



Retail Stores Group (RSG) Compensation Program Fiscal Year 2020-2021

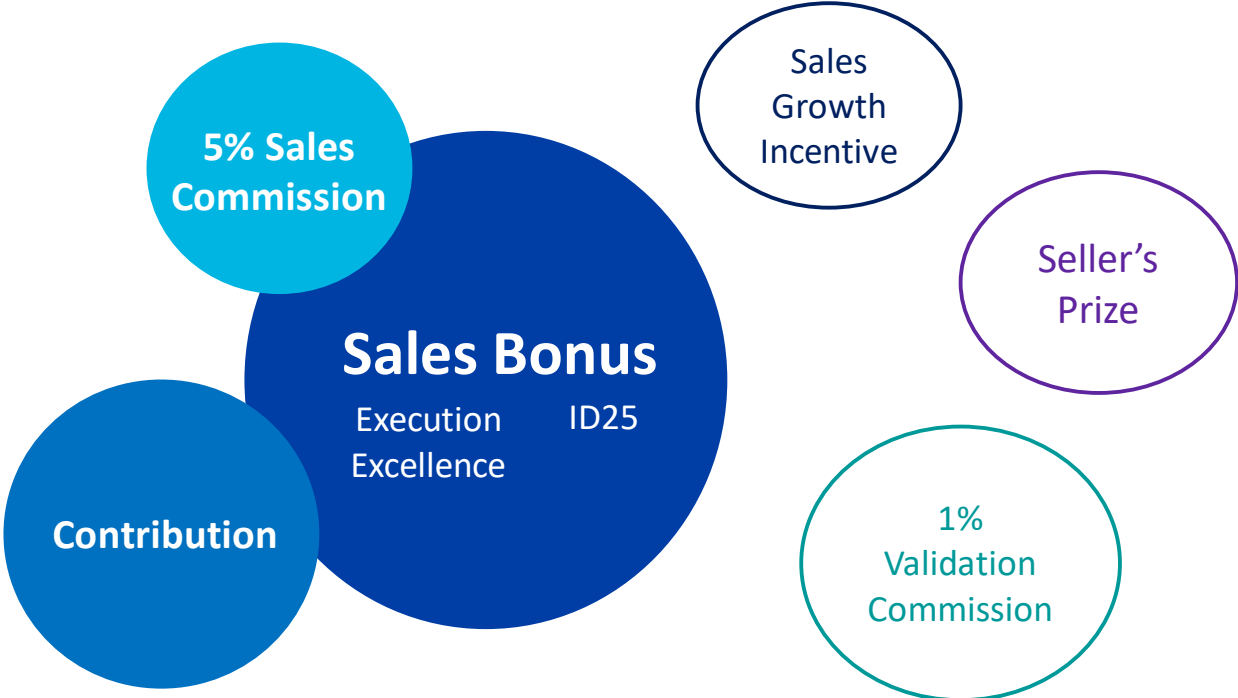
(April 1, 2020 – March 31, 2021)



Compensation Program

BCLC’s Retail Stores Group (RSG) compensation program provides retailers with a number of ways to earn and is comprised of multiple financial elements.

COMPENSATION



Revenue earned from Sales Growth Incentive, Validation Commission, and Seller's Prize is not part of compensation calculations. Revenue earned from these programs is above and beyond compensation calculations but is tracked for overall payment.

HOW WILL I KNOW THE POTENTIAL COMPENSATION FOR MY LOCATION?

Your Territory Manager will review the Retailer Compensation Program in detail during their visits. In addition, retailers will receive a period reporting Excel spreadsheet to help support all the calculations under this program.

Compensation Overview

COMPENSATION OVERVIEW

BCLC establishes minimum retailer revenue targets for RSG each fiscal year to ensure RSG Retailers are rewarded for sales performance.

SALES COMMISSION + SALES BONUS + CONTRIBUTION (if applicable)

= TOTAL POTENTIAL RETAILER COMPENSATION.

TOTAL POTENTIAL RETAILER COMPENSATION - EXPENSES = RETAILER NET INCOME.

