



**SHAREHOLDER'S LETTER OF EXPECTATIONS
BETWEEN**

**THE MINISTER OF PUBLIC SAFETY AND SOLICITOR GENERAL
(THE "SHAREHOLDER")
AND THE**

**BRITISH COLUMBIA LOTTERY CORPORATION
(THE "CORPORATION")**

PURPOSE

The Province of British Columbia's *Governance Framework for Crown Corporations* establishes guiding principles for the governance of Crown corporations. The Governance Framework also identifies roles and responsibilities for the Shareholder and Crown corporations and provides for a Shareholder's Letter of Expectations (Letter) to be jointly developed.

The purpose of the Letter is to confirm the shared understanding of the Shareholder, represented by the Minister of Public Safety and Solicitor General, and the Corporation on corporate mandate, public policy issues, strategic priorities and performance expectations. The Letter will serve as the basis of agreement between the Shareholder and Corporation on those issues, priorities and expectations and will, as a result, inform the development of the Corporation's Service Plan.

This Letter does not create any legal or binding obligations on the part of the Shareholder or the Corporation but rather is intended to define and develop a positive and cooperative working relationship.

This Letter will be effective upon the date of signing, and will cover the period up to, and including, March 31, 2006. The Letter will be reviewed and amended annually as necessary. This Letter applies to the Shareholder, the Corporation and its subsidiaries.

SHAREHOLDER ACCOUNTABILITIES

In developing a system of Crown corporations in British Columbia, the Shareholder is accountable for the legislative, regulatory and public policy framework in which Crown corporations operate, including:

- establishing, reviewing, revising and communicating Crown corporations' mandates;
- establishing the overall and Crown specific financial frameworks under which Crown corporations operate (borrowing, investment, and payment to the Shareholder);
- issuing performance management guidelines, including specifications for service planning and annual reports;
- providing strategic input and advice to Crown corporations in the development of their Service Plans;
- advising Crown corporations of government's priorities, strategic decisions and public policy and performance objectives and expectations that may impact the Crown corporations; and
- issuing directives or orders, or sponsoring submissions on behalf of Crown corporations that may be required to seek decisions or policy direction by the Executive Council or its committees, in order to facilitate Crown corporations fulfilling their mandates and achieving the performance targets outlined in Crown corporations' Service Plans.

Specific to the Corporation, the Shareholder has:

- continued the Corporation as an agent of the Shareholder under the *Gaming Control Act*, which establishes its mandate, structure, financial framework and legislated responsibilities and accountabilities;
- preserved for the Shareholder the right to direct the Corporation, under which the Shareholder has empowered the Corporation to implement policies and procedures that allow it to operate in a business-like manner within the legislative and policy structure for gaming that has been established by the Shareholder;
- established the Ministry of Public Safety and Solicitor General as the agency of the government responsible for the overall integrity of gaming and horseracing in the Province; and
- established policy and funding mechanisms to respond to problem gambling.

The shareholder also acknowledges that, although the Corporation has a legislated monopoly to conduct and manage gaming in the Province, the Corporation must still compete with other forms of entertainment for consumers' discretionary spending on leisure activities. In this competitive environment, the Shareholder recognizes that the Corporation's image, positioning, advertising, and community activities are all important factors in achieving its target Service Plan outcomes.

During the term of this Letter, the Shareholder anticipates providing policy direction in a number of areas that will affect all Crown corporations, including:

- capital asset management;
- zoning and land use;
- property taxation;
- donations policy;
- enterprise risk management;
- First Nations (treaty negotiations/land selection); and
- environmental remediation.

The Shareholder will also, on a continuing basis, monitor the achievement of the goals, objectives, strategies and targets identified in Crown corporations' Service Plans.

Specific to the Corporation, the Shareholder will:

- resolve the role of the Corporation in the management of horse racing, and provide direction to the Corporation in this regard; and
- continue to monitor, and revise as required in consultation with the Corporation, policies with respect to problem gambling.

