

**Via Electronic Correspondence to Addressees Indicated in Schedule A**

March 30, 2007

The British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
Nova Scotia Securities Commission  
New Brunswick Securities Commission

Dear Sirs:

**Re: Comments on Proposed National Instrument 41-101 *General Prospectus Requirements* ("NI 41-101")**

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We are responding to your notice and request for comment dated December 21, 2006 (the "Notice") on NI 41-101, the forms prescribed by NI 41-101 and the companion policy to NI 41-101.

***Bonavista Energy Trust***

Bonavista Energy Trust is an open-end investment trust created on May 22, 2003 under the laws of the Province of Alberta pursuant to a declaration of trust. Valiant Trust Company has been appointed as trustee under the declaration of trust. The beneficiaries of the trust are holders of the trust units. We commenced operations on July 2, 2003 as a result of the completion of a plan of arrangement under the *Business Corporations Act* (Alberta). Pursuant to this plan of arrangement, holders of common shares of Bonavista Petroleum Ltd. received either trust units or exchangeable shares for their common shares.

Bonavista Energy Trust is a reporting issuer in each of the province of Canada. Our trust units and convertible debentures are listed on Toronto Stock Exchange.

Our controlled entities are actively engaged in the business of oil and natural gas exploration, development, acquisition and production in Canada with current production of approximately 53,000 barrels of oil equivalent per day. We have a current market capitalization of approximately \$3.25 billion, an enterprise value of approximately \$3.75 billion and book asset value of approximately \$2.1 billion.

***Comments***

We have two areas of substantial concerns relating to NI 41-101:

### **Trustee Certification**

We have a concern with respect to the prospectus certification requirements for trusts provided for in Sections 5.5(1) and (2) of Schedule 1 to NI 41-101. As Bonavista Energy Trust has a corporate trustee, Valiant Trust Company, the requirement that the CEO and CFO of Valiant Trust Company and two directors of Valiant Trust Company execute any prospectus certificate is impracticable.

Our declaration of trust, like most public energy trusts, provides that the trustee is a corporate trustee appointed by our unitholders. Our declaration of trust delegates, among other things, the authority to make all decisions relating to public offerings, including the responsibility for executing prospectus certificates, to the board of directors of Bonavista Petroleum Ltd., a subsidiary of Bonavista Energy Trust. In addition, the board of directors of Bonavista Petroleum Ltd. oversees all operations of the controlled entities of Bonavista Energy Trust, including Bonavista Petroleum Ltd., and all public reporting by Bonavista Energy Trust. Valiant Trust Company's primary responsibilities are to hold the assets of Bonavista Energy Trust (shares, subsidiary trust units, debt and net profit interests issued by Bonavista Energy Trust's various controlled entities) and managing the cash distributions to unitholders. In performing its responsibilities under the declaration of trust Valiant Trust Company and its officer and directors would not be in a position to execute a prospectus certificate. Bonavista Energy Trust has filed many prospectuses which have contained certificates executed by the CEO and CFO of Bonavista Petroleum Ltd. and two directors of Bonavista Petroleum Ltd. on behalf of the board of directors of Bonavista Petroleum Ltd. We submit that requiring certification of Valiant Trust Company would not add meaningful protection for investors.

We note that Section 5.5(3) of Schedule 1 to NI 41-101 provides an exemption from the requirements of Sections 5.5(1) and (2) of Schedule 1 to NI 41-101 to issuers that are investment funds in similar circumstances. We would submit that a similar exemption should be provided to trusts that meet the same criteria.

If no exemption is provided, we would submit that a reasonable transition period should be provided so that a meeting of unitholders of Bonavista Energy Trust can be called to substantially reorganize the trust in order that we may have continued access to the public markets.

### **Certification of Substantial Beneficiaries**

We have a serious concern with respect to the prospectus certification requirements for a "significant beneficiary of the offering" provided for in Section 5.13 of Schedule 1 to NI 41-101. We believe that requiring a third party seller, dealing at arm's length with Bonavista Energy Trust, to certify our prospectus will materially impair our ability to compete in making substantial acquisitions. In addition, if NI 41-101 is implemented in its current form our disposition practises will have to change to exclude any issuer from a sales process who will require Bonavista Energy Trust to certify its prospectus.

We have grown our business through a combination of internally generated exploration and development activity as well as strategic acquisitions. In making acquisitions we compete with

many public and private entities including large multinational corporations, senior Canadian and U.S. independents, trusts and junior issuers many of whom would not be effected by NI 41-101. We are required to compete both on price and terms, including risk allocation between the buyer and seller. We have no ability to arbitrarily allocate risk to the seller. NI 41-101 would require the seller to not only accept greater risk relating to its properties than is common in the marketplace, but also have to assume risk with respect to Bonavista Energy Trust's disclosure. Even if a seller were willing to accept this level of risk, which is unlikely, we would no doubt be required to increase the purchase price to compensate the seller for the assumption of this risk. We do not believe that paying an above market price for assets would be in the best interest of our unitholders.

Since conversion to the trust structure we have completed numerous acquisitions, including two acquisitions which would be considered significant acquisitions pursuant to subsection 35.1(4) of Form 41-101F1 (which refers to the significant acquisition definitions in NI 51-102 *Continuous Disclosure Obligations* "NI 51-102")) as they were asset acquisitions or acquisitions of a subsidiary entity of another party and the purchase price of which exceeded 20% of our book asset value. All of these acquisitions have been made from parties dealing at arm's length to Bonavista Energy Trust and have been made in the context of the competitive market place for acquisitions. We believe it would have been very unlikely to obtain the agreement of either seller to execute our prospectus. In both cases we completed a public offering where the proceeds were directly or indirectly used to finance these acquisitions. Investors were provided with full disclosure on the acquisition including independent engineering prepared in accordance with NI 51-101, audited property financial statements and the benefit of the due diligence conducted by our staff.

We also point out that the method of calculation of significance in NI 51-102 and the relatively low book value of our assets to our market value would categorize acquisitions in the \$400 million range as significant acquisitions. While this would be a large acquisition it would only represents approximately 13% of our market capitalization and 11% of our enterprise value which, from a unitholder point of view, would not fundamentally change the nature of their investment. We of course could seek other methods of financing such as private debt or private placements. These would have a number of disadvantages including potentially higher costs, assumption of greater leverage risk and exclusion of our retail unitholders from participating in such financings.

In the case of dispositions, we cannot envision any circumstances where we would be willing to execute a prospectus certificate of an issuer dealing at arm's length of us. No reasonable premium could be paid by an issuer to compensate us for this risk of executing such issuers prospectus compared to the price which could be paid by another buyer not subject to these rules. We also believe that it would be impracticable for Bonavista Energy Trust to undertake the level of due diligence on such an issuer to comply with our disclosure and internal control requirements. By excluding potential buyers from a sale process we reduce the likelihood of receiving the highest price for our assets, which ultimately will adversely affect return to unitholders.

We respectfully submit that the negative impact of NI 41-101 on us, and ultimately our public unitholders who will bear the cost of NI 41-101, will far outweigh the additional investor protection provided to investors.

We respectfully submit that the provisions of Section 5.13 of Schedule 1 to NI 41-101 should be withdrawn or, if not withdrawn, modified to only apply to situations where the parties do not deal at arm's length.

Thank you for your consideration of the issues we have raised.

Yours truly,

**BONAVISTA ENERGY TRUST**

(signed) *"Keith A. MacPhail"*

Keith A. MacPhail  
Chairman, President and CEO  
Bonavista Petroleum Ltd.

## **SCHEDULE A**

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