

## **Nanninga, Tanera AG:EX**

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**From:** Nanninga, Tanera JAG:EX  
**Sent:** Friday, July 28, 2017 2:57 PM  
**To:** Richter, Connie JAG:EX  
**Subject:** Meeting with Bud Smith from BCLC

Hi Connie,

Bud Smith, the Chair of BCLC is unable to attend the Kamloops meeting as he will be here in Victoria. He has requested a short meeting with the minister on Wednesday the 2nd. Since Cabinet has been changed to 10-1 and we decided that the ADM meeting would be from 2-4, I have scheduled this meeting from 1-2 in our MO. Would Richard also be able to attend?

Thank you,

*Tanera Nanninga*

**Administrative Coordinator to the Honourable David Eby**

**Attorney General and Minister responsible for Liquor, Gaming, and ICBC**

**Phone: (250-387-1866)**

## Nanninga, Tanera AG:EX

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**From:** Eby, David PREM:EX  
**Sent:** Friday, July 28, 2017 2:50 PM  
**To:** Nanninga, Tanera JAG:EX  
**Subject:** RE: Bud Smith Meeting Aug 2nd

Yes please

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**From:** Nanninga, Tanera JAG:EX  
**Sent:** Friday, July 28, 2017 2:47 PM  
**To:** Eby, David PREM:EX  
**Subject:** Bud Smith Meeting Aug 2nd

I forgot to ask you...would you like Richard to attend this meeting?

Thanks,

*Tanera Nanninga*

**Administrative Coordinator to the Honourable David Eby**  
**Attorney General and Minister responsible for Liquor, Gaming, and ICBC**  
**Phone: (250-387-1866)**

August 2, 2017

Honourable David Eby  
Attorney General  
P.O. Box 9044, Stn. Prov. Govt.  
Victoria, BC V8W 9E2

Dear Minister Eby:

**Re: Compensation for Jim Lightbody**

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Attached please find correspondence that I provided to the former Minister Responsible for BCLC two months ago, which I now bring forward to you for your consideration.

The British Columbia Lottery Corporation (BCLC) has achieved exemplary performance in every aspect of the business over the past three years, performance that has undoubtedly made a difference for the people of British Columbia by providing revenues to help fund provincial and community programs and services. Compared to other jurisdictions across Canada, BCLC excels. For example:

- For the last three years in a row, BCLC has exceeded budgeted gross revenue and net income, which were all record performances over the previous fiscal years.
- The lottery business has been strengthened through new product development and innovative new channels of distribution, including an in-lane grocery point-of-sale solution that has been embraced by all the major grocery retailers in BC and will soon enable BCLC to offer this service to other markets in Canada.
- BCLC's marketing approach to promote BC Casinos and aligning strategy with service providers have resulted in a change in perceptions of casinos as an entertainment destination. Casinos have moved to fourth from sixth on the list of considerations for a great night out. This combined with investments in facility developments, product management and the use of customer insights has resulted in a 5.9 per cent increase in slot revenues – nowhere else in Canada matches this performance.
- PlayNow.com, BCLC's online gambling website, has seen 16.3 per cent growth over the last year and now generates revenue comparable to the 4th largest "bricks and mortar" casino in BCLC's network.
- Increased public and community engagement efforts have generated the highest public support ratings for BCLC, ever, with 73 per cent of British Columbians recognizing the positive contributions to communities made by BCLC's operations – this is up from results that were in the 50<sup>th</sup> and 60<sup>th</sup> percentile a few years ago.
- BCLC's innovative approach to responsible gambling programs is recognized internationally. With five gaming jurisdictions now licensing GameSense and a new partnership with MGM Resorts International, BCLC will benefit from MGM's \$1 million dollar investment in the brand over 5 years and an additional \$2 million to further research on the effectiveness of the program, including work with the UBC Centre for Gambling Research.
- BCLC is developing new innovations in gaming by reaching out to the start-up gaming and technology industry in British Columbia.

**bclc**  
playing it right

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F 250.828.5631

2940 Virtual Way  
Vancouver, BC V5M 6A6

T 604.215.0649  
F 604.225.6424  
[bclc.com](http://bclc.com)

- Employee engagement results at 87 per cent that puts BCLC amongst the most highly engaged and productive workforces in British Columbia and the nation.

In addition, BCLC has demonstrated a strong working relationship with Government and GPEB which has resulted in addressing key priorities, such as:

- Funding the Joint Illegal Gaming Investigations Team and collaborating on new Anti-Money Laundering initiatives with GPEB. FINTRAC now holds up BCLC as the leader in casino AML performance.
- Completing all 25 Crown Review recommendations by March 31, 2017, within existing BCLC budgets.
- BCLC achieved a CCR of 42.0%, which was below the budget of 43.4% and primarily driven by success in high-margin products and a continued focus on operational efficiency.