CORPORATION ACCOUNTABILITIES

In responding to the general and specific frameworks and direction of the Shareholder, the Corporation is accountable for:

- achieving its mandate and the performance expectations and objectives of the Shareholder, including establishing and implementing corporate strategies, policies, programs and plans that are consistent with the Shareholder's general direction and consistent with principles of efficiency, effectiveness, consumer choice and customer service;
- preparing a Service Plan with clearly articulated goals, objectives, strategies and performance measures and targets, and annual reports which detail progress toward achieving those goals;
- optimizing the Corporation's financial performance within the gaming and social policy framework established by the Shareholder; and
- providing the Shareholder with reports and other information that would enable the Shareholder to carry out its responsibilities, including the information set out in Appendix One.

- ensuring that all operational activities are consistent with any policy changes, and incorporating any implications in financial forecasting provided to the Shareholder.
- initiating and/or making proposals to improve the organization's effectiveness and efficiency for consideration by the Shareholder.
- identifying public policy issues requiring clarification;
- complying with policy directives that may be issued from time to time by the Minister responsible for the *Gaming Control Act* ;
- undertaking any restructuring activities necessary to achieve the direction of the Core Review and Deregulation Task Force;
- providing information to the Shareholder if the Corporation is unable to meet the targets identified in its Service Plan.

COMMUNICATIONS EXPECTATIONS AND REPORTING REQUIREMENTS

It is agreed by both the Shareholder and the Corporation that to ensure effective and efficient day-to-day communications and relationship building, that officials representing both parties will be tasked with implementing the contents of this Letter and keeping the Minister Responsible and the Board of Directors informed of progress.

The Shareholder and the Corporation are committed to enhanced transparency and accountability to the public. While both parties note that reporting to the Shareholder and the public continues to evolve, the Shareholder has put in place a public reporting structure set out in the *Budget Transparency and Accountability Act*, the *Financial Administration Act*, and the *Financial Information Act*. The Corporation agrees that it will meet the requirements of this legislative structure. The financial reporting calendar is attached (Appendix One).

The Shareholder and the Corporation agree, that as a matter of course, each will keep the other routinely advised of any issues that may materially impact the business of the Corporation or the interests of the Shareholder.

In addition to coordinating the overall process for preparing this Letter on behalf of the Shareholder, the Crown Agencies Secretariat is also accountable for undertaking an annual review of this Letter as well as monitoring its implementation. The review will occur in September 2003. This Letter can, if necessary, be modified in advance of the annual review if deemed necessary by one or both parties.

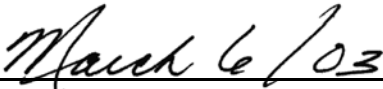
It is agreed that the Shareholder and the Corporation will work cooperatively to achieve the expectations identified in this Letter.



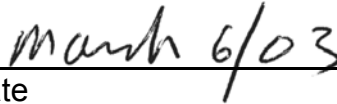
Honourable Rich Coleman
Minister of Public Safety and
Solicitor General and
Minister Responsible for the
British Columbia Lottery Corporation



T. Richard Turner
Chair
British Columbia Lottery Corporation



Date



Date

cc. Honourable Gordon Campbell
Premier

Brenda Eaton
Deputy Minister
Corporate Planning and Restructuring
Office of the Premier

Yvette Wells
A/Chief Executive Officer
Crown Agencies Secretariat

Vic Poleschuk
President and Chief Executive
British Columbia Lottery Corporation

APPENDIX ONE: FISCAL REPORTING CALENDAR

INFORMATION REQUIREMENTS AND EVENTS CALENDAR FOR 2003/04 - CROWN CORPORATIONS AND SUCH AGENCIES

DUE DATE	REPORT (DESCRIPTION AND REQUIREMENTS BELOW)
April 22, 2003	<ul style="list-style-type: none"> • Preliminary 2002/03 Comparative Financial Statements (for Crowns/Agencies with a year-end other than March 31, the 2002 financial statements and the March 2003 YTD Actuals)
May 17, 2003	<ul style="list-style-type: none"> • 2003/04 – 2006/07 Budget Submission Update
May 30, 2003	<ul style="list-style-type: none"> • Audited Comparative Financial Statements