Level	Minimum Sales Levels	Maximum Sales Levels	Sales Bonus	Sales Commission	Location Fee	Contribution
12	\$2,000,000+		2.45%	5.00%	2.25%	Not Eligible
11	\$1,500,000	\$1,999,999	2.45%	5.00%	2.00%	Not Eligible
10	\$1,250,000	\$1,499,999	2.45%	5.00%	1.50%	Not Eligible
9	\$1,100,000	\$1,249,999	2.25%	5.00%	1.35%	Not Eligible
8	\$975,000	\$1,099,999	2.05%	5.00%	1.35%	Variable
7	\$725,000	\$974,999	1.75%	5.00%	1.35%	Variable
6	\$600,000	\$724,999	1.50%	5.00%	1.35%	Variable
5	\$475,000	\$599,999	1.25%	5.00%	1.35%	Variable
4	\$375,000	\$474,999	1.00%	5.00%	1.35%	Variable
3	\$275,000	\$374,999	.80%	5.00%	1.35%	Variable
2	\$200,000	\$274,999	.65%	5.00%	1.35%	Variable
1	\$0	\$199,999	.50%	5.00%	1.35%	Variable

Sales Bonus payments are subject to Execution Excellence and ID25 Conditions of Payment, and can be reduced by performance in these two areas.

Sales Bonus is calculated each period based on projected annual sales.

Execution Excellence

BCLC will reward retailers who provide our PLAYERS with exceptional retail experience, as defined by the Execution Excellence scorecard items.

HOW IT WORKS

Over the fiscal year, your BCLC Territory Manager will perform Execution Excellence surveys during their regularly scheduled visits. Accounts will receive approximately 6 regularly scheduled visits and each visit the TM will evaluate your execution performance. Each visit will be worth 8 points.

At the end of the year, BCLC will review the total of all Execution Excellence surveys to determine the impact to your sales bonus payment.

Execution Excellence will account for a maximum reduction of **10% of half of your total sales bonus**.

At the end of the year, BCLC will review the total of all Execution Excellence surveys to determine the reduction percentage (**applied to half of your total sales bonus**), based on the below information:

Strong execution = full bonus achievement!

- 0-3 point deductions = Earn full bonus
- 4-5 point deductions = 3% reduction
- 6-7 point deductions = 5% reduction
- 8 or more point deductions = 10% reduction

Maximum reduction for Execution Excellence will be capped at \$1,500. Minimum reduction will be set at \$50.

The Execution Excellence deduction will occur at the end of the fiscal year. Scoring from the complete year will be compiled and the Execution Excellence deduction will be applied in Period 1 (April) of the following fiscal year.

Q: IF I RECEIVE A REDUCTION IN MY BONUS PAYMENT THAT REDUCES MY RETAILER REVENUE BELOW THE MINIMUM TARGET THRESHOLD WILL BCLC ACCOUNT FOR THAT?

BCLC will not account for financial impacts to revenue as a result of Execution Excellence performance. Conditions of payment financial reductions are based on program requirements that are the sole responsibility of the Retailer.

Execution Excellence – Sales Bonus Condition of Payment

Topic	Scorecard Item Description
<p>Display case FULL and to RSG Planogram</p>	<p>1 point for display case(s) merchandised as per the RSG Planogram on the Retailer Hub, including correct ticket featured in special event tray (applies to second display case if second terminal is operational with plexi installed) 0 points if the display case(s) is not merchandised as per the RSG planogram on the Retailer Hub or the incorrect ticket is featured in the special event tray.</p>
<p>ALL Jackpot Signs Accurate</p>	<p>1 point if ALL jackpot signs display the accurate jackpots for Lotto 6/49 AND Lotto Max, or if in the case of a digital jackpot sign not displaying the correct amount or not operating, the retailer has informed Lottery Support Hotline. 0 point if any jackpot sign is incorrect, and in the case of a digital jackpot displaying the incorrect amount or not operating, the retailer hasn't informed Lottery Support Hotline.</p>
<p>Point of Sale Materials (Signage)</p>	<p>1 point for all CURRENT POS (poster A, poster B and bubble case strip) on display AND a package play sign at point of purchase. 0 points if some or none of the CURRENT POS and package play on display.</p>
<p>Uniforms/Name Tags</p>	<p>1 point if uniforms and name tags are being worn and appear clean and professional, personal clothing is in solid colours and blue jeans are not being worn- 0 points if uniforms or name tags are not being worn or they do not appear clean and professional. Also, if personal clothing is not in solid colours or blue jeans are being worn.</p>
<p>Sales Drivers and Incentives</p>	<p>1 point if gift packaging is displayed AND sales targets, tracking sheets and point-of-sale materials for BCLC promotions and incentives are used, maintained and provided upon request. 0 points if gift packaging is not displayed and sales targets, tracking sheets or point-of-sale materials for BCLC incentives are not used, maintained and provided upon request.</p>
<p>Cleanliness</p>	<p>1 point if the exterior and interior of the kiosk is clean and clutter free (including non-BCLC items), there are no handwritten or non-BCLC signs, and winning pictures are removed when expired. 0 points if the exterior or interior of the kiosk is not clean and clutter free, there are handwritten or non-BCLC signs, and winning pictures are not removed when expired.</p>
<p>Player Satisfaction</p>	<p>1 point if there is no substantiated player complaint(s) or compliance violation(s). 0 points if there is substantiated player complaint(s) or compliance violation(s). (excludes ID25)</p>
<p>Equipment Working</p>	<p>1 point if all equipment is working/or if any equipment not working and retailer has called Lottery Support Hotline. 0 point if any equipment not working/retailer has not called Lottery Support Hotline (includes: Altura Lottery Terminal(s), Player Display Unit, Check-A-Ticket, Digital and Keno Displays (Sign and Monitor) and plexi shields.</p>

