

THIS AIRPORT DEVELOPMENT AGREEMENT made as of, and effective, August 24th, 2015.

BETWEEN:

CANADIAN COMMERCIAL CORPORATION

50 O'Connor Street, 11th Floor
Ottawa, Ontario K1A 0S6

(**"CCC"**)

AND:

BERMUDA GOVERNMENT

as represented by the Ministry of Tourism Development and Transportation,
Government Administration Building
2nd Floor, 20 Parliament Building
Hamilton HM 12
Bermuda

(**"Bermuda"**)

WHEREAS:

- A. Bermuda owns and operates L.F. Wade International Airport (the **"Airport"**) located in the parish of St. George's;
- B. CCC is a Crown corporation of the Government of Canada that connects government buyers with Canadian industrial solutions;
- C. Aecon Concessions, a division of Aecon Construction, is a Canadian based global infrastructure developer and investor specializing in airports, transportation and transit projects;
- D. On November 10, 2014, Bermuda and CCC entered into a non-binding memorandum of understanding (the **"MOU"**), with the intent of fostering collaboration through participation in mutual discussions and in the development of an airport-related infrastructure project deemed to be of mutual interest;
- E. On January 30, 2015, CCC executed, and on February 3, 2015, Bermuda countersigned, an amended and restated letter agreement (the **"Amended and Restated Letter Agreement"**), establishing a protocol to facilitate discussion and additional commercial agreements concerning an intended framework related to the redevelopment of the Airport;

- F. The Amended and Restated Letter Agreement confirmed, *inter alia*, Bermuda's and CCC's intent that:
- (a) the Project be developed and operated under a long term concession model, including the establishment of a special purpose concessionaire for the financing, design, construction, operation and maintenance of the Project; and
 - (b) upon the completion of those activities described in the section of the Amended and Restated Letter Agreement titled "Phase 1 - Preliminary Due Diligence, Project Scoping and Project Scoping leading to "Go"- "No-Go" Decision" ("**Phase 1**"), including the development of the Airport Project Concept, Bermuda and CCC would determine whether to proceed with the Project and enter into an Airport Development Agreement (as defined therein);
- G. On April 16, 2015, Bermuda and CCC executed a letter agreement amending the Amended and Restated Letter Agreement (the "**First Amendment**"), wherein, *inter alia*, Bermuda and CCC agreed to revise the target date for the conclusion of Phase 1 as set out in the Amended and Restated Letter Agreement, and thus the contemplated execution and delivery of the Airport Development Agreement, to June 30th, 2015;
- H. As of, and effective, June 29, 2015, Bermuda and CCC entered into a letter agreement amending the Amended and Restated Letter Agreement, as revised by the First Amendment (the "**Second Amendment**"), wherein, *inter alia*, Bermuda and CCC agreed to revise the target date for the conclusion of Phase 1 as set out in the Amended and Restated Letter Agreement as revised by the First Amendment, and thus the contemplated execution and delivery of the Airport Development Agreement, to July 31, 2015;
- I. As of, and effective, July 30th, 2015, Bermuda and CCC entered into a letter agreement amending the Amended and Restated Letter Agreement, as revised by the First Amendment and the Second Amendment (the "**Third Amendment**"), wherein, *inter alia*, Bermuda and CCC agreed to revise the target date for the conclusion of Phase 1 as set out in the Amended and Restated Letter Agreement as revised by the First Amendment and Second Amendment, and thus the contemplated execution and delivery of the Airport Development Agreement, to August 31, 2015 (the Amended and Restated Letter Agreement as revised by the First Amendment, Second Amendment and Third Amendment is hereinafter referred to as the "**Letter of Agreement**");
- J. CCC has identified Aecon Constructors, a division of Aecon Construction, as its proposed subcontractor to perform construction services and Aecon Construction, as represented by Aecon Concessions, as an equity provider for a special purpose entity ("**Project Co**") to deliver the balance of the Project deliverables described herein;
- K. Phase 1 as referenced in the Amended and Restated Letter Agreement has been completed, and the Parties have agreed to proceed with the Project and enter into this Airport Development Agreement;
- L. The Parties are committed to cooperating with each other and with any other stakeholders, (including the Bermuda Tourism Authority and the Bermuda Business Development Agency), who agree to collaborate with the Parties to develop initiatives and facilitate

enablers of change affecting the Bermudian economy in order to achieve passenger traffic growth objectives required to ensure the success of the Project.

THEREFORE, in consideration of the mutual covenants and agreements contained in this Airport Development Agreement, the Parties hereby agree as follows:

1. Schedules and Interpretation

1.1 The following schedules are attached hereto and are included as part of this Airport Development Agreement:

Schedule A	Definitions and Interpretation
Schedule B	Airport Project Concept
Schedule C	Project Agreement Heads of Terms
Schedule D	Construction Contract Heads of Terms
Schedule E	Regulated Fees and Charges
Schedule F	Preliminary Development Plan and Budget Part A: Preliminary Development Plan Part B: Preliminary Development Costs Budget
Schedule G	Off Ramp Events
Schedule H	Diagram of Airport Lands
Schedule I	Entrustment Letter

1.2 Except as the context otherwise requires, terms and expressions used in this Airport Development Agreement with initial capital letters shall have the meanings set out in Schedule A and this Airport Development Agreement will be interpreted in accordance with the provisions set out in Schedule A.

