's decision.
21. The election for a Reference must set out the basis for the disagreement with the Administrator's decision and attach all documents relevant to the review which have not previously been delivered to the Administrator. This election for a Reference must be accompanied by a certified cheque or money order, payable to the Administrator, in the amount of \$150.
22. Upon receipt of an election for a Reference, the Administrator shall provide the Referee with online access to a copy of:
 - (a) the election for a Reference and accompanying documents;

- (b) the Administrator's decision on eligibility, the number of Qualified Shares and its calculation of the Nominal Entitlement, as applicable; and
 - (c) the Claim Form and supporting documents.
23. The Referee will carry out the Reference in an inexpensive, summary manner. The Referee will provide all necessary procedural directions and the review will be in writing unless the Referee provides otherwise.
24. The Administrator shall participate in the process established by the Referee to the extent directed by the Referee.
25. The Referee shall deliver a written decision to the Claimant and the Administrator. If the Referee disturbs the Administrator's decision relating to eligibility to share in the Distribution, the number of Qualified Shares or Nominal Entitlement, the Administrator shall return the \$150 deposit to the Claimant. If the Referee does not disturb the Administrator's decision, the Administrator shall add the \$150 to the Compensation Fund.

ADMINISTRATION EXPENSES

26. The Administrator shall pay the fees, disbursements, taxes and other costs of:
- (a) the Administrator;
 - (b) the Referee; and
 - (c) such other persons at the direction of the Courts;
- out of the Settlement Fund in accordance with the provisions of the Settlement Agreement, the Approval Order and any other orders of the Courts.
27. The costs of giving the notices required pursuant to the Approval Order are not to be paid by the Administrator from its fee.

DISTRIBUTION TO AUTHORIZED CLAIMANTS

28. As soon as practicable after the completion of the claims submission and election for review process, the Administrator will bring a motion for authorization to make Distributions from the Compensation Fund. In support of this motion the Administrator will file the Distribution List with the Courts in a manner that protects the privacy of persons on the Distribution List.
29. No Distribution shall be made by the Administrator until authorized by the Courts.
30. The Administrator may make interim Distributions if authorized by the Courts.
31. Each Authorized Claimant whose name appears on the Distribution List shall comply with any condition precedent to Distribution that the Courts may impose.
32. The Administrator shall make Distributions from the Compensation Fund forthwith after receipt of authorization from the Courts to make Distributions to the Authorized Claimants whose names are on the Distribution List.
33. If the Escrow Settlement Account is in a positive balance (whether by reason of tax refunds, un-cashed cheques or otherwise) after one hundred eighty (180) days from the date of distribution of the Escrow Settlement Amount to the Authorized Claimants, the Administrator shall, if economically feasible, allocate such balance among Authorized Claimants in an equitable fashion up to the limit of each person's actual loss. If there is a balance in the Escrow Settlement Account after each Authorized Claimant is paid up to his/her/its actual loss, the remaining funds shall be paid in part (X%) *cy près* to a recipient selected by Class Counsel, approved by the Ontario Court and subject to a ten (10) percent deduction for the Class Proceedings Fund, in part (Y%) *cy près* to a recipient selected by Class Counsel and approved by the Québec Court, subject to a deduction for

the Fonds d'aide aux actions collectifs at the percentage provided for by the applicable regulation for individual recovery of claims as defined by article 599 of the *Québec Code of Civil Procedure*, *CQLR c. C-25.01* and as directed by the Québec Court, and in part (Z%) *cy près* to a recipient selected by Class Counsel and approved by the Alberta Court. The respective percentages, X, Y and Z, shall be equal to the percentages of the distribution of the Escrow Settlement Amount to Ontario Claimants (before any deductions for the Class Proceedings Fund), Québec Claimants and Alberta Claimants respectively.

RESTRICTION ON CLAIMS

34. Any Class Member who does not submit a Claim Form and required supporting documentation with the Administrator on or before the Claims Bar Deadline will not be permitted to participate in the Distribution without permission of the Courts. The Administrator will not accept or process any Claim Form received after the Claims Bar Deadline unless directed to do so by the relevant Court.

NO ASSIGNMENT

35. No amount payable under the Plan of Allocation may be assigned without the written consent of the Administrator.

ADMINISTRATOR'S FINAL REPORT TO THE COURTS

36. Upon the conclusion of the administration, or at such other time as the Courts direct, the Administrator shall report to the Courts on the administration and shall account for all

monies it has received, administered and disbursed by Distribution or otherwise and may obtain orders from the Courts discharging it as Administrator.