Audit Only – Operational Requirements

In addition to scorecard items to earn the full or partial Execution Excellence bonus portion, the following operational requirements must also be met on each audit. Audit only items do not result in a reduction of your total bonus potential, and are in place to support the integrity of selling lottery and business operations.

OPERATIONAL REQUIREMENTS - Audit Only (no points or financial impact)

Business Provisions:

- Retailers must maintain and submit up-to-date copies of their business license, insurance certificate and WCB clearance letters. These are to be sent via email to RSGFax@bclc.com or via fax to 604-225-6437.
- Original GPEB certificate must be displayed.
- Retailers must ensure they are compliant with all Provincial/National employment laws and regulatory requirements.
- Retailers must maintain and provide upon request all business documentation, sales tracking, inventory management documentation and financial statements.

Lottery Store Facilities:

- Report any kiosk damage in a timely manner including burnt-out lights and signs.
- Use of BCLC provided cleaning products on display cases or plexi products.

Scratch & Win Inventory Management:

- Retailers must maintain and provide upon request Scratch & Win inventory tracking.
- Retailers must maintain and provide upon request Christmas inventory tracking which includes weekly order details for the month of December as well as buybacks.

Retailer Hub:

- Staff updates are to be completed on the Retailer Hub as they occur.
- Name tags are ordered from the Retailer Hub.
- Unclaimed prizes for high value Scratch & Win tickets and other retailer information are to be reviewed on a weekly basis.
- Navigate to upon request, the current Special Feature Tray Planogram on the Retailer Hub.

Additional Sales Drivers:

- Maintain daily/weekly sales tracking including Jackpot levels.
- When location is closed, BCLC issued hours of operation sign is displayed (where applicable).
- Selection slip holders full and to planogram.
- Individual sales drivers must be discussed and approved by your BCLC Territory Manager. These initiatives should only occur when BCLC is not conducting player promotions.