2. Purpose

The purpose of this Airport Development Agreement is to, *inter alia*:

- (a) confirm the agreement of the Parties to proceed with the Project and implement the Airport Project Concept subject to, and in accordance with, the terms of this Airport Development Agreement;
- (b) agree to the process by which the Project will be developed to Financial Close and identify certain specific events that may cause the Parties to elect to terminate this Airport Development Agreement (and the basis on which termination would occur) prior to Financial Close;
- (c) set out the heads of terms for the subject matter and agreements set out in Section 1.1 above, including the Project Agreement (the “**Project Agreement Heads of Terms**”) that will establish the process for implementation of the Project from and after Financial Close; and

- (d) constitute the “Airport Development Agreement” contemplated by the Letter of Agreement.

3. Airport Project Concept

- 3.1 The Parties confirm that they have reviewed the Airport Project Concept and agree with the general principles, analysis and approach outlined therein, including, without limitation, the linear scheme for the new Airport terminal, as modified and supplemented by the terms of this Airport Development Agreement.

4. Cooperation

- 4.1 The Parties agree that they will work together in a spirit of mutual cooperation and good faith towards the attainment of the goals and objectives of this Airport Development Agreement.
- 4.2 The Parties acknowledge that, due to the early stage of the development of the Project, except as otherwise provided herein, many assumptions, inputs, costs and estimates contained in this Airport Development Agreement, the Airport Project Concept and the other Schedules attached hereto are preliminary in nature, and will be subject to further analysis, optimization and revision during the Term.
- 4.3 The Parties acknowledge that this Airport Development Agreement will guide the content and settlement of definitive transaction documents for the Project, each of which shall contain additional terms and conditions that are generally consistent with, and comparable to, similar infrastructure projects, including international airport concession transactions, including terms regarding operating service scope, standards, quality and processes to ensure that each of Bermuda and the members of the CCC Team have all of the usual rights and remedies respectively available to each comparable party that would normally exist in similar infrastructure projects, including international airport concession transactions.

5. Term

- 5.1 Unless extended by the mutual agreement of the Parties, this Airport Development Agreement will commence upon the Effective Date and will continue until expiration on the earlier of:
 - (a) Financial Close;
 - (b) the termination of this Airport Development Agreement by either Party pursuant to, and as expressly permitted by, this Airport Development Agreement; and,
 - (c) March 31, 2017 (the “**Expiry Date**”).

6. General Obligations of CCC, Aecon Concessions and Project Co

- 6.1 CCC shall cause Project Co to enter into the Core Project Documents to carry out all of its services, undertakings, obligations, duties and responsibilities specified therein: (1) in accordance with all of the services, undertakings, duties, objectives and the operational,

functional and technical requirements and specifications concerning same that are stipulated therein; and, (2) with a professional duty of care, diligence and prudence that is consistent with the practices then in effect during the applicable terms of the relevant Core Project Documents for both the construction and operation of an international airport by a skilled and experienced airport constructor and airport operator in reasonably similar circumstances and conditions to the Project.

- 6.2 Without limiting any other provision of this Airport Development Agreement, CCC agrees that the Project Agreement shall require Project Co to perform all Airport Operations specified therein in accordance with the terms and conditions thereof, and, in the performance thereof, Project Co shall engage the services of experienced and qualified Person(s) (whether by retainer, employment, acquisition or otherwise), who possess the necessary experience and expertise to directly assist with, and be engaged in, the performance of Project Co's Airport Operations duties and obligations. In the event that Project Co enters into an operations and maintenance agreement with a third party airport operator who will materially or substantially perform the Airport Operations, said third party operator shall be subject to the prior written approval of Airport Quango, which will not be unreasonably withheld or delayed.
- 6.3 During the Term, CCC will perform (or will cause to be performed by Aecon Concessions) the following activities, and provide (or cause to be provided by Aecon Concessions) the following deliverables, all to be completed to the satisfaction of the Parties, acting reasonably:
- (a) finalizing the Airport Traffic Forecasts;
 - (b) finalizing the Airport conceptual design that shall be consistent with the Construction Specifications and Airport Operations Scope and Specifications;
 - (c) in addition to the provisions hereof, establishing a risk allocation model based on industry norms and customary practices for projects that are reasonably comparable to the Project, taking into account anticipated Lender requirements;
 - (d) developing well-defined Project organization and operating structures including role definition and scope allocation between Project Co, Airport Quango and Bermuda;
 - (e) finalizing, in collaboration with Bermuda, the Airport Operations Scope and Specifications;
 - (f) establishing terms and conditions whereby Project Co shall:
 - (i) assume the operation, maintenance and periodic lifecycle refurbishment and replacement of Airport Assets to satisfy Project Co's obligations in relation to the Airport Operations;
 - (ii) design and construct all Airport improvements to satisfy Project Co's obligations in relation to the Construction and Airport Operations;

