



CHAIR OF THE HUMAN RESOURCES & COMPENSATION COMMITTEE

BRITISH COLUMBIA FERRY SERVICES INC.  
SUITE 500, 1321 BLANSHARD STREET  
VICTORIA, BC V8W 0B7  
TEL:

December 5, 2011

s. 22 - telephone number

Mr. Michael J. Corrigan

s. 22 - personal address

Dear Mike:

**RE: EMPLOYMENT CONTRACT**

This letter outlines the employment contract between British Columbia Ferry Services Inc. ("BC Ferries") and you under the following terms:

**A. JOB DESCRIPTION**

As President and Chief Executive Officer you will report directly to the BC Ferries Board of Directors (the "Board") through the Chair of the Board. Your general responsibilities as President and Chief Executive Officer are summarized in the Position Description which has been provided to you.

You acknowledge that BC Ferries must make changes on a continuing basis in order to efficiently and effectively operate its business. As a result, you agree that BC Ferries may alter its methods of doing business from time to time. These changes may result in occasional changes to your job duties. Provided that these changes are not so significant as to fundamentally alter the terms of your employment, you agree that such changes may be made and that you accept them as a normal incident of your employment contract.

You also acknowledge that in performing the duties and responsibilities as President and Chief Executive Officer, you will occupy a position of high fiduciary trust and confidence, and you will not act in any manner which would be detrimental to the interests of BC Ferries either during or following your employment with BC Ferries.

**B. SALARY AND VARIABLE PAY**

Your employment in this position will commence effective January 1, 2012. Your annual salary will be \$364,000 paid on a bi-weekly basis. This salary, as well as any benefits and other compensation or perquisites, will be administered within a prescribed total compensation limit that is currently \$563,000, and will be reviewed and established by the Board in a manner consistent with the *Coastal Ferry Act*, as amended on June 3, 2010 (Bill 20).

In addition to your annual salary, you will be eligible to participate in the BC Ferries Management Bonus Plan, which provides an incentive payment based on the achievement of company business results and performance of individual objectives negotiated annually. Your target and maximum variable pay award will be 20% of your annual base salary, but will vary based on corporate and personal performance as measured against your Bonus Plan objectives. Variable pay will be administered within the prescribed total compensation limit. This means that your annual Variable Pay awards may be limited by the available room under the total compensation limit, which will be calculated and confirmed annually to adjust for fluctuations or increases in salary, benefits or other compensation.

#### **C. TERM**

The term of employment as President and Chief Executive Officer will be from January 1, 2012 to June 30, 2017 and thereafter your employment will be as Consultant from July 1, 2017 to your normal retirement on June 30, 2018.

#### **D. EMPLOYMENT POLICIES**

You agree to well and faithfully serve BC Ferries and to comply with any policies, procedures, rules, regulations and job requirements that BC Ferries may establish and amend from time to time, including *BC Ferry Corporate Policies* and the *Code of Business Conduct & Ethics* (the "Code"), which form part of the terms and conditions of your employment with BC Ferries. You must review them from time to time as you are required to understand and adhere to all corporate policies and the Code.

#### **E. PRIVACY & CONFIDENTIALITY**

Further to the confidentiality obligations in the Code and any BC Ferries policy or procedure in respect of confidential information, you will not use, disclose, sell, license, publish, reproduce or otherwise make available any Confidential Information of BC Ferries, its subsidiaries, customers or contractors without the express written consent of BC Ferries and any third party involved.

Confidential Information refers to any information not generally known by non-BC Ferries personnel and information which is used by and is proprietary to BC Ferries, its subsidiaries, customers or contractors.

This confidentiality obligation will continue to bind you after the termination of your employment with BC Ferries.

In addition, as a BC Ferries employee, you will handle any personal information in BC Ferries' custody and control in accordance with any requirements in the *Freedom of Information and Protection of Privacy Act*.

By accepting this offer, you agree that BC Ferries may collect, use and disclose your personal information for the purposes of administering and managing the employer-employee relationship.

#### **F. BENEFITS**

BC Ferries will continue to provide you with coverage for health and welfare benefits at no cost to you. As an executive employee, you are also entitled to participate in the Executive Benefits Plan.

#### **G. PENSION**

You will continue to be enrolled in the Public Service Pension Plan of B.C. ("P.S.P.P."). The plan is a defined benefit pension plan. In addition, you will continue to be enrolled in the Supplemental Executive Retirement Plan ("S.E.R.P.") with a normal retirement date of June 30, 2018. The cost of your enrolment in these plans will be borne by BC Ferries but will be counted towards the total compensation limit. Copies of these pension plan documents have been available for your review, as they form part of the terms and conditions of your employment with BC Ferries and are subject to amendment from time to time by the P.S.P.P. or BC Ferries at its discretion.