ID25 – Sales Bonus Condition of Payment

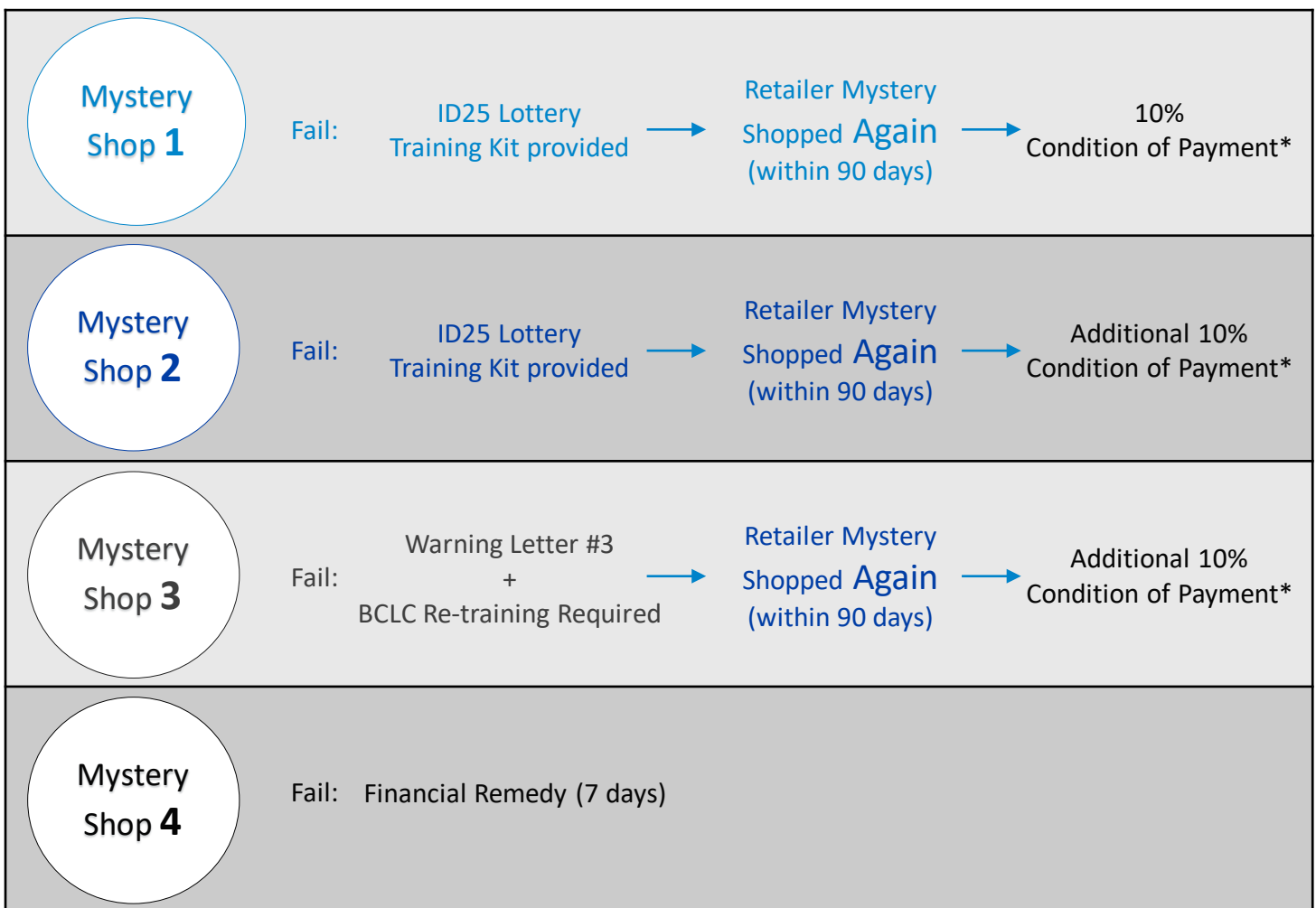


It is illegal to sell lottery products to anyone under 19 years of age. BCLC’s ID25 policy increases the level of due diligence that retailers must perform to ensure lottery products are not sold to minors.

Pass your first BCLC Mystery Shop?
CONGRATULATIONS on ID25 Success!

If BCLC does not perform an ID25 Mystery Shop at your location within, the calendar year, ID25 Condition of Payment will not be applied.

Fail your BCLC Mystery Shop(s)? The framework below describes the process and potential financial impact to the Sales Bonus as it pertains to the BCLC ID25 Mystery Shop Program.



*10% Condition of Payments apply to half your Total Bonus payout.

*Maximum reduction is \$1,500; and minimum reduction is set at \$50 for ID25 Success.

ID25 Mystery Shops are performed by someone who is between 19-25 years of age, and who appears to be under 25. They will attempt to purchase a lottery ticket posing as a regular customer.

*ID25 Condition of Payments will be a deduction in the form of an adjustment to the period compensation following the Mystery Shop infraction.

How to Calculate Your Location Fee

HOW TO CALCULATE YOUR LOCATION FEE

Calculating the Location Fee is based on a 'progressive' fee structure using tiered fiscal sales achievement

For locations that achieve **sales in Levels 1 to 9**, the Location Fee is calculated at the current rate of 1.35%.

Locations that achieve **sales in Levels 10 to 12** (\$1,250,000 and above) calculate the Location Fee by combining each sales level, within your total projected annual sales, calculated with its respective percentage.