- (iii) operate, maintain and carry out periodic lifecycle replacements on the completed Airport improvements to satisfy Project Co's obligations in relation to the Airport Operations; and
 - (iv) complete the additional work, construction, services or undertakings that are reasonably required during the last five years of the term of the Project Agreement to ensure that Project Co will satisfy Project Co's obligations in relation to the Handback Conditions and Handback Assigned Obligations stipulated in the Project Agreement;
- (g) establishing a regime whereby Project Co and Airport Quango will monitor, report and verify Project Co's performance of the obligations, duties and responsibilities that are anticipated by this Airport Development Agreement and that will be required by the Core Project Documents, including the Airport Operations, which such Core Project Documents shall include normative, reasonable and appropriate undertakings, responses and remedies in response to any breach by Project Co of such obligations, duties and responsibilities;
- (h) developing, presenting and updating from time to time, for delivery to Bermuda, a Development Costs Budget setting out the Development Costs, a preliminary version of which is attached hereto as Part B to Schedule F, which shall constitute the Development Costs Budget until superseded by a revised version. Any change in the Development Costs Budget that increases the aggregate budgeted amount by more than 10% of the original aggregate budgeted amount shall require notice of such to Airport Quango;
- (i) agreeing with Bermuda on a transition plan for Airport Personnel (the "**Airport Personnel Transition Plan**") which shall include transitioning all Airport Personnel to either Project Co, Airport Quango or Bermuda, and, in the case of the transition of Airport Personnel to Project Co (and subject to receipt by Aecon Concessions of further information and the conduct of further due diligence and without prejudice to Section 6.3(j) below), on terms and conditions which, taken as a whole, are no less favourable than such employees' then existing employment terms and conditions;
- (j) with respect to employees transferred to Project Co, the Parties each acknowledge that:
 - (i) subject to applicable Laws (including labour relations and collective bargaining Laws) and the terms and conditions of the Project Agreement, Project Co shall have the right to structure the company, Project Co senior management, its employees, its organization, reporting structures and business operations in a way which it considers appropriate;
 - (ii) there may be certain existing terms and conditions, such as continued participation in the regulated government pension scheme (which will not be continued by Project Co although a private, defined contribution, pension plan will be offered) and other benefits that are not enjoyed by

comparable public sector employees in other common law jurisdictions that may be subject to modification or transfer to private sector pension and/or benefits schemes;

- (iii) as of Financial Close, Project Co shall assume any and all risk, liability and responsibility (financial or otherwise) related to the terms and conditions of all employment and independent contractor agreements associated with the Airport Operations, including any employee collective bargaining agreements that Project Co may have to negotiate and enter into in connection therewith; and
 - (iv) Bermuda shall retain any and all risk, liability and responsibility (financial or otherwise) arising in relation to any accrued liabilities (including accrued severance entitlements) up to the date of Financial Close and any employer's obligations concerning the provisions (or equivalent) that are related to the nature of the Project that are contained in any current employee collective bargaining agreement or under applicable Law.
- (k) establishing, in relation to Construction and Airport Operations, a plan whereby:
- (i) except where the *bona fides* qualifications, skills, experience, availability and capacity (financial or otherwise) requirements for labour and/or subcontracting requirements cannot be satisfied by Bermudian Labour or Bermudians in a manner which will permit Project Co to satisfy its obligations under the Core Project Documents, Project Co shall provide priority retainer and employment opportunities for Bermudians and Bermudian Labour concerning Project Co's performance of the Core Project Documents;
 - (ii) subject to Sections 6.2 and 6.3(j)(i) and 6.3(k)(i) Project Co shall establish a **"Development of Bermudian Labour Plan"** prior to the commencement of Airport Operations pursuant to the Project Agreement, which shall describe, among other things, the ongoing obligations, systems, undertakings and management processes that Project Co will implement to identify, train, develop and preferentially employ qualified Bermudian Labour. Such plan shall include, without limitations, the following: description of how staff shall be trained on the job; description of training provided for subcontractors; description of special training and method for recording training outputs; description of how training will be assessed and measured; description of training for Bermudians leading to progressive advancement; Bermudian succession planning in compliance with applicable immigration and work permit Laws; and, strategies designed with the objective of accessing overseas training; and,
 - (iii) Project Co shall establish mentoring and work shadowing programmes for a select number of unskilled Bermudians to allow those individuals to observe and learn certain Construction trade skills in Bermuda, and to establish job fairs and undertake employment recruiting events and requests

for proposals to identify Persons for the purpose of recruiting and retaining Bermudian Labour and Bermudian employees, independent contractors and service providers;