These are just a few examples of the many ingredients that have enabled BCLC to deliver a record \$1.339 billion to the Province in 2016/17. I understand that extraordinary performance of an organization is not by fluke, and BCLC is no exception. In fact, what sets BCLC apart from other jurisdictions is one thing: leadership. Jim Lightbody, President and Chief Executive Officer of BCLC has and continues to provide the leadership required that will responsibly grow and sustain an industry that has become important to the people and communities throughout British Columbia. Gambling now provides more than 37,000 direct and indirect jobs in British Columbia, among many benefits it offers when managed responsibly. Jim and his leadership team are responsible stewards of this industry that will ensure a sustainable revenue flow to the Province of British Columbia for years to come.

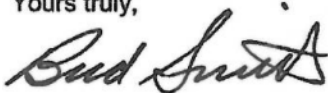
In addition, Jim has done everything we could ask for to improve the profile of BCLC and commitment to the Kamloops community. He has a residence in Kamloops and has delivered on the promise to use Kamloops as his primary office. He also spends considerable time in the community, exemplified by being asked to join the Advisory Board to the Kamloops Blazers and Thompson Rivers University's School of Business and Economics. Importantly, he has also delivered on the commitment to have more BCLC executives based in our head office with the recent appointments of the CFO and Vice President, Human Resources being relocated to Kamloops.

However, the executive compensation freeze presents some challenges to recognize Mr. Lightbody for exceptional performance and the amount of time that has lapsed since Mr. Lightbody first accepted his permanent role in 2015 (after serving as interim CEO from February 2014) has created inequity across the public sector. For example, the Inflation Rate in B.C. increased 2.75 per cent between 2015 and 2017 and Jim has not had an increase in that time. This is compounded by the fact the compensation of the new BC Ferries CEO, an internal candidate, is approximately \$100,000 more than the CEO of BCLC. BCLC's comparative compensation data indicates Jim is 23 percent below median compensation for our approved PSEC compensation plan that dictates weighting for public (70%), crown (20%) and private (10%).

Given the clear link between leadership and results and the importance of recognizing this exceptional performance, I am requesting your approval to adjust Mr. Lightbody's compensation to align it with the standards set out by the Public Sector Employers Secretariat. The attached documentation outlines the rationale and business case for this change. I can attest the entire Board of Directors of BCLC endorses this request.

Thank you for your consideration.

Yours truly,



Bud Smith  
Chair, BCLC Board of Directors

cc: Richard Fyfe, Deputy Attorney General

June 7, 2017

COPY

Honourable Michael de Jong  
Minister of Finance  
PO Box 9048 Stn. Prov. Govt.  
Victoria, BC V8W 9E2



Dear Minister de Jong:

**Re: Compensation for Jim Lightbody**

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bclc.com

In addition, BCLC has developed a strong working relationship with the Ministry of Finance and GPEB which has resulted in addressing key priorities, such as:

- Completing all 25 Crown Review recommendations by March 31, 2017, within existing BCLC budgets.
- Funding the Joint Illegal Gaming Investigations Team and collaborating on new Anti-Money Laundering initiatives with GPEB. FINTRAC now holds up BCLC as the leader in casino AML performance.
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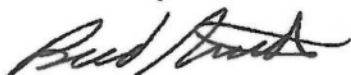
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However, the executive compensation freeze presents some challenges to recognize Mr. Lightbody for exceptional performance and the amount of time that has lapsed since Mr. Lightbody first accepted his permanent role in 2015 (after serving as interim CEO from February 2014) has created inequity across the public sector. For example, the Inflation Rate in B.C. increased 2.75 per cent between 2015 and 2017 and Jim has not had an increase in that time. This is compounded by the fact the compensation of the new BC Ferries CEO, an internal candidate, is approximately \$100,000 more than the CEO of BCLC. BCLC's comparative compensation data indicates Jim is 23 percent below median compensation for our approved PSEC compensation plan that dictates weighting for public (70%), crown (20%) and private (10%).

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Thank you for your consideration.

Yours truly,



Bud Smith  
Chair, BCLC Board of Directors

cc: File

# BCLC Compensation Plan

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## **BCLC**

BCLC conducts and manages gambling in B.C. including casino, lottery, bingo and sports betting through multiple channels of distribution. Our slot machines and table games are operated through contracts with private sector service providers at 15 casinos, two racecourse casinos, 18 community gaming centres and seven commercial bingo venues. Our national and provincial lottery products are sold at over 3,900 retail locations, operated by private sector retailers who earn a standard commission based on product sales. PlayNow.com is BCLC's secure, regulated online and mobile channel with a growing diversity of lottery games, sports betting, eCasino, ePoker and eBingo entertainment for over 360,000 registrants. PlayNow.com also provides online gambling services as well as web-based and smartphone platforms to Manitoba Lotteries.