EXAMPLE: Retailer achieves \$2,200,000 million in sales:

Level	Minimum Sales Levels	Maximum Sales Levels	Location Fee
12	\$2,000,000+		2.25%
11	\$1,500,000	\$1,999,999	2.00%
10	\$1,250,000	\$1,499,999	1.50%
9	\$1,100,000	\$1,249,999	1.35%
8	\$975,000	\$1,099,999	1.35%
7	\$725,000	\$974,999	1.35%
6	\$600,000	\$724,999	1.35%
5	\$475,000	\$599,999	1.35%
4	\$375,000	\$474,999	1.35%
3	\$275,000	\$374,999	1.35%
2	\$200,000	\$274,999	1.35%
1	\$0	\$199,999	1.35%

Step 1

Determine the dollar value for your relevant Levels:

$$\$2,200,000 - \$2,000,000 = \mathbf{\$200,000}$$

$$\$1,999,999 - \$1,500,000 = \mathbf{\$499,999}$$

$$\$1,499,999 - \$1,250,000 = \mathbf{\$249,999}$$

$$= \mathbf{\$1,249,999}$$

Step 2

Multiply the dollar values by the respective Progressive Fee percentage and total it up:

$$\mathbf{\$200,000} \times 2.25\% = \$4,500.00$$

$$\mathbf{\$499,999} \times 2.00\% = \$9,999.98$$

$$\mathbf{\$249,999} \times 1.50\% = \$3,749.99$$

$$\mathbf{\$1,249,999} \times 1.35\% = \underline{\underline{\$16,874.99}}$$

$$\underline{\underline{\$35,124.96}}$$

Step 3

Add up the totals from Step 2 to determine annual Location Fee.

The Location Fee is calculated based on monthly actual sales.

Compensation - Questions & Answers

Q1: WHEN DO RETAILERS GET PAID?

As the compensation is comprised of multiple elements, payment schedules vary:

- **Validation Commission:** Weekly
- **Sales Commission:** Weekly
- **Sales Bonus:** End of fiscal sales periods
- **Seller’s Prize:** Following prize claim
- **Sales Growth Incentive:** End of fiscal year

RSG Retailers operate on the same fiscal calendar as BCLC. Sales achievement bonuses are paid following BCLC’s fiscal period end. Retailers will receive their period compensation on their regular sweep day, the week following the end of the period. Refer to the chart below to see sales period start and end dates for fiscal 2020/21.

Fiscal Sales Period	F1	F2	F3	F4	F5	F6	F7	F8	F9	F10	F11	F12
Start & End Dates	Apr 1 - Apr 25	Apr 26 - May 23	May 24 - Jun 27	Jun 28 - Jul 25	Jul 26 - Aug 22	Aug 23 - Sep 26	Sep 27 - Oct 24	Oct 25 - Nov 21	Nov 22 - Dec 26	Dec 27 - Jan 23	Jan 24 - Feb 20	Feb 21 - Mar 31
# of days in Period	25	28	35	28	28	35	28	28	35	28	28	39

Q2: WHEN ARE DEDUCTIONS (CONDITIONS OF PAYMENT) APPLIED?

- **ID25:** Adjustment to the period compensation following the ID25 Mystery Shop infraction.
- **Execution Excellence:** Scoring from the complete year will be compiled and the Execution Excellence deduction will be applied in Period 1 (April) of the following fiscal year.

Q3: WHY ARE RETAILERS PAID BY FISCAL PERIOD?

Compensation is processed by period to ensure Retailers have the cash flow to operate, and to align to BCLC fiscal.

Q4: HOW ARE RSG OPERATIONAL EXPENSES CALCULATED? (\$4,500)

Operational expenses are based on the provincial average for line items including: business license, insurance, phone/fax/internet, debit/credit card fees, accounting fees, bank fees, supplies, promotions/community, overages/shortages and other expenses.

Q5: WHY IS CONTRIBUTION VARIABLE?

The amount of Contribution varies from site to site because each site is unique based on hours of operation and location sales.

Sales Bonus - Payments and Notifications

ENTERING RETAILERS

Sales Bonus earnings will be calculated based on the number of days a Retailer is in the network within the sales period.

PAYMENT DETAILS

All payments will be made by Electronic Funds Transfer (EFT), to the banking institution as specified on your bank authorization form. Please note, all prizes awarded through sales incentives should be treated as business income and managed accordingly.

Payments may be reduced by the amount owed to BCLC for a Security Deposit.

CONSENT TO PUBLISH

In order to receive an Incentive and/or Sales Bonus payment, Retailers must complete such releases, waivers or indemnities as required by BCLC, at its sole discretion. BCLC reserves the right to publish the name, location and a recent photograph of the Retailer(s) in any medium without liability or remuneration.