- (l) developing a detailed construction schedule and execution plan;
- (m) developing detailed capital and operating cost budgets;
- (n) developing a robust local procurement strategy that:
 - (i) taking into consideration the factors articulated in Section 6.3(k)(i) above, maximizes participation in the Project through all phases by local businesses on the terms and conditions set out in the Project Agreement; and
 - (ii) ensures that there is a high degree of competitive tension through open and transparent procurement of the various subcontracts (both during Construction and Airport Operations);
- (o) developing, in collaboration with Bermuda, a strategy for communications, community engagement and local benefits for the Project;
- (p) developing, in collaboration with Bermuda, a preliminary plan for managing the Airport-related 35th America's Cup activities;
- (q) developing, in collaboration with the Bermuda Tourism Authority and Business Development Agency, a preliminary Airport marketing plan, including route development initiatives;
- (r) collaborating with Bermuda, and supporting Bermuda's diligent efforts, to create a special committee that may be comprised of members of Project Co, Bermuda, the Bermuda Tourism Authority and the Bermuda Business Development Agency or any successor organization(s) from time to time to promote business and tourism and other relevant stakeholders (such possible committee to be referred to herein as the "Airport-BDA Joint Development Committee") for the purpose of promoting tourism and engaging in hotel promotion and development initiatives;
- (s) preparing and delivering to Bermuda the Base Case Financial Model and Financial Plan for the Project and providing Bermuda from time to time during the Term, but not less than quarterly, with updated versions of the Base Case Financial Model and Financial Plan as developed, which shall reflect (in part) the results of the work carried out or completed pursuant to and in accordance with the schedule contained in the Preliminary Development Plan and Budget, since the last prior version and on Financial Close the final version thereof as of Financial Close in each case in a format that can be used to model changes and sensitivities. Any development fees, commissions, third party advisory fees and closing fees that are associated with the development of Project, and that will have any direct or indirect financial impact on Bermuda, shall be generally consistent with normative industry practices in Canada or internationally for the development of a project of a nature that is comparable to

the Project, and, to the extent there are elements of the development Project that are unique or otherwise not readily comparable, shall at all events be fair and reasonable.

- (t) in order to satisfy Bermuda's Project governance and oversight requirements, the Project Agreement will require Project Co to provide Bermuda with reasonable financial information, reports and audited financial statements of Project Co and other financial information concerning the Construction, Airport Operations and related Core Project Documents throughout the term of the Project Agreement;
- (u) developing a preliminary Commercial Model;
- (v) preparing environmental and social impact studies with development-related action plans;
- (w) developing an energy load/energy consumption analysis for the new Airport terminal's energy consumption;
- (x) establishing required insurance for the Project;
- (y) completing site surveys and investigations, including geotechnical investigations, topographical surveys, environmental site assessments and condition surveys of Airport Assets and facilities;
- (z) working with Bermuda to further particularise Bermuda's obligations concerning Bermuda's provision of Limited Government Support as set forth in this Airport Development Agreement;
- (aa) negotiating the quantum and timing of the funding of the Required Equity Commitments with Senior Lenders;
- (bb) putting in place commitments to disclose to Bermuda the proposed Project Co Members and their associated Required Equity Commitments (including Aecon Concessions), all of which Project Co Members being subject to Bermuda's prior written approval and consent, acting in good faith, and not to be unreasonably denied;
- (cc) ensuring that Aecon Concessions contributes, directly or indirectly, no less than 35% of the Required Equity Commitments and maintains, at a minimum, a lead shareholder position with joint control of Project Co until the completion of Construction, provided that for greater certainty, no such equity commitment will be required in the event that the Project Member's projected internal rate of return is less than the Target IRR. Subject to Section K.3 of the Project Agreement Heads of Terms, Project Co shall not be controlled by any Person other than Aecon Construction without Bermuda's prior written consent, such consent being in Bermuda's absolute discretion and subject to applicable Law.

- (dd) supporting Bermuda in all necessary or desirable consultations with any international air carriers and other international aviation organizations in relation to changes to Regulated Fees and Charges;
 - (ee) developing, and providing to Bermuda a proposed transition plan (the “**Transition Plan**”) detailing the actions required to ensure an orderly transition of Airport Operations from Bermuda (or Airport Quango) to Project Co on the date of Financial Close;
 - (ff) carrying out the Aecon Concessions, Aecon Constructors and CCC tasks described in Part A of Schedule F, as such schedule may be amended from time to time (the “**Preliminary Development Plan and Budget**”);
 - (gg) working with Airport Quango and Project Co to develop, within sixty (60) days after Financial Close, a reasonable Airport Services quality plan with respect to the existing Airport terminal that will be guided and informed by the intended elements and content of the SQP that is referred to in Appendix B of Schedule C.
 - (hh) using commercially reasonable efforts to perform all other actions and provide all other deliverables within its control in form and substance consistent with those set out above as otherwise may be necessary to ensure Financial Close is achieved.
- 6.4 Without limiting any other provision of this Airport Development Agreement, the Parties further acknowledge and agree that Project Co will be responsible for the Construction and Airport Operations, which shall include designing, constructing, operating and maintaining the Airport, including providing lifecycle replacements, in accordance with and to the standards set out in the Core Project Agreements. Capital expenditures not otherwise required to perform the foregoing obligations shall be made only if Project Co and Bermuda agree to amend the relevant terms and conditions associated with such required capital expenditures, if funding is available to Project Co for such purpose by way of an increase in Regulated Fees and Charges and if the remaining term under the Project Agreement is long enough to fully amortize any debt or equity investments associated with any such capital expenditures.
- 6.5 The Parties agree that Project Co shall, throughout the term of the Project Agreement, use its reasonable commercial efforts to generate and maximize revenues from Commercial Services and non-regulated revenues, subject to compliance with the Project Agreement and with all applicable Laws.
- 6.6 The Project Agreement shall require Bermuda to perform all Retained Government Services with the same quality, professional duty of care, diligence and prudence as Project Co is required to perform the Core Project Documents pursuant to this Airport Development Agreement, *mutatis mutandis*, and in accordance with normative industry practices internationally for a project of a nature that is comparable to the Project.
- 6.7 With respect to the Parties’ obligations pursuant to Section 6.3(m) and 6.4 hereof and Section B.4 (Construction and Airport Operations) and Section B, Section F.5 (Funding Major Capital Works and Expansions; Late Term Capital Works) of Schedule C, and Project Co and Airport Quango’s respective obligations in Appendix B, Section 1.1(kk) of