BCLC is a Crown corporation, established on April 1, 1985, and is governed by B.C.'s *Gaming Control Act* (2002). We manage and conduct gaming and grow net income in a socially responsible way, adhering to the *Taxpayer Accountability Principles*, for the benefit of British Columbians.

As a Crown corporation, BCLC is required to ensure that all compensation plans are approved by the Public Sector Employer's Council (PSEC) as legislated in the *Public Sector Employers Act*.

## **Government of British Columbia and BCLC's Shared Compensation Principles**

BCLC's compensation philosophy and plan is aligned to a common compensation philosophy for the B.C. Public Sector and has embodied the following four core principles:

- **Performance** – Compensation programs support and promote a performance-based organizational culture.
- **Differentiation** – Differentiation of salary is supported where there are differences in the scope of the position within an organization, and/or due to superior individual team contributions.
- **Accountability** – Compensation decisions are objective and based upon a clear and well documented business rationale that demonstrates the appropriate expenditure of public funds.
- **Transparent** – Compensation programs are designed, managed and communicated in a manner that ensures the program is clearly understood by employees and the public while protecting individual personal information.



# BCLC Compensation Plan

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## **BCLC's Guiding Principles for Reward and Compensation**

1. **Merit-based compensation** – We will differentiate compensation and rewards for high performing employees.
2. **Externally competitive** – We strive to pay base salaries at median (50<sup>th</sup> percentile) of a role's market rate.
3. **Internally equitable** – High-performing employees will progress through the range at a faster pace than accomplishing employees as performance achievement is taken into account for movement through the range.
4. **Relevant comparators** – The market will be based on comparable crown corporations and national jurisdictions, with the exception of "special market" roles which will include specific private sector organizations (aligned by role, market, and geography).
5. **A "total rewards" perspective** – We will communicate a holistic view of rewards to staff and leadership that includes base compensation (salary, holdback, benefits) along with development, recognition, and other quantifiable rewards that are provided to employees.
6. **Transparent and accountable** – Practices will be transparent and accountable to employees, leadership, the Board of Directors, and key public sector stakeholders.

## **Scope and Definition**

"Executive" refers to positions at the leadership level in salary range 12. It also refers to those executives who hold a Vice President title, serve in the Executive Committee, and have responsibility for setting the strategic policy and direction for BCLC and report directly to the CEO.

"Director" refers to positions at the leadership level in salary range 9. It also refers to those leaders who have responsibility for executing on the strategic policy and direction for BCLC and report directly into a Director or Vice President.

"Sr. Manager or Manager" refers to positions at the leadership level in salary range 7 or 8. It also refers to those leaders who have some responsibility for executing on strategic policy and direction as well as responsibility for delivery of day to day operational requirements.

"Employee" refers to positions at the professional and administrative level in salary ranges 1-6. It also refers to those employees who have responsibility for executing on the day to day operations of the business.

*Compensation plan is compliant with the Crown Corporation Executive Compensation Policy, July 2012.*



## BCLC Compensation Plan

### Job Evaluation and Salary Grid

All employees, managers, directors and vice presidents are compensated within the salary range in which their role is allocated through a formal job evaluation process. Progression through the salary range is achieved through performance based merit.

### Salary Ranges

Range		Role Profile	Min 80%	Mid 100%	Max 125%
Administrative / Support	1	BSS01 GO01	30,618 15.70	38,272 19.63	47,840 24.53
	2	BSS02 GO02 ASO01	35,823 18.37	44,779 22.96	55,973 28.70
	3	BSS03 BAS01 MSC01	41,913 21.49	52,391 26.87	65,488 33.58
Professional	4	BSS04 BAS02 GO03 MSC02 ASO02	49,039 25.15	61,297 31.43	76,621 39.29
	5	BSS05 BAS03 GO04 MSC03 ASO03	57,374 29.42	71,718 36.78	89,647 45.97
	6	BAS04 GO05 MSC04 ASO04	67,128 34.42	83,910 43.03	104,888 53.79
Manager	7	BAS05 GO06 MSC05 ASO05	78,540 40.28	98,175 50.35	122,718 62.93
Senior Manager/Director	8	DIR01	87,681 44.96	109,602 56.21	137,002 70.26
Director	9	DIR02	102,535 52.58	128,169 65.73	160,211 82.16
Range		Role Profile	80%	100%	120%
Vice President	12	VP02	159,526 81.81	199,408 102.26	239,290 122.71

### Job Families/Role Profiles

Salary Range	Administrative/Support Range			Professional Range			Manager	Senior Manager /Director	Director	Vice President
	1	2	3	4	5	6	7	8	9	12
Business Support Services (BSS)	BSS-01	BSS-02	BSS-03	BSS-04	BSS-05					
Business Advisory Services (BAS)			BAS-01	BAS-02	BAS-03	BAS-04	BAS-05			
Gaming Operations (GO)	GO-01	GO-02		GO-03	GO-04	GO-05	GO-06			
Marketing, Sales & Communications (MSC)			MSC-01	MSC-02	MSC-03	MSC-04	MSC-05			
Audit & Security Operations (ASO)		ASO-01		ASO-02	ASO-03	ASO-04	ASO-05			

## BCLC Compensation Plan

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### Role Profiles – Job Evaluation

Role profiles are the basis of an internal job evaluation system. Work is defined in terms of the results we deliver. Role profiles are based on the key accountabilities that each role performs, and how each role fits into the overall business. Linking into our core values and high performance behaviours, the five role profiles provide a broad description of the work performed by employees, with increasing accountabilities within each role reflected by the role level.

