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**Province of  
British Columbia**  
Legislative Assembly



Guy Gentner, MLA  
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May 27, 2008

Paul D. K. Fraser, Q.C.  
Commissioner  
Office of the Conflict of Interest Commissioner  
101 - 431 Menzies Street  
Victoria, British Columbia V8V 1X4

Dear Commissioner:

I am writing to request your opinion about an appearance of conflict regarding the conduct of the MLA for Vancouver-Point Grey, Premier Gordon Campbell, pursuant to Section 19 of the *Members' Conflict of Interest Act*.

This request relies on the following facts, the attached timeline and the related attached documents.

### **Summary of Facts**

Premier Campbell purchased shares in Terra Energy Corporation between May 17, 2005 and July 17, 2005 as noted in his MLA disclosures. In the Public Disclosure Statement dated November 15, 2005, Premier Campbell disclosed the direct ownership of Shares in Terra Energy by him and his spouse. Premier Campbell disposed of his shares on April 12, 2006. These shares were not held in a RRSP, or a blind trust or a mutual fund.

On October 26, 2005, the MLA for Vancouver-Point Grey, in his capacity as Premier, signed Order in Council 787 amending Section 4(9) of B.C. Reg. 495/92 - the Petroleum and Natural Gas Royalty and Freehold Production Tax Regulation by adding "pipelines" to the tax deductions a producer can claim. The change in the Act means a pipeline company could then significantly decrease its corporate taxes and thereby increase its profitability.

During the period in which Premier Campbell held shares, Terra Energy applied for and was granted 10 pipeline project approvals. A large number of these applications were made contiguous with the Order in Council which added the pipeline tax deduction. Shareholders of Terra Energy Corporation receive shareholder reporting documents as per securities regulation and all of which are posted on the company website at <http://www.terraenergy.ca/investors.php>.

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Shares held in Terra Gas between May 17, 2005 and July 17, 2005 were valued at between \$1.20 and \$1.70. Shares sold on April 12, 2006 were valued at \$2.35. Therefore Premier Campbell made a probable profit of between 38% and 92% depending on the exact purchase date.

Subsequent to a decision dated February 5<sup>th</sup>, 2007 by Commissioner Oliver regarding the Premier Campbell's investments in Alcan, Premier Campbell put his investments in a blind trust arrangement.

### **Conflict Act Prohibitions**

The Members Conflict of Interest Act prohibits various activities where a member has the potential to further their private interest. The Act defines conflict of interest:

2 (1) For the purposes of this Act, a member has a conflict of interest when the member exercises an official power or performs an official duty or function in the execution of his or her office and at the same time knows that in the performance of the duty or function or in the exercise of the power there is the opportunity to further his or her private interest.

(2) For the purposes of this Act, a member has an apparent conflict of interest if there is a reasonable perception, which a reasonably well informed person could properly have, that the member's ability to exercise an official power or perform an official duty or function must have been affected by his or her private interest.

### **Summary of Request**

The facts outlined above raise a number of questions related to these specific sections of the Act, including:

- What date did the MLA for Vancouver-Point Grey and his spouse purchase the Terra Energy Corporation shares?
- What was the value of the shares and how many shares were purchased?
- What date did the MLA for Vancouver-Point Grey sell his shares in Terra Energy Corporation?
- What was the value of the shares on the date of sale?
- What reporting documents were sent by the Terra Energy Corporation to shareholders during this period?
- Why did the MLA for Vancouver-Point Grey sell his shares in Terra Energy Corporation?
- Did the MLA for Vancouver-Point Grey take any steps to identify a potential conflict of interest when signing OIC 787 while at the same time holding shares in Terra Energy Corp.?

Based on all of the above, the attached timeline and supporting documents, and based on reasonable and probable grounds, I request that you give an opinion respecting this question of compliance with the *Members' Conflict of Interest Act*.