Schedule B, concerning the capital maintenance of, and ongoing capital investment in, the assets that Bermuda will use to provide the Retained Government Services, the Parties agree that within 60 days of the Effective Date, a Project working group shall be formed comprised of Bermuda and Acon Concession representatives and advisors for the purpose and objective of commencing discussions to mutually agree to terms and conditions in the Project Agreement that shall: (i) more specifically and precisely define the nature, ambit and scope of the Retained Government Services and the interface of such services with the Airport Services; (ii) precisely identify the particular capital assets that are associated with the Retained Government Services; (iii) detail, the assistance, if any, Project Co shall provide to Bermuda in its efforts raising the capital funding required for such assets (including capital maintenance, replacement, improvement and enhancement as may be required); provided that Project Co shall not by way of this mechanism take on any liability for (y) the performance of the Retained Government Services or any operation or maintenance obligations in relation to the assets associated with the Retained Government Services, or (z) the raising of any capital funding required for such assets or any ongoing capital investment in any such assets that is outside of the agreed scope of the Airport Operations Scope and Specifications and/or Construction Specifications.

7. General Obligations of Bermuda

7.1 During the Term, Bermuda will perform the following activities and provide the following deliverables, all to be completed to the satisfaction of the Parties, acting reasonably:

- (a) subject to the due process of public policy formulation and legislative enactment in Bermuda, create and implement a regulatory structure for the Project and enact Enabling Legislation, as may be required to:
 - (i) provide the Limited Government Support;
 - (ii) authorize and approve the airport-related regulated fees and charges (the “**Regulated Fees and Charges**”) as contemplated in Schedule E and Schedule C, Section F.6(a) to this Airport Development Agreement, and as further set forth in the Project Agreement;
 - (iii) deregulate all Airport-related fees and charges other than the Regulated Fees and Charges and the Excepted Airport Fees (which will be determined on a fair and reasonable basis and will remain subject to Airport Quango’s oversight (of a nature and scope to be specified in the Project Agreement)), such that the administration and control of any and all Airport-related fees and charges other than those that comprise Regulated Fees and Charges and Excepted Airport Fees is under Project Co’s management and control. For greater certainty, all revenues generated from such Airport-related fees and charges, including the Excepted Airport Fees, shall be used and collected exclusively by Project Co;
 - (iv) enable Project Co to implement the Commercial Plan and to perform the Airport Operations in accordance with the Core Project Documents;

- (v) perform Bermuda's Limited Government Support obligations pursuant to Section 9.1 of this Airport Development Agreement;
- (vi) establish the Airport Quango;
- (vii) provide the AIF Reserve and allocate the AIF Reserve to the Project pursuant to Section 9.2 of this Airport Development Agreement;
- (viii) ensure that all post-Financial Close sources of Airport-related revenue that Bermuda, Airport Quango or any other Bermuda Governmental Authority has control over prior to and during the term of the Project Agreement be allocated and directed to and for the benefit of Project Co, and that Project Co has the sole right and authority to collect and utilize all such revenues;
- (ix) ensure that Project Co has the exclusive right to operate a commercial airport with fixed-wing aircraft in Bermuda for the term of the Project Agreement;
- (x) ensure that the following financial incentives and benefits are provided exclusively for the benefit of the Project and for the term of the Project:
 - A. Project Co, Aecon Construction and its Affiliates, and all Subcontractors, will have full relief from custom duty in respect of capital items (and excluding consumable items) such as any building materials, furnishings, fixtures, and equipment which are necessary for the building, furnishing and equipping of the airport construction and for Airport Operations. For greater certainty, such relief from customs duty for Subcontractors related to Airport Operations shall only apply to capital works associated with Airport Operations that are undertaken by Subcontractors;
 - B. Project Co, Aecon Construction and its Affiliates, and all Subcontractors will be exempt from paying the employer's share of payroll tax under the Payroll Tax Act 1995 (or any successor applicable Law), with respect to all work done concerning the Project during the term of the Construction Contract and with respect to any capital works, capital refurbishment or capital improvements that are undertaken concerning Airport Operations pursuant to the Project Agreement. The employer's share of payroll tax means that portion of payroll tax which the employer is not entitled to deduct from an employee's wages under section 19 of the Payroll Tax Act 1995;
 - C. Project Co will be exempt from paying the employer's share of payroll tax under the Payroll Tax Act 1995 (or any successor applicable Law);
 - D. for greater certainty concerning the scope and nature of Bermuda's obligations in this Section 7.1, except for non-Bermudian