Specifically, the five families that have been defined for BCLC are:

- Business Support Services
- Business Advisory Services
- Marketing, Sales and Communications
- Gaming Operations
- Audit and Security Operations

Each role has five key accountabilities, which describe employees' responsibilities in their area of work. The following accountabilities are common to every role at BCLC; the degree of accountability increases with each level in the role.

- Product and Service Delivery
- Business Solutions
- Business Planning and Decision Making
- Relationship Management
- Leadership and Development

### Job Overview

- Range 1 – *(Administrative/Support)* Order Processor
- Range 2 – *(Administrative/Support)* Business Centre Representative, Player Services Assistant, Shipper/Receiver
- Range 3 – *(Administrative/Support)* Accounting Technician, Administrative Assistant, Payroll Administrator, Retailer Network Management Coordinator
- Range 4 – *(Professional)* Benefits Analyst, Executive Assistant, Graphic Designer, Internal Auditor, Technical Analyst
- Range 5 – *(Professional)* Brand Manager, Lottery Investigator, Business Analyst, eLearning Specialist
- Range 6 – *(Professional)* Senior Human Resources Advisor, Senior Auditor, Team Leader, Sr. Product Manager
- Range 7 – *(Manager)* Manager, HR Operations, Manager, Decision Support, Manager, Casino Technical Services, Project Manager
- Range 8 – *(Sr. Manager)* Sr. Manager, Financial Planning & Analysis, Sr. Category Manager, Sr. Manager Enterprise Digital Marketing
- Range 9 – *(Director)* Director, Lottery Marketing, Director, Enterprise Architecture, Director, Social Responsibility
- Range 12 – *(Vice-President)* CFO & Vice President, Finance & Corporate Services, Vice President, Casino & Community Gaming, Vice President, Human Resources

## BCLC Compensation Plan

### Market Assessment

BCLC's compensation plan is market-based and salary ranges will be reflective of the 50th percentile of the market. This means that approximately 50% of market comparators are lower than or equal to our pay ranges (at maximum rate) and about 50% pay more (at maximum rate). Going forward, the market will be evaluated every three years, beginning in April 2016.

### Compensation Benchmarking Methodology

1. BC Public Sector Organizations – Core government, Crown Corporations etc.
2. Other provincial jurisdictions – OLG, MLC, WCLC, SLGA (others) etc.
3. Private Sector – utilized for significant recruitment challenges and high demand talent (to be defined based on business requirements)  
i.e. Solution Architects, Business Intelligence Analysts, Product & Content Development, Business Technology based out of Kamloops
4. Compensation Analysis will be a blend of Core Government, Public Sector, National Lotteries and Private Sector as outlined below:

Common Roles found across all organizations	Unique or Hot Market Roles
<ol style="list-style-type: none"><li>1. Core Gov't &amp; Public – 70%</li><li>2. National – 20%</li><li>3. Private – 10%</li></ol>	<ol style="list-style-type: none"><li>1. National – 30%</li><li>2. Private – 70%</li></ol>

### Executive – Vice President

#### **Base Salary**

Established within the salary range their role is allocated through a formal job evaluation process. Progression through the salary range is achieved through performance based merit. The Vice Presidents base salary will not exceed the maximum of the Salary Range. Vice Presidents total compensation will not exceed 85% of the CEO's total compensation.

#### **Holdback**

The holdback performance objectives for Executives will be determined by the achievement of Corporate Objectives (threshold target achieved) and Personal Objectives which will total 100% weighting. Metrics for Corporate Objectives are aligned with the Shareholders Letter of Expectation and Annual Service Plan and are approved by the Board of Directors.

Vice Presidents grandfathered from the older Variable Incentive Program are eligible for a 15% maximum Holdback Incentive. Holdback Incentive will remain pensionable income for grandfathered Vice Presidents.

New or newly promoted executive are eligible for a 10% maximum Holdback Incentive. Holdback Incentive will be non-pensionable income.

## BCLC Compensation Plan

**Vehicle Allowance or Leased Vehicle Option** – Executive will be eligible to receive either a vehicle allowance or leased vehicle option that is aligned with the Provincial Government of BC plan. In the Provincial Government of BC plan for executive the following two options are available:

1. A maximum monthly lease payment exclusive of tax will not exceed \$625 per month
2. An executive may elect to receive a vehicle allowance in lieu of taking a leased vehicle. The allowance is equivalent to the average lease and vehicle operating costs (as noted in the plan) and is equal to \$580 per month.