Sincerely,



Guy Gentner, MLA  
Delta North

/Enclosures

**Conflict of Interest Opinion regarding MLA Vancouver-Point Grey  
Regarding Terra Energy Corporation Shares and OIC 787**

**TIMELINE**

**Nov 24, 2003:** Premier Campbell addresses the to P3 2003 Conference in Toronto:

“We introduced our oil and gas development strategy last May and we had a 126 % increase in the amount of summer drilling activities that took place in British Columbia as a result of that program. We had the largest single oil and gas lease sale in our history in September - \$418 million. Most of that is because there is a true partnership that is building between the province and the private sector to support that industry.”  
(Speech notes, dated November 24, 2003)

**Feb 12, 2004:** Terra Energy Corporation begins trading on the TSX Venture Exchange. (“Terra Energy To Commence Trading Under Symbol “TTR”, News release, February 12, 2004)

**Dec 10, 2004:** MLA for Vancouver-Point Grey files Public Disclosure Statement with no disclosed shares in Terra Energy Corporation.

**Dec 31, 2004:** Terra expands its holdings in Fort St John in northeastern BC by completing a \$32 million acquisition of production, land, and facilities. Terra states that the properties comprise approximately 75 sections of developed and undeveloped lands which complement the Company's existing core properties of Stoddart and Boudreau. (“Terra Energy Corp. Announces Completion of \$32 Million Strategic Acquisition”, Media Release, December 31, 2004)

**Jan 26, 2005:** Terra Energy announce the final closing of its equity financing indicating that it was oversubscribed and that there is clear investor confidence in Terra Energy’s growth strategy “particularly with respect to the Company’s recent acquisition of certain strategic oil and gas properties in our Fort St. John, BC core operating area”. (“Terra Energy’s Offering Oversubscribed”, Media Release, January 26, 2005)

**May 17, 2005:** Provincial election – MLA for Vancouver-Point Grey Gordon Campbell is re-elected as Premier.

**May 17 to July 17, 2005:** Gordon Campbell buys shares in Terra Energy Corporation.

- The Premier’s 2005 Public Disclosure Statement indicates that he, along with his spouse, held shares in Terra Energy Corp.(Public Disclosure Statement dated November 15, 2005)
- Under the Members’ Conflict of Interest Act, all MLAs must submit their statements to the Conflict Commissioner up to sixty days after the election.
- Campbell in his previous disclosure had not listed Terra Energy Corporation as an interest. .(Public Disclosure Statement dated December 14, 2004)
- Further, he filed no “Material Change” statements between December 31, 2004 and the May 17, 2005 election.
- Therefore, it appears that the Premier bought his shares in Terra Energy Corporation sometime between May 17<sup>th</sup> and July 17<sup>th</sup> of 2005.
- During this period share prices in Terra Energy ranged from \$1.20 and \$1.70 per share.

**Aug 2, 2005:** Terra applies to OGC for pipeline (#15368), receives approval on Aug 2, 2005 and builds same year.  
(Attached OGC Approval)

**Sept 29, 2005:** Terra applies to OGC for pipeline (#15777), receives approval on September 29, 2005 and was built the same year. (Attached OGC Approval)

**Oct 24, 2005:** Terra Energy announces production gains and describes the success of pipeline construction. (“Terra announces production gains at Boudreau Field”, Media Release, October 24, 2005)

**Oct 26, 2005:** ORDER IN COUNCIL 787 is signed off by Gordon Campbell and Richard Neufeld amending Section 4(9) of B.C. Reg. 495/92 - the Petroleum and Natural Gas Royalty and Freehold Production Tax Regulation by adding "pipelines" to tax deductions a producer can claim. The change in the act means a 50% deduction “for the purpose of providing cost recovery for the use of pipelines”. (Attached)

Undated: “Pilot” Pipeline Royalty Credit Program – Questions and Answers, Request For Applications attached, Ministry of Energy and Mines

**Nov. 15, 2005:** MLA Vancouver-Point Grey 2005 Public Disclosure Statement filed by BC Conflict of Interest Commissioner H.A.D. Oliver with the Clerk of the Legislative Assembly, including Shares for Member and Spouse in Terra Energy Corp. (Attached)

**Nov 30, 2005:** Terra applies to OGC for pipeline (#16373), receives approval on November 30, 2005 and builds in 2006. (Attached OGC Approval)

**Dec 13, 2005:** Terra applies to OGC for pipeline (#16563), receives approval on December 13, 2005 and builds in 2006. (Attached OGC Approval)

**Dec 21, 2005:** Terra applies to OGC for pipeline (#16724), receives approval on December 21, 2005, with no build date. (Attached OGC Approval)