employees who do not (and are not required to) hold work permits, Aecon Construction and its Affiliates, Project Co, and all Subcontractors will otherwise fully comply with all of their other employee payroll tax collection and remittance obligations and other duties under the Payroll Tax Act 1995. For greater certainty, all employee's share of payroll tax under the Payroll Tax Act 1995 (or successor applicable Law) shall be deducted and remitted by the employer in accordance with applicable Laws;

- E. notwithstanding subsection D above, each of Aecon Construction and its Affiliates, Project Co, and all Subcontractors will be exempt from the requirement to make payments (including taxes and fees) that it would otherwise be required to be made under Heading 6 paragraph (5) of the Government Fees Regulations 1976 (work permit fees) in relation to any employee who does not fall under the definition of Bermudian Labour;
- F. Aecon Construction and its Affiliates, together with Project Co, shall be exempt from all income, profits, capital, capital gains, and all other revenue based taxes that are in any way associated with the Project that Bermuda may after the Effective Date either impose, enact or implement in Bermuda, whether as Laws of general application or otherwise, throughout the term of this Airport Development Agreement or during the terms of the Core Project Documents;
- G. Aecon Construction and its Affiliates, together with Project Co, shall be exempt from all land, land transfer, lease and other real estate taxes, levies and stamp duty in Bermuda that may be associated with the Airport, Airport Operations, Construction, Lease, Leased Lands, or otherwise with the Project at any time during the term of this Airport Development Agreement and the terms of the Core Project Documents;
- H. Aecon Construction and its Affiliates and Project Co will not be exempt from any other Taxes that may be applicable to the Project in the performance of this Airport Development Agreement, Core Project Documents, or otherwise, except as otherwise expressly set out in this Section 7.1(a)(x), or as may otherwise be agreed to in the Project. For greater certainty, neither Aecon Construction, Project Co nor any other Person shall be relieved or exempt from paying any Governmental Authority fees or charges (that are not Concessioned Taxes) of general application in Bermuda that are ordinarily charged for government services, including without limitation (by way of example) fees or charges associated with licensing, incorporation, wharfage, filings or registration, motor vehicles or work permits; and,

- (xi) establish a mechanism for the timely and efficient processing of Permits in accordance with the construction schedule;

all of which is to be effective for the term of the Project Agreement (collectively, the “**Enabling Legislation**”). With respect to Section 7.1(a)(x) above, all concessions and relief related to Taxes, and that are otherwise expressly provided for in Section 7.1(a)(x), shall be collectively referred to herein as “**Concessioned Taxes**”.

- (b) ensuring that it has sufficient rights and interest in and to the Leased Airport Lands to enter into the Lease and grant to Project Co the requisite legal rights to allow Project Co to perform the Construction and Airport Operations, in each case free and clear of all encumbrances, restrictions or limitations other than certain permitted encumbrances to be specified and agreed to that do not materially interfere, individually or collectively, with the Construction or Airport Operations;
- (c) providing Aecon Concessions with an accurate legal description of the Leased Lands within 90 days of execution of this Airport Development Agreement;
- (d) populating, and updating as required, the Project data room with up-to-date copies of all material Airport-related agreements, financials, contracts and governance documents, including Airport Personnel employment documents;
- (e) using commercially reasonable efforts to enter into novation agreements (or otherwise entering into assignment and assumption agreements) with respect to agreed existing Airport-related contracts;
- (f) agreeing with CCC and Aecon Concessions on the Airport Personnel Transition Plan;
- (g) actively participating, and collaborating in, an Airport-BDA Joint Development Committee in the event that such committee is created and constituted;
- (h) facilitating and enabling an approach to assist Project Co with the implementation of a robust commercial platform at the Airport in accordance with the Commercial Model;
- (i) facilitating necessary access to the organization(s) coordinating the 35th America’s Cup to determine the obligations of the Airport and to achieve agreement on associated preliminary operating plans;
- (j) obtaining the approval of Aecon Concessions (not to be unreasonably withheld), before entering into any new Airport-related contract or arrangement (including extending existing contracts other than in the ordinary course or hiring additional Airport Personnel over and above the level contemplated by the current Airport staffing plan) or making any commitments to capital expenditures that would be payable post-Financial Close, that would be expected to have a cost impact on Construction, Airport Operations, the Commercial Model or Project Co revenues after Financial Close, excepting;