*\* All other conditions of the BC Government policy dated July 2012 would apply*

### **Total Compensation**

Base Pay	Regular Pay Acting Pay
Holdback Incentive Plan	Holdback Incentive
Monetary Benefits	Statutory Holidays Vacation Sick Leave Long Term Disability Short Term Disability Medical Services Plan Extended Health Dental Health Care Spending Account Employer Pension Supplementary Pension Plan Core Life Insurance Employee & Family Assistance Workers' Compensation Employment Insurance Canada Pension
Optional	Optional Life Insurance Optional AD&D Buy/Sell Vacation

### **Management – Director, Sr. Manager & Manager**

#### **Base Salary**

Established within the salary range their role is allocated through a formal job evaluation process. Progression through the salary range is achieved through performance based merit. Management positions base salary will not exceed the maximum of the Salary Range.

#### **Holdback**

The holdback performance objectives for Management will be determined by the achievement of Corporate Objectives (threshold target achieved) and Personal Objectives which will total 100% weighting. Metrics for Corporate Objectives are aligned with the Shareholders Letter of Expectation and Annual Service Plan and are approved by the Board of Directors.

## BCLC Compensation Plan

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Directors and Sr. Managers are eligible for a 10% maximum Holdback Incentive. Prior to September 1, 2015 all Directors and Sr. Managers are grandfathered and their Holdback Incentive will remain pensionable income.

New or newly promoted Directors as of September 1, 2015 (effective date of addendum to approved compensation plan of February 2013), their Holdback Incentive will be non-pensionable income.

Managers are eligible for a 5% maximum Holdback Incentive. Prior to September 1, 2015 all Managers are grandfathered and their Holdback Incentive will remain pensionable income.

New or newly promoted Managers as of September 1, 2015 (effective date of addendum to approved compensation plan of February 2013), their Holdback Incentive will be non-pensionable income.

### Total Compensation

Base Pay	Regular Pay Acting Pay Premium
Holdback Incentive Plan	Holdback Incentive
Monetary Benefits	Statutory Holidays Vacation Sick Leave Long Term Disability Short Term Disability Medical Services Plan Extended Health Dental Health Care Spending Account Employer Pension Core Life Insurance Employee & Family Assistance Workers' Compensation Employment Insurance Canada Pension
Optional	Optional Life Insurance Optional AD&D Buy/Sell Vacation

## BCLC Compensation Plan

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### Employees

#### **Base Salary**

Established within the salary range their role is allocated through a formal job evaluation process. Progression through the salary range is achieved through performance based merit. Employee base salary will not exceed the maximum of the Salary Range.

#### **Total Compensation**

Base Pay	Regular Pay Overtime Premiums – (i.e. shift premiums, standby pay, call back etc.) ,
Monetary Benefits	Statutory Holidays Vacation Sick Leave Long Term Disability Short Term Disability Medical Services Plan Extended Health Dental Health Care Spending Account Employer Pension Core Life Insurance Employee & Family Assistance Workers' Compensation Employment Insurance Canada Pension
Optional	Optional Life Insurance Optional AD&D Buy/Sell Vacation

Page 15 to/à Page 18

Withheld pursuant to/removed as

s.13;s.17



2 August 2017

BALC

1<sup>30</sup> pm Brad Smith

1. BALC

2. SCL Replacement

Ed Dineen

Governance: Chair HR & Comp • Tandi Brown

• Christian Anthony <sup>Finance</sup>

VP Odell Brown / <sup>HR</sup>

BALC Manager own person

• VACANT - seeking chairs

Speaker of financials still

Board Members are not allowed to go into Casinos

VP Bus Dev Corp (Rite) Finnon Chan

Both willing - K9 Hotel Bal - Lodging

to stay at • Maury Kitch (Dodge Auto Group) - Chair Rite Chair

Board • Matthew Watson (Victoria - Transport - Bus) Gov & Bus, Resp Chair, Rel COS.

2018 - 4 Expiring

• Andrew Brown (Ver - Consultant - Tech Bus)

• Bob Holden (Formerly BALC External Auditor) Chair Audit Chair

• Wendy Hirsiger O'Brien (Century 21 Hotel/Spa)

• Brad Smith - May 2018

BCLC (cont'd)

2 August 2017

Need: Appoint Chair HR + Compensation

Reporting Process -

3 "Heads Up" - Harvest/Invest Paradigm • new OSA

- legacy lottery 2gpt / enhancement

(Protocol: GPEB - CFSEU (BCLC not part of it) restaurants

JIGIT - accountability for \$ provided by BCLC (\$3 Million)

want policing power to go + shut down illegal gaming facilities (Red

1 - independent media coverage (by police - not coordinated, etc.)