**Feb 8, 2006:** Terra applies to OGC for pipeline (#17347), receives approval on February 27, 2006 and builds in 2006. (Attached OGC Approval)

**Feb 8, 2006:** Terra applies to OGC for pipeline (#17425), receives approval on Apr 5 2006 and builds in 2006. (Attached OGC Approval)

**Feb 16, 2006:** Terra applies to OGC for pipeline (#17545), receives approval on Feb 28, 2006 and builds in 2006. (Attached OGC Approval)

**March 6, 2006:** Reported net asset value per share increased 73.4% to \$3.10 compared to a \$1.79 per share in 2004. Noted growth in infrastructure particularly in Fort St. John. (“Terra Energy Year End Reserves Valuation Increases by 132% to \$225 Million”, Media Release.)

**Mar 9, 2006:** Terra announces anticipated expenditures for 2006: \$66 million on core operating areas of Ft St. John. (“Terra Energy Announces 2006 Capital Expenditure Plan And Budget”, Media Release.)

**Mar 10, 2006:** Terra applies to OGC for pipeline (#17779), receives approval on May 18, 2006 and builds the same year. (Attached OGC Approval)

**Mar 13, 2006:** Terra applies to OGC for pipeline (#17783), receives approval on May 23, 2006 and builds in same year. (Attached OGC Approval)

**Mar 31, 2006:** Terra issues an optimistic news release announcing “drilling success and production additions at the Company's Boudreau Field....These series of tie-ins at Boudreau are directed at assisting the Company in reaching our short-term production target of 4,000 BOED”. The release ends with “an announcement concerning a third pipeline project is anticipated to be made within the next week. (“Terra Energy Ties in 225 BOED of Additional Production at Boudreau”. Media Release.)

**Undated:** Terra Energy publishes its First Quarterly report, and indicates that “In Q1 – 2006, Terra Energy completed a 17 km pipeline connecting the Corporation’s Septimus field to the Corporation’s Wilder gas plant to the North. This pipeline project accounted for the majority of the facilities expenditures for the quarter. Other facilities expenditures included short tie-ins at the Corporation’s Mica and Boudreau fields. Terra Energy financed the Q1 – 2006 CAPEX program through a combination of cash flow, warrant and option proceeds and bank financing. Terra Energy has announced a 2006 CAPEX program of \$66.1mm. - \$16.6 m of this program is for “new equipment, facilities, pipelines and other infrastructure”.

The report notes: “Royalties increased 140.1% to \$2,363,529 in 2006 compared to \$984,507 in Q1 – 2005 as a result of an increase in revenue”. And goes on to say: “As production volumes continue to increase, Terra Energy expects the continuation of lower production expenses to continue for the balance of 2006.”(Q1, 2006, Three Months ended March 31, 2006)

At page 16, the report discusses the role of royalties in profit:

In addition to federal regulations, each province has regulations which govern land tenure, royalties, production rates, extra-provincial export, environmental protection and other matters. The royalty regime is a significant factor in the profitability of oil and natural gas production...From time to time the provincial governments of Canada have established incentive programs which have included royalty rate reduction, royalty holidays and tax credits for the purpose of encouraging oil and natural gas exploration or enhanced planning projects.

**Apr 4, 2006:** On April 4, 2006, Terra Energy Corporation issues a news release announcing the completion of its Mica pipeline project in the Company's Fort St. John core area and reporting that with this additional 200 BOED of production from Mica, “Terra Energy's current production is approximately 3,625 BOED. Completion of facility enhancements and additional tie-ins over the next few weeks are anticipated to help the Company in achieving its short term objective of 4,000 BOED.” (“Terra Energy Ties in More Production at Mica”, Media Release)

**Apr 5, 2006:** Market analysts react to Terra’s announcement. Acumen Capital Partners recommends a buy on Terra Energy Corp. “with a December 31, 2006 price target of \$3.00”. The price of Terra shares soar to \$2.27 (Acu-Visor, Acumen Capital Partners)

**Apr 6, 2006:** NDP MLAs Guy Gentner and Corky Evans raise questions in the House regarding northern BC residents’ concerns with Terra Energy and their treatment by the province’s Oil and Gas Commission. (Hansard, April 6, 2006, page 3812.)