June 26, 2003 Release of Public Accounts

July 25, 2003	<ul style="list-style-type: none"> • 2003/04 First Quarterly Report: YTD Actuals (draft, subject to final confirmation on September 4) • Quarterly Capital Report
August 20, 2003	<ul style="list-style-type: none"> • 2003/04 First Quarterly Report: 2003/04 Revised Forecast and 2004/05 – 2007/08 Projections (to be approved by Boards/Chairs prior to submission) • First Quarterly Report communications plans and release information due for Crowns/Agencies preparing separate public releases (see requirements regarding earlier releases) • 2002/03 Annual Report, communications plans and release information
September 4, 2003	<ul style="list-style-type: none"> • First Quarterly Report information (final draft) to be signed off by CEO/CFO and returned to DM of Treasury Board

September 11, 2003 Release of the First Quarterly Report (Crowns/Agencies to have Briefed Ministers Responsible and Provided Them with Briefing Material)

October 17, 2003	<ul style="list-style-type: none"> • 2003/04 Second Quarterly Report: YTD Actuals (draft, subject to final confirmation on November 14) • Quarterly Capital Report
October 31, 2003	<ul style="list-style-type: none"> • 2003/04 Second Quarterly Report: 2003/04 Revised Forecast and 2004/05 – 2007/08 Projections (to be approved by Boards/Chairs prior to submission) • Second Quarterly Report communications plans and release information due for Crowns preparing separate public releases (see requirements regarding earlier releases)
November 1 – 30, 2003	<ul style="list-style-type: none"> • Crown Budget Presentations to Treasury Board (Agency presentations to go through ministries)
November 14, 2003	<ul style="list-style-type: none"> • Second Quarterly Report information (final draft) to be signed off by CEO/CFO and returned to DM of Treasury Board

November 27, 2003 Release of the Second Quarterly Report (Crowns/Agencies to have Briefed Ministers Responsible and Provided Them with Briefing Material)

January 9, 2004	<ul style="list-style-type: none"> • 2003/04 Third Quarterly Report – YTD Actuals (draft, subject to final confirmation on February 5) • Quarterly Capital Report
January 28, 2004	<ul style="list-style-type: none"> • 2003/04 Third Quarterly & 2004/05 Budget Reports: 2003/04 Revised Forecast and 2004/05 – 2007/08 Projections (to be approved by Boards/Chairs prior to submission) • Third Quarterly Report communications plans and release information due for Crowns preparing separate public releases (see requirements regarding earlier releases) • 2004/05 – 2006/07 Service Plan (contact CAS/PBO for more information)
February 5, 2004	<ul style="list-style-type: none"> • Third Quarterly and Budget Report information (final draft) to be signed off by CEO/CFO and returned to DM of Treasury Board

February 17, 2004 2003/04 Third Quarterly Report and 2004/05 – 2006/07 Budget and Service Plans Tabled in the Legislature (Crowns to have Briefed Ministers Responsible and Provided Them with Briefing Material)

REPORT DESCRIPTIONS AND REQUIREMENTS

2003/04 to 2006/07 Budget Submission Update

- Crowns to update budget material submitted in January 2003 to reflect the latest economic forecast and actual conditions to date.