New Casinos - Victoria: Great Canadian Casino claimed to be grandfathered  
(Red line too) - hence Timex retained to spec No

North Shore - Tribal Nations interested (but too remote?)

.. CEO Compensation - 23% increase requested.

5. Role + Expectations .

## Dayman, Marlene JAG:EX

---

**From:** Bud Smith <bsmith@urbansystems.ca>  
**Sent:** Thursday, August 3, 2017 1:43 PM  
**To:** Howard, Stephen PREM:EX  
**Cc:** Fyfe, Richard J JAG:EX  
**Subject:** EO Compensation  
**Attachments:** CEO Compensation Plan (August 2017).docx;  
signed\_JLightbody\_Promo.CEO\_Apr2015.pdf; M Graydon - Compensation Plan -  
02.19.13 - Signed.pdf

**Importance:** High

Stephen,

Reference item 4 of our discussion yesterday, Minister Eby asked if Jim's current compensation is the same as Graydon's was when he left, or higher/lower?

I've provided the above for your information and sharing with Minister Eby, including Jim's contract and Graydon's last revised compensation agreement.

I've copied Richard as he has the request document, and the above information may be germane.

The short answer to our Minister's question is Jim's total compensation was \$87,356 below Graydon's when Jim was named CEO and it has not changed since.

Graydon's total compensation was \$462,342 when he left and Jim's has been \$374,986 since his appointment.  
Graydon's base salary was \$320,906 when he left and Jim's has been \$274,700 since his appointment.

Hope this answers the question(s).

Bud

If you are not the intended recipient or agent, do not rely on, distribute, or copy any part of this e-mail. If you received this e-mail in error, please delete the message, and if possible let me know it has been received in error. Many thanks.

## CEO Compensation Plan



**Jim Lightbody** (compensation from approved employment contract, effective April 1, 2014)

Compensation Component:	
Base Salary	\$274,700
Salary Holdback Incentive (10% max.)	\$30,522
Pension	\$56,800
Benefits	\$9,046
Statutory Benefits (WCB, CPP, EI)	\$3,918
<b>Total:</b>	<b>\$374,986</b>

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bcfc.com

**Michael Graydon** (compensation from approved employment contract, effective April 1, 2013)

Compensation Component:	
Base Salary	\$320,906
Salary Holdback Incentive (10% max.)	\$35,656
Pension	\$94,320
Benefits	\$7,677
Statutory Benefits (WCB, CPP, EI)	\$3,783
<b>Total:</b>	<b>\$462,342</b>

March 31, 2015

Jim D. Lightbody  
s.22



Dear Sir:

**Re: British Columbia Lottery Corporation ("BCLC") CEO Offer of Employment**

This letter will serve to confirm the terms of your employment as President and Chief Executive Officer (collectively "CEO") of BCLC.

**1. Term**

The term of your employment as CEO will commence on April 1, 2014 and will continue for an indefinite period.

**2. Duties**

Your general duties and responsibilities as CEO are as provided to you. In addition, you shall at all times during your employment:

- (a) well and faithfully serve BCLC;
- (b) act in, and promote, the best interests of BCLC;
- (c) devote the whole of your working time, attention and energies to the interests of BCLC;
- (d) report regularly and as needed to the Chair of the BCLC board;
- (e) comply with all terms of this Agreement;
- (f) abide by BCLC's Standards for Ethical Business Conduct, and comply with all rules, regulations, policies and procedures of BCLC; and
- (g) not, without the prior approval of the Board of Directors, carry on or engage in any other business or occupation or become a director, officer, employee or agent of or hold any office with any other corporation, firm or person, except as a volunteer for a non-profit organization, engaging in civic, religious, educational or other community activities, or maintaining personal investments or a personal holding company, provided that such activities do not materially interfere with the performance of your duties under this Agreement.

**3. Compensation**

Under the Public Sector Employers Act, Minister de Jong has approved a CEO total compensation maximum of \$375,000.00. The amount approved is based on the following:

71 West Seymour Street  
Kamloops, BC V2G 1E2

T 250.828.5500  
F 250.828.5031

2940 Virtual Way  
Vancouver, BC V5M 0A6

T 604.215.0649  
F 604.225.6424  
bclc.com

Compensation Component:	
Base Salary	\$274,700
Salary Holdback Incentive (max.)	\$30,522
Pension	\$56,800
Benefits	\$9,046
Statutory Benefits	\$3,918
Total:	\$374,986

Your compensation comprises of:

- (a) Your annual base salary which shall be paid on a bi-weekly basis.
- (b) The Salary Holdback Incentive of up to 10% annually. The actual amount will be determined annually and will vary based on the achievement of selected performance measures. The holdback incentive payment is not considered pensionable income.
- (c) Your entitlement to the Salary Holdback Incentive shall also be governed by the current BCLC policies as they relate to the Salary Holdback Incentive.
- (d) Pension, benefits and statutory benefits amounts approved represent "employer costs" and are variable costs that can fluctuate from year to year. Such factors that can impact cost are changes in statutory benefits rates (CPP, EI), service costs or individual demographics on actuarial assumptions for pension.
- (e) Your compensation will be reviewed annually by the Board of Directors to ensure that it is compliant with government policies for executive compensation. When possible and appropriate in the Board's sole discretion, adjustments will be made to align your compensation up to the maximum permitted by the current government policies.