**Apr. 12, 2006:** Premier Campbell disposes of Terra Energy shares according to “Material Change” filed on May 9, 2006 with the Conflict of Interest Commissioner. (Attached)

- If Campbell had purchased Terra shares immediately after the election in late May 2005 he would have had a return of 92%.
- Had he purchased Terra shares on July 17, 2005 his profit margin would have been 38%.
- If Campbell had sold his shares one month earlier, in March 2006 his gain would have been considerably less, and by July 2006, Terra stock had dropped to about \$1.65 (Terra Energy Corp. Annual Information Form, For the year Ended December 31, 2005, April 26, 2006 and Acu-Visor, Acumen Capital Partners, May 29, 2006)

**May 9, 2006:** Premier Campbell submits Material Change of assets to the Commission of Conflict of Interest, claiming disposition of shares in Terra Energy occurred on April 12, 2006. (Attached)

**Jan 26, 2007:** Premier Campbell admits that he is able to monitor his investments. Responding to a conflict-of-interest investigation regarding his Alcan shares, the Premier tells the media he gets monthly investment statements and is able to obtain information regarding assets held and disposition of assets simply by "checking". (Global TV broadcast January 26, 2007, Attached)

**Feb 6, 2007:** Premier commits to put his investments in blind trust. In a conflict ruling related to the Premier's shares in Alcan, Conflict Commissioner H.A.D. Oliver urges the Premier and other Campbell cabinet ministers to "consider the wisdom of investing in non-self-directed mutual funds or alternatively in placing their investments in a blind trust." Campbell was reported in the media the next day saying: "My intent in the future would be to be deal with something like a mutual fund or blind trust." (Vancouver Sun, Page A03, 07-Feb-2007, Attached)

## **Relevant Excerpts from the Act**

### **Conflict of interest:**

2 (1) For the purposes of this Act, a member has a conflict of interest when the member exercises an official power or performs an official duty or function in the execution of his or her office and at the same time knows that in the performance of the duty or function or in the exercise of the power there is the opportunity to further his or her private interest.

(2) For the purposes of this Act, a member has an apparent conflict of interest if there is a reasonable perception, which a reasonably well informed person could properly have, that the member's ability to exercise an official power or perform an official duty or function must have been affected by his or her private interest.

### **Conflict of interest prohibition:**

3 A member must not exercise an official power or perform an official duty or function if the member has a conflict of interest or an apparent conflict of interest.

### **Insider information:**

4 A member must not use information that is gained in the execution of his or her office and is not available to the general public to further or seek to further the member's private interest.

### **Influence:**

5 A member must not use his or her office to seek to influence a decision, to be made by another person, to further the member's private interest.

### **Procedure on conflict of interest:**

10 (1) A member who has reasonable grounds to believe that he or she has a conflict of interest in a matter that is before the Legislative Assembly or the Executive Council, or a committee of either of them, must, if present at a meeting considering the matter,

(a) disclose the general nature of the conflict of interest, and

(b) withdraw from the meeting without voting or participating in the consideration of the matter.

(2) If a member has complied with subsection (1), the Clerk of the Legislative Assembly or secretary of the meeting must record

(a) the disclosure,

(b) the general nature of the conflict of interest disclosed, and

(c) the withdrawal of the member from the meeting.

(3) The Clerk of the Legislative Assembly or secretary of the meeting must file the information recorded under subsection (2) with the commissioner,

(a) in the case of a meeting of the Legislative Assembly or a committee of the Legislative Assembly, as soon as practicable, and

(b) in the case of a meeting of the Executive Council or a committee of the Executive Council, as soon as practicable after the Executive Council's decision on the matter which has been the subject of the disclosure is made public.

(4) The commissioner must keep all information filed under subsection (3) in a central record kept for that purpose and must

(a) make the central record available for inspection by any person without charge during normal business hours, and

(b) on request by any person provide a copy of the record or portion of it on payment of a reasonable copying charge.