EXITING RETAILERS

Payment to exiting retailers will occur after all instant ticket returns, and pending ID25 and Execution Excellence reductions, have been processed (if applicable). The Compensation program will cease effective the retailer's close of business. Sales Bonus earnings will be based on the sales projection to the last day of business within the sales period.

It is important to ensure your bank account is still active as the final payment will be electronically deposited into the bank account on file with BCLC.

GOOD STANDINGS

Your lottery business must be in good standing with BCLC. Suspensions, payment defaults, pending letters of credit or trust deposits may disqualify retailers from receiving a Sales Bonus incentive reward.

You must maintain sufficient insurance as outlined in the Lottery Retailer Agreement (LRA).

INCENTIVE WITHDRAWAL NOTIFICATION

This program is subject to review and may be withdrawn at any time. In the event that BCLC cancels or withdraws the program at any time for any reason during the year, payment of any potential bonus will be at BCLC's sole discretion.

BCLC reserves the right to disentitle any retailer from participation in this program for any reason at BCLC's sole discretion.



Seller's Prize

For confirmed lottery prize claims of \$10,000 or more, BCLC awards a Seller's Prize, to the location that sold the winning ticket.

Prize Won	Seller's Prize Amount (\$)
\$10K to \$99,999.99	\$250
\$100K to \$499,999.99	\$500
\$500K to \$999,999.99	\$1,000
\$1M to \$1,999,999.99	\$2,000
\$2M to \$70M	0.10% of Prize Won (\$2K to \$70K)

Seller's Prizes are available for all lottery products with the exception of Sports Action.

PROGRAM CRITERIA

Retailers are only eligible for a Seller's Prize once the prize won, on a winning ticket, has been paid to the holder of the winning ticket. A Retailer is not eligible for a Seller's Prize for any unclaimed or expired winning ticket.

ELIGIBILITY CRITERIA

- Maintain good standing with BCLC. Suspensions, payment defaults, pending letters of credit or trust deposits may disqualify retailers from receiving a bonus payment; and
- Have an active, valid and subsisting Lottery Retailer Agreement with BCLC on the date the Prize was paid to the holder of the Winning Ticket.

PAYMENT DETAILS

- Payments to retailers will be made by Electronic Funds Transfer (EFT) to your bank account. All prizes awarded through Seller Prizes should be treated as business income and managed accordingly.
- The date of payment will be at BCLC's sole discretion and communicated to the retailer in advance.

CONSENT TO PUBLISH

In order to receive an Incentive and/or Sales Bonus payment, Retailers must complete such releases, waivers or indemnities as required by BCLC, at its sole discretion. BCLC reserves the right to publish the name, location and a recent photograph of the Retailer(s) in any medium without liability or remuneration.

PROGRAM WITHDRAWAL NOTIFICATION

- This program is subject to review and may be withdrawn at any time. In the event that BCLC cancels or withdraws the Seller's Prize program at any time for any reason during the year, payment of any potential Seller's Prize will be at BCLC's sole discretion. BCLC reserves the right to disentitle any retailer from participation in this program for any reason at BCLC's sole discretion.
- This program is subject to an annual maximum limit set by BCLC in its sole discretion. Once the annual maximum limit is achieved, the program may be cancelled for the remainder of that calendar year.



Validation Commission

1% validation commission on prizes validated and paid out, including the prize of a Free Ticket.

<u>Prize Amount</u>	<u>Payout Limits</u>	<u>Give to Customer</u>
Not a Winner		<ul style="list-style-type: none">• Validation Slip• Non-winning ticket
\$200.00 or less	Mandatory Prize Payment	<ul style="list-style-type: none">• Prize• Validation Slip• Winning Ticket
\$200.01 – \$2,000.00	Optional Prize Payment	<i>Retailer pays Prize:</i> <ul style="list-style-type: none">• Prize• Validation Slip• Winning Ticket
\$2,000.01 - \$9,999*	Do not pay - Advise customer to contact BCLC Customer Service 1-866-815-0222	

*Prize validation at designated Regional Prize Payout locations.

Validation commission will be displayed as a credit on your lottery terminal 'Weekly Invoice'.

Validation commissions earned are calculated daily, by product, and are rounded to the nearest penny due to Sports Action and select draw games paying prizes to the penny or dime, respectively.

The total amount of validation commission listed on your lottery terminal 'Weekly Invoice' is the sum of your daily calculated validation commissions for the invoice period.

See over for sample invoice.