#### **4. Benefits**

Your Benefits plan credits will be increased to \$260/month.

#### **5. Vacation Leave**

You will be entitled to 6 weeks holiday per year. You will be entitled to carry forward accrued vacation leave in accordance with BCLC's guidelines governing accrued vacation leave.

Any payment of accrued vacation leave shall not be included in the calculation of your maximum total compensation as set out in article 3 above.

#### **6. Pension**

You continue to be an eligible member in the company pension plan. In addition, effective April 1, 2014, you are eligible for the CEO Supplemental Registered Pension Plan and shall receive 1.5 years of credited pension service for each year of membership in the said pension plan from April 1, 2014 forward.

#### **7. Termination**

BCLC may terminate your employment at any time for just cause without notice or payment in lieu of notice. In the event that your employment is terminated without cause, the calculation of the notice period or severance will be governed by the Employment Termination Standards of the Public Sector Employers Act and any amendments in force at the time and which severance shall not be less than 18 months in total.

## **8. Post-Employment Restriction**

In the event that your employment is terminated or you tender your resignation to BCLC, you agree that you shall be in compliance with BCLC's Standard of Ethical Business Conduct Post-Employment in force at the time of your departure.

For reference, the current standard would require that you not enter into a contract for employment or services for a period of one year from your last day of service either individual or through a sole proprietorship, partnership or corporation with any entity:

- a. That has a contractual relationship, either direct or indirect, with BCLC in any form of Operational Services Agreement;
- b. With whom you directly had substantial dealings in the final year of your employment, where such activity would be a direct conflict with the interests of BCLC unless you are able to satisfy BCLC that you will not participate in any manner on any matter involving BCLC. For these purposes, "substantial dealings" means that you have had ongoing involvement with that entity in the course of performing your duties for BCLC, or you have been involved in a decision-making role for a work assignment or project for BCLC that impacted the interests of that entity; or
- c. Where your new position would require you to act for the entity in connection with any matter regarding, relating to or involving BCLC.

For greater clarity, "last day of service" is defined as the day you conclude your operational duties as President and Chief Executive Officer, your access to BCLC systems is removed and you no longer have decision making authority on behalf of the Corporation and its subsidiaries.

## **9. Travel and Expenses**

You shall be reimbursed for all travel and other expenses actually and properly incurred in connection with the performance of your duties as President and Chief Executive Officer including, but not limited to, travel to the Vancouver Office where private or commercial accommodation may be claimed in accordance with the BCLC Standard Travel and Expenses Policy.

## **10. Kamloops Residency**

It is a term of your continued employment that you maintain a residence in Kamloops. You are solely responsible for all costs associated with your Kamloops residence.

## **11. Relocation Allowance**

Given the requirement that you establish residence in Kamloops and pursuant to Human Resources policy 2.23, you are entitled to a relocation allowance of up to \$25,000 (Twenty-Five Thousand dollars) for expenses incurred. You may submit receipts for reimbursement for the following expenses:

- a. Moving expenses, including the cost of professional movers;
- b. Rent for up to 3 months while searching for a permanent residence;
- c. Furniture purchases/replacement as required;
- d. Utility connection charges;
- e. Travel undertaken for the purpose of finding a permanent residence; and
- f. Any other expenses as approved by the Chair of HRC.

## **12. Gaming Policy and Enforcement Branch**

It is a term of your continued employment that you remain registered with the Gaming and Policy Enforcement Branch.



### 13. Confidentiality

You acknowledge that you are in a fiduciary position and, in the course of your employment, will have access to and be entrusted with confidential information and trade secrets of BCLC and its subsidiaries.

The term "confidential information" when used herein shall include all information of a confidential or proprietary nature that relates to the business of BCLC including without limitation, trade or business secrets, formulae, designs and design methods, other methodologies, computer software programs and modifications and enhancements thereto, business plans and policies, sales and marketing information, training materials, business records, intellectual property, intellectual technology, and any other information not normally disclosed to the public.

You acknowledge that all of BCLC's confidential information is its exclusive property and that all such property is held by you in trust. Except as your duties during your employment with BCLC may require, you shall keep secret and confidential and shall not make any copies of, and shall never disclose or use, either during or after your employment with BCLC, any confidential information of BCLC, except as required to fulfill your obligations to BCLC or as explicitly directed by law.