**PUBLIC DISCLOSURE STATEMENT**  
**Pursuant to Section 17 of the *Members' Conflict of Interest Act***  
**with Respect to the Assets, Liabilities, and Financial Interests, etc. of**  
**Hon. GORDON CAMPBELL, MLA and his Spouse**  
**2005**

**ASSETS**

Bank and Other Deposits (Member & Spouse)

Government Bonds and Securities (Member & Spouse)

Pension Rights (Spouse)

Life Insurance Policies (Member & Spouse)

Mutual Funds and/or Segregated Funds (Member & Spouse)

Money Market Investments (Member & Spouse) Canadian Cash

RRSP's    Plan 1 (Member)  
Plan Trustee – Standard Life (MLA Group RRSP)

Plan 2 (Member)  
Plan Trustee – Canadian Western Trust  
Assets within the plan –

1. Bonds – Thomson Corp.	Telus Corp.
IPL Energy Mtn	TD BK
2. Common Stock –	
BCE Inc.	Thomson Corp.
Bank of Montreal	Transcanada Corp.
Transalta Corp.	Weston George Ltd.
Manulife Fncl. Corp.	
3. Trust Units – IUnits S&P TSE 60 IDX FD	
Vermilion Energy	
4. Mutual Funds	

Plan 3 (Spouse)  
Plan Trustee – Canadian Western Trust  
Assets within the plan –

1. Bonds – Ford CR CDA  
          MBNA CAN DEP NT
2. Common Stock – Royal Bank CDA
3. Mutual Funds

Shares (Member & Spouse) Wt Full Metal Minerals Ltd.  
Victoria Res Corp.  
Terra Energy Corp.  
TSO3 Inc.

Residential Property (Member & Spouse) in Vancouver, BC

Recreational Property (Spouse) in Halfmoon Bay, BC

Other Financial Interests (Spouse) shares in Napili Beach Club

Private Business Interests (Spouse) ½ ownership of Chibetty Holdings

#### **LIABILITIES**

Mortgage (Member & Spouse) on residential property in Vancouver, BC – HSBC Canada

#### **SOURCES OF INCOME**

From Province of British Columbia

(Member) MLA and Premier's salary and allowances

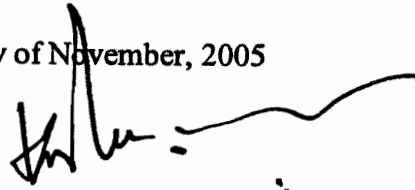
(Spouse) Nil

From all Other Sources

(Member) BC Liberal Party – Leader's allowance

(Spouse) Vancouver School Board – employment income

Filed with the Clerk of the Legislative Assembly this 15<sup>th</sup> day of November, 2005



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H. A. D. Oliver  
Conflict of Interest  
Commissioner

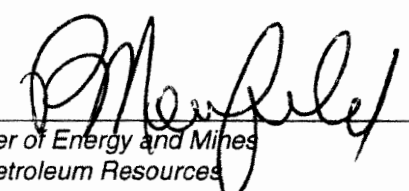
**PROVINCE OF BRITISH COLUMBIA**  
**ORDER OF THE LIEUTENANT GOVERNOR IN COUNCIL**

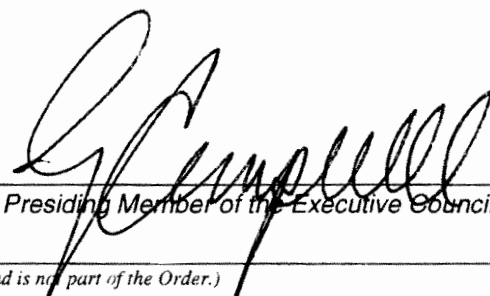
Order in Council No. **787**, Approved and Ordered **OCT 26 2005**

  
\_\_\_\_\_  
Lieutenant Governor

**Executive Council Chambers, Victoria**

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and consent of the Executive Council, orders that section 4 (9) of the Petroleum and Natural Gas Royalty and Freehold Production Tax Regulation, B.C. Reg. 495/92, is amended by adding “pipelines,” before “bridges, roads, rails or trails in support of resource exploration or development.”.

  
\_\_\_\_\_  
Minister of Energy and Mines  
and Petroleum Resources

  
\_\_\_\_\_  
Presiding Member of the Executive Council

*(This part is for administrative purposes only and is not part of the Order.)*

**Authority under which Order is made:**

Act and section: Petroleum and Natural Gas Act, s. 73 (2) (f)

Other (specify): OIC 1854/92

July 12, 2005

636/2005/11