- (i) filling existing Airport Personnel positions;
- (ii) replacing Airport Personnel in existing positions; and
- (iii) entering into short term agreements as may be required for the maintenance of safety or security (in which instance Bermuda will enter into such agreements and immediately inform Aecon Concessions of any changes in operations or in operating costs resulting therefrom);
- (k) ensuring expedited processing of Permits, including any work permits that may be required in relation to the Project, and providing all necessary Permits in a timely manner;
- (l) providing, as of the date of execution of this Airport Development Agreement and for the duration of the Term, at no cost, reasonable office space at the Airport to the CCC Team to support the Project;
- (m) providing the CCC Team with full access to the Airport and visibility to the existing Airport Operations as well as with input with respect to all Airport-related decisions made during the Term, including with respect to the transition of commercial contracts and Airport Personnel and in relation to capital expenditures;
- (n) providing the CCC Team with sufficient access to the Existing Airport Lands as may be required to complete all pre-Financial Close Construction-related due diligence;
- (o) providing the CCC Team with an inventory of all Airport property, including buildings, structures, improvements, appurtenances and fixtures and all other machinery and equipment and all vehicles, tools, furniture, furnishings, computer hardware and peripheral equipment, supplies and accessories, pre-paid expenses and deposits, accounts receivable, Permits, contracts and commitments relating to the Airport, customer lists, plans and specifications relating to the Airport, all personnel records, inspection records and other records, books, documents and data bases, recorded or stored by means of any device, including in electronic form, relating to the Airport and intellectual property, including property that is within the possession of the Airport Personnel (the “**Airport Assets**”);
- (p) agreeing with CCC and Aecon Concessions on the content of an inventory of all Airport Assets not required for the performance of the Retained Government Services (the “**Transferred Airport Assets**”), which at a minimum shall include all Airport Assets utilized for the operation, management, administration, maintenance and lifecycle replacement of the Airport during the Term (other than those Airport Assets required for the performance of the Retained Government Services);
- (q) agreeing with CCC and Aecon Concessions on the mechanism for the transfer of the Transferred Airport Assets to Project Co on Financial Close at a nominal amount, and the mechanism for the transfer of comparable airport assets from

Project Co to Bermuda at the end of the term of the Project Agreement as part of the Handback Assigned Obligations;

- (r) as of Financial Close, setting aside the AIF Reserve into a Bermuda owned segregated account (the “**AIF Reserve Account**”), the funds of which shall be made available for the sole benefit of funding the Project subject to terms and conditions set out herein and as the Parties may further agree in the Core Project Documents;
- (s) establishing, organizing and funding the Airport Quango;
- (t) developing, and providing to Aecon Concessions, at least three (3) months prior to the establishment of the Airport Quango, a proposed plan detailing the actions required to ensure an orderly staffing and start-up of the Airport Quango;
- (u) cooperating with Aecon Concessions to implement the Transition Plan and Airport Personnel Transition Plan;
- (v) facilitating the transfer of the airport operating certificate to Airport Quango;
- (w) providing reasonable assistance to Aecon Concessions, CCC and Aecon Constructors to complete their deliverables under the Preliminary Development Plan to the extent the same depends on the cooperation and actions of Bermuda;
- (x) performing all other actions and providing all other deliverables as otherwise may be necessary to ensure an orderly and efficient transition of Airport Operations from Bermuda to Project Co; and
- (y) using commercially reasonable efforts to perform all other actions and providing all other deliverables within its control in form and substance consistent with those set out above as otherwise may be necessary to ensure Financial Close is achieved.

8. Schedule of Fees and Charges

8.1 The Parties acknowledge and agree that, in relation to the schedule of Regulated Fees and Charges attached hereto as Schedule E (the “**Regulated Fees and Charges Schedule**”):

- (a) the current Regulated Fees and Charges are as indicated in the column titled “Description”;
- (b) the current Regulated Fees and Charges rates are as indicated in the column titled “Current Rate”;
- (c) certain of the Regulated Fees and Charges will be implemented and/or increased during the Term as indicated in the column titled “Interim Rate”; and
- (d) the Regulated Fees and Charges will be further adjusted on Financial Close as indicated in the column titled “Financial Close” and will be adjusted thereafter in accordance with the principles set out in Section F.6 of Schedule C. Since final

capital and operating costs will be determined during the Term, the Financial Close adjustment will also take into consideration the level of Airport Infrastructure Charge required to make the Project financially viable and such other factors as may be relevant in that regard including, without limitation, the Base Case Financial Model reflecting the Target IRR and servicing of Bermuda Subordinated Debt.

9. Limited Government Support; Bermuda Participation

9.1 Bermuda will provide the following financing support to Project Co:

- (a) the AIF Reserve described in Sections 7.1(r) and 9.2;
- (b) an amount in respect of the annual energy consumption for the Airport described in Section 9.3; and
- (c) the Guaranteed Revenue Payments, if any, described in Section 9.4.