### 14. Return of Property

Upon the termination or cessation of your employment, you shall at once deliver or cause to be delivered to BCLC all computers, phones, devices, books, documents, effects, money, securities, or other property belonging to BCLC or for which BCLC is liable to others, which are in your possession, charge, control or custody.

### 15. Severability

If any provision of this agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision or part thereof and the remaining part of such provision, and all other provisions shall continue in full force and effect.

### 16. Modification of Agreement

Any modification to this agreement must be in writing and signed by the parties or it shall have no effect and shall be void.

### 17. Independent Legal Advice

You acknowledge that you have obtained independent legal advice with respect to the terms and conditions contained herein.

Yours truly,



Bud Smith, Q.C.  
Chair, BCLC Board of Directors

cc: Employee File

I hereby acknowledge and accept all terms of this offer of employment.

Signature:



Jim D. Lightbody

Date:

March 31, 2015

February 13, 2013

Michael Graydon  
s.22



**Re: Revised CEO Compensation Plan**

Dear Mike:

This letter provides the details of your total compensation plan as approved by the Minister responsible for the Public Sector Employers Act (Minister de Jong) in consultation with Minister Coleman on February 6, 2013. The amendment to your total compensation plan brings it into compliance with government policy on executive compensation in Crown corporations.

*The terms and conditions in this document supersede all prior oral or written proposals and communication pertaining to your compensation package.*

2940 Virtual Way  
Vancouver, BC V5M 0A6

T 604.215.0649  
F 604.225.6424  
bcle.com

**Total Compensation**

Under the Public Sector Employers Act, Minister de Jong has approved a CEO total compensation maximum of **\$462,342**. The amount approved is based on the following:

Compensation Component	Amount
Base Salary	\$320,906
Holdback Incentive (maximum)	\$35,656
Pension	\$94,320
Benefits	\$7,677
Statutory Benefits (WCB, CPP, EI)	\$3,783
<b>Total</b>	<b>\$462,342</b>

The holdback incentive is the maximum potential; the amount remitted each year will differ due to the achievement of the selected performance measures.

Pension, benefits and statutory benefits amounts approved represent "employer costs" and are variable costs that can fluctuate from year to year. Such factors that can impact cost are changes in statutory benefits rates (CPP, EI), service costs or individual demographics (i.e. age, salary) on actuarial assumptions for pension.

**Effective Date**

The effective date of the changes to your compensation plan is **April 1, 2013**.

## Base Salary and Annual Incentive

To comply with government policy on executive compensation, your base salary and variable incentive will transition to a "holdback incentive" model.

Your total potential cash compensation (base salary plus holdback incentive) is **\$356,562**. This amount is comprised of:

- An annual base salary of **\$320,906** – paid on a biweekly basis.
- Holdback incentive of up to 10% (\$35,656 maximum) – determined annually. The achievement and payment of the holdback incentive will vary based on performance criteria as determined annually by the Board of Directors in consultation with the Minister.

The calculation of your new salary and incentive is as follows:

Current Base Salary	\$300,000
Add: Average 4 years Incentive	\$59,500
Less: PSEC Adjustment	- \$2,938
Total Base Salary	\$356,562
Less: Holdback (10%)	- \$35,656
Adjusted Base Salary	\$320,906

## Perquisite Allowance

As per PSEC Secretariat directive, the perquisite allowance will be eliminated April 1, 2013.

## Vacation

There is no change to your vacation entitlement of 225 hours (30 days) per year. However, you will no longer be eligible for the 2 weeks' vacation payout at the end of the calendar year. In addition, accrued vacation must be used by the end of the following fiscal year after the year of accrual (for example, vacation accrued in 2012 should be used in 2013). Any vacation accruals are ineligible for cash remuneration unless upon termination.

## Benefits

There is no change to your benefits eligibility.

## Pension

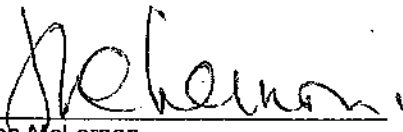
There is no change to your eligibility for BCLC's Registered Pension Plan and CEO Supplemental Registered Pension Plan.

## Summary

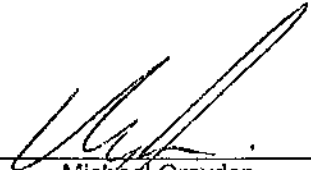
In light of the current provincial political and economic landscape, the Board of Directors and I have worked earnestly to ensure that your total compensation package is clear and complies with the requirements of the Shareholder.

Mike, we recognize that it has not been an easy road to get to this point but we appreciate your patience and understanding. Please let me know if you have any questions.

Regards,

  
John McLernon  
Chair, Board of Directors

cc: Human Resources

Acceptance of Offer:
 Michael Graydon
<u>Feb 19, 2013</u> Date