Validation Commission – Sample Invoice

'DISCOUNTS' include Free Ticket prizes, and Free promotional offers (ie. Lotto Max Free Extras), printed from the Altura lottery terminal.

Validation commission is not eligible on Free promotional offers and adjustments may apply.

S&WIN Validations includes S&W Free Plays

'VOUCHER' validations are not eligible for the 1% validation commission.

BCLC INVOICE		
MON APR08		
RETAILER 9001		
MON APR01 19		
TO		
SUN APR07 19		
DISCOUNTS		
6/49	25	75-
LMAX	42	210-
	67	285-
VALIDATIONS		
6/49	102	2013.00-
BC/49	24	400.00-
KENO	26	488.00-
ODDSET2	14	325.60-
LMAX	180	5400.00-
XMAX	140	1002.00-
S&WIN	193	570.00-
TOTAL	679	10198.60-
COMMISSIONS		
6/49		283.30-
BC/49		101.90-
KENO		250.50-
50/50		125.75-
ODDSET2		225.50-
TOTO		150.25-
LMAX		325.75-
XMAX		162.85-
VALIDS & DISCNTS		104.84-
TOTAL		1730.64-
OTHER INVOICE DETAILS		
TICKETS	Apr02	
17395820		1612.00
TOTAL		1612.00
SUMMARY		
SALES		32726.00
CANCELLATIONS		210.00-
DISCOUNTS		285.00-
VALIDATIONS		10198.60-
VOUCHERS		0.00
COMMISSIONS		1730.64-
OTHER INV DTLs		1612.00
AMT DUE TODAY		21913.76

Weekly sum of your daily calculated validation commissions earned:

~1% of totals from DISCOUNTS & VALIDATIONS

Please note:

Prizing for Sports Action and select draw games are paid to the nearest dime or penny and your validation commission is calculated daily, by product, and rounded to the nearest penny.

Due to these factors, reconciliation for exact validation commissions earned should be done daily using the terminal 'Daily Sales Report'.



Sales Growth Incentive

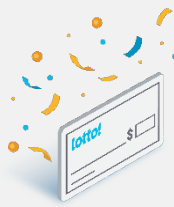
Achieve a minimum \$25,000 year over year revenue growth to qualify for the Sales Growth Incentive.

CONDITIONS

- Total lottery sales are eligible.
- An eligible retailer must:
 - Be an active Retailer as of the end date of the incentive period, March 31, 2021; and
 - Achieve minimum net lottery sales of **\$125,000** from April 1, 2020 to March 31, 2021; and
 - Achieve minimum net lottery sales growth of **\$25,000**, or more, in comparison to the previous fiscal and
 - Have **12 months** of lottery sales history as of April 1, 2020, as determined by the Location ID
- To be eligible for a Prize, the Lottery Retailer Agreement Signatory must have operated the location for a minimum of **3 months**.

Prize Tier	\$ Sales Growth Amount (2019 vs 2018)	Lump Sum Incentive Prize*
Tier 1	\$100,000 and up	\$1,250
Tier 2	\$75,000 to \$99,999	\$1,000
Tier 3	\$50,000 to \$74,999	\$750
Tier 4	\$25,000 to \$49,999	\$500

- A location's baseline sales number is reset every year based on prior year's results.



Sales Growth Incentive - Payments and Notifications

*INCOMING RETAILERS

In change of owner situations, the total sales will be determined based on the Location ID sales for the calendar year, however, incentive prize payments will be prorated for the period that the incoming lottery retailer owns the location.

EXITING RETAILERS

A lottery retailer in the Retail Stores Group network exiting the network prior to March 31, 2021 is not eligible for the Sales Growth Incentive.

PAYMENT DETAILS

Sales Growth Incentive Payments will be made by Electronic Funds Transfer (EFT), to the banking institution as specified on your bank authorization form. Please note all prizes awarded through sales incentives should be treated as business income and managed accordingly.

CONSENT TO PUBLISH

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INCENTIVE WITHDRAWAL NOTIFICATION

This program is subject to review and may be withdrawn at any time. In the event that BCLC cancels or withdraws Sales Growth Incentive at any time for any reason during the year, payment of any potential incentive will be at BCLC's sole discretion. BCLC reserves the right to disentitle any retailer from participation in this program for any reason at BCLC's sole discretion.

This program is subject to an annual maximum limit set by BCLC in its sole discretion. Once the annual maximum limit is achieved, the program may be cancelled for the remainder of that calendar year.