Quarterly Reports – YTD Actuals

- YTD comparative financial statements (includes balance sheet, income statement and cash flows)
- Completed Supplemental Financial Report (Appendix C reports for OCG)
- Explanation of significant variances (both year-to-year and YTD-to-budget)
- Analysis of differences in accounting policy between Crowns/Agencies and government, including impact on net debt and capital numbers (using the government's accounting policies)
- Details on unusual or extraordinary items and prior year restatements
- Details on FTEs
- For Crowns with a year-end other than March 31, the quarterly information provided is to be for the period from the year-end to the end of the reported quarter. In addition, OCG may require information to make "stub-period" adjustments to adjust aggregate results so that they are comparable with the government's fiscal year-end. This will not affect individual reported Crown/Agency results, but will help ensure that the government's summary accounts properly report activity during the government's fiscal year. Stub period information will relate to the January – March period for some Crowns and the July – March period for some Agencies.
- For additional information, contact the Office of the Comptroller General.

Quarterly Capital Report – 2003/04

- For taxpayer-supported Crowns, summary update by project on projects >\$1.5 million as per information required in previous years, unless otherwise specified by Treasury Board. For taxpayer-supported and commercial Crowns, in-year year-to-date and revised forecasts are required for total capital spending (on an accrued basis). Consistent with Budget Transparency and Accountability Act, separate information is required for capital projects exceeding \$50M. For additional information, contact Capital Division of Treasury Board Staff (see contacts section).
- Information on significant variances in year-to-date (compared to calendarized budgets) and revised forecasts (compared to the February budget).

First and Second Quarterly Reports – 2003/04 Revised Forecast and 2004/05 – 2007/08 Projections

- Completed reporting template, including 2003/04 revised forecast and updated projections for 2004/05 to 2007/08
- Explanation of significant variances for 2003/04 (both year-to-year and revised forecast-to-budget)
- Summary information on projects >\$50 million
- Analysis of portfolio and exposures, details of debt strategy
- Details on unusual or extraordinary items and prior year restatements
- Details on projected loan activity and investments
- Key assumptions and operating indicators, including risks and sensitivities of key assumptions
- For additional information, contact the Fiscal and Economic Analysis Branch of Treasury Board Staff. A refined template has been developed to ensure that minimum information is collected to prepare complete summary account financial forecasts.

Crown Budget Presentations

- Use presentation format to be communicated in September by Crown Agencies Secretariat (for Crowns) and Performance Budgeting Office (for SUCH Agencies).
- Forecast information should be consistent with what is prepared for the 2nd Quarterly Report. The 2003/04 Revised Forecast and 2003/04 to 2006/07 Projections prepared for 2nd Quarterly Report should be shown as status quo with known material differences disclosed separately

Third Quarterly Report – 2003/04 Revised Forecast and 2004/05 – 2007/08 Projections

- This information will be published as part of the government's 2004/05 budget and should be used in preparing corporation service plans.
- Completed reporting template, including 2003/04 revised forecast, 2004/05 budget and projections for 2005/06 to 2007/08.
- 2004/05 budget and 2005/06 to 2007/08 projections will incorporate Core Review, Board Strategic Plans and/or directions of Treasury Board.
- Explanation of significant variances for 2003/04 (both year-to-year and forecast-to-budget)
- Summary information on projects >\$50 million
- Analysis of portfolio and exposures, details of debt strategy
- Details on unusual or extraordinary items and prior year restatements
- Details on projected loan activity and investments
- Key assumptions and operating indicators for 2004/05 budget and 2005/06 to 2007/08 projections, including risks and sensitivities of key assumptions
- Preliminary monthly calendarizations of 2004/05 budgeted income and cash flow statements.
- For additional information, contact the Fiscal and Economic Analysis Branch of Treasury Board Staff. A refined template has been developed to ensure that minimum information is collected to prepare complete summary account financial forecasts.

Quarterly Report Communications Plans and Release Information

- Applicable to those Crowns/Agencies that release separate quarterly information to the public.
- This will include press releases and backgrounders, briefing material or questions and answers prepared for Ministers responsible.
- Where Crown corporations/SUCH agencies plan to release quarterly reports earlier than the provincial government's schedule, communications material should be forwarded to Crown Agencies Secretariat (for Crowns)/Performance Budgeting Office (for SUCH) at least one week prior to planned release.
- For additional information, contact the Crown Agencies Secretariat or Performance Budgeting Office.