#### **H. ANNUAL VACATION**

You will be entitled to seven (7) weeks Annual Vacation. Unused vacation in excess of four (4) weeks each year may be carried forward and shall be taken in time off at a future date. Any unused vacation entitlement as of your normal retirement date will be forfeited. Once each year, unused vacation may be used to purchase one (1) year of incremental S.E.R.P. service credit (up to a maximum of five (5) years) on the basis of twelve (12) vacation days earned equals one (1) service year.

If your employment at BC Ferries terminates for any reason (i.e. voluntary or involuntary termination) we will pay you any earned but unused vacation entitlements related to the current year. If you have used more Annual Vacation than you have earned, you agree that the difference will be deducted from any money owing to you by BC Ferries (including wages) or otherwise recovered from you.

#### **I. VEHICLE ALLOWANCE**

You will be provided with a vehicle allowance of \$1200/month plus gas and reimbursement of insurance. In addition, you will be provided with paid parking at the BC Ferries office in Victoria. Use of your personal vehicle and parking for business purposes will not be counted toward the total compensation limit.

**J. EXPENSES**

You will be reimbursed for any receipted business expenses in accordance with *BC Ferry Travel and Expense Policy*.

**K. TERMINATION PROVISIONS**

If you wish to terminate your employment with us you must give us at least three months' notice. BC Ferries may waive any part of such notice and if it does so then you will be excused from performing your duties during the notice period and provided with salary continuance for the remainder of such notice period.

In the event of termination for other than cause, in lieu of notice, you will be entitled to 24 months severance pay (salary and target bonus) and benefits, including the vesting of all of your benefits under your S.E.R.P. The severance period shall be credited as service under both the P.S.P.P and the S.E.R.P. You will also be entitled to be paid any earned but unused vacation entitlements.

Termination for other than cause shall include circumstances where your authority and duties have changed in a manner which constitutes constructive dismissal.

**L. RETIREMENT AND CONSULTING ARRANGEMENT**

We have agreed that your normal retirement date from employment with BC Ferries will be June 30, 2018 subject to the Board and you agreeing otherwise.

Effective July 1, 2017 you will agree to retire as President and Chief Executive Officer and continue your employment as a Consultant to BC Ferries so as to assist in the transition to a new President and Chief Executive Officer and as well to provide advice to your successor or the Board at their reasonable request.

The consulting period shall exist for a period of one year until June 30, 2018 and during that year you will receive the same salary and benefits (other than vacation) but no bonus.

**M. GENERAL**

You agree that this Employment Contract replaces all prior employment agreements or employment understandings and constitutes the full agreement with BC Ferries which includes all of the documents included by reference in this Employment Contract.

You also agree that any and all disputes relating to this Employment Contract shall be resolved by mediation or by arbitration. The rules for the British Columbia Centre for Commercial Arbitration shall apply to any arbitration proceedings.

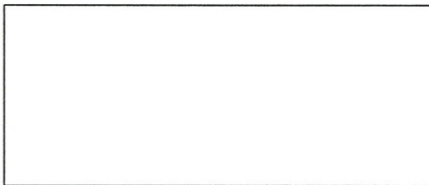
If any provision of this Employment Contract is declared invalid, illegal or unenforceable, such a finding will not impair the remaining provisions.

Any amendment to this Employment Contract must be in writing signed by both parties.

To confirm your acceptance of this Employment Contract with BC Ferries, please sign this letter and mail or deliver it to:

Cynthia M. Lukaitis  
Vice President & Corporate Secretary  
British Columbia Ferry Services Inc.  
#500, 1321 Blanshard St.  
Victoria, BC V8W 0B7

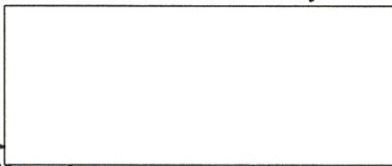
Sincerely,



s. 22 - signature

Graham M. Wilson  
Chair, Human Resources & Compensation Committee  
British Columbia Ferry Services Inc.

***I, Michael J. Corrigan, have read and understand this employment contract and attachments, and agree to accept the position of President and Chief Executive Officer and thereafter as Consultant according to the terms and conditions specified.***



Signature

s. 22 - signature

12.5.11

Date