(collectively, the “**Limited Government Support**”)

9.2 Bermuda will establish the AIF Reserve Account on Financial Close. Project Co may take advances of the funds held in the AIF Reserve Account from time to time on or after Financial Close as subordinated debt (“**Bermuda Subordinated Debt**”), subordinated and postponed to the Senior Debt on terms satisfactory to Project Co, Senior Lenders and rating agencies. The AIF Reserve funds may only be used by Project Co to fund Project Co obligations for construction costs as permitted by IATA guidelines for the application of such funds. AIF Reserve funds may not be used for the payment of investor distributions or fees to equity holders or their Affiliates. The Bermuda Subordinated Debt shall accrue interest calculated at Bermuda’s cost of funds plus a margin to be determined in the Project Agreement and shall be on terms, including covenants, satisfactory to Project Co, the Senior Lenders and rating agencies that do not in any way negatively impact an investment grade rating of the Senior Debt at Financial Close. Bermuda Subordinated Debt may be freely pre-payable at the discretion of Project Co at any time. The Bermuda Subordinated Debt shall be deeply subordinated and shall not entitle Bermuda to any governance rights in Project Co. All Bermuda Subordinated Debt shall be immediately repayable to Bermuda upon any change of control of Project Co. Any remaining unpaid balance of the Bermuda Subordinated Debt and interest accrued thereon will become due and be payable on a timeline to be set out in the Project Agreement.

9.3 Bermuda will pay to Project Co, on an annual basis and for the term of the Project Agreement, an amount equal to:

- (a) (Y) the energy consumption for the Airport Operations, multiplied by (Z) the prevailing commercial energy cost per unit, less
- (b) the amount chargeable to, and recovered from, Airport tenants for energy costs, whether as part of a gross rent or payable separately.

If Project Co obtains and utilizes alternative energy sources that yield a net energy cost to Project Co that is lower than the prevailing commercial energy cost, the energy consumption for the Airport in paragraph (a) above will be reduced by the energy provided by the alternative energy source and Bermuda will pay to Project Co the cost of the energy produced by the alternative energy source and utilized by Project Co for Airport Operations. The Parties will work together to ensure that: (i) the Project Agreement provides certainty and particularity concerning Bermuda's long term commitment to fund the cost of Project Co's prudent energy consumption pursuant to this Section 9.3; and, (ii) there are appropriate financial incentives in the Project Agreement to ensure that Project Co achieves energy efficiencies over the term of the concession as may be appropriate. Project Co shall utilize energy efficiency practices in design, construction and operations consistent with the practices in effect during the applicable terms of the relevant Core Project Documents for both the construction and operation of an international airport by a skilled and experienced airport constructor and airport operator in reasonably similar circumstances and conditions to the Project in order to minimize Bermuda's liabilities associated therewith.

9.4 The Parties will use their reasonable commercial efforts to establish an agreed minimum annual Regulated Revenue amount, the amount of which will be included in a schedule to the Project Agreement (the "**Guarantee Line Schedule**"), that will be sufficient to achieve an investment grade rating for the Senior Debt at Financial Close while ensuring affordability for Bermuda (the "**Guaranteed Minimum Annual Regulated Revenues**"). The Guaranteed Minimum Annual Regulated Revenues for each year shall be as specified in the Project Agreement. If, in any calendar year ending on or before a date specified in the Project Agreement (the "**Revenue Guarantee Term**"), Regulated Revenues are less than the Guaranteed Minimum Regulated Revenues, Bermuda will make a payment (a "**Guaranteed Revenue Payment**") in an amount equal to the Guaranteed Minimum Regulated Revenues minus the Regulated Revenues for such calendar year. For this purpose:

- (a) during the Phase 1 Construction Works, the Guaranteed Minimum Annual Regulated Revenues in the Guarantee Line Schedule will be set at 90% of the projected Regulated Revenues based on the Base Case Traffic Forecasts in the Base Case Financial Model; and
- (b) in the period post-completion of the Phase 1 Construction Works, in any given year during the Revenue Guarantee Term, the Guaranteed Minimum Annual Regulated Revenues will be set as per the introductory paragraph of this Section 9.4 above.

Upon receipt of Guaranteed Revenue Payments made available by Bermuda to Project Co, Project Co shall provide Bermuda with participating equity certificates on terms satisfactory to the Senior Lenders and rating agencies that do not in any way negatively impact a stable investment grade rating of the Senior Debt and exclude any security, covenants or step-in rights in favour of Bermuda ("**Participating Equity Certificates**"). All Guaranteed Revenue Payments paid to Project Co between Financial Close and the Terminal Opening Date shall be used by Project Co solely to fund operating costs of the Airport. Guaranteed Revenue Payments paid to Project Co may not be used for payment of distributions or fees to equity holders or their Affiliates. All Guaranteed Revenue

Payments paid to Project Co after the Terminal Opening Date will be held by Project Co in a segregated interest bearing account at a financial institution satisfactory to Bermuda and Project Co (the “**Guarantee Revenue Reserve Account**”) on terms acceptable to the Senior Lenders. Funds in the Guarantee Revenue Reserve Account shall be held by Project Co in trust for the Senior Lenders and may be used by Project Co only for the purpose of paying debt service and/or funding a debt service reserve account required by Senior Lenders, or to achieve the minimum debt service coverage ratio required by the Senior Lenders and only in the event that Project Co will be unable to adequately fund any of the foregoing from normal operating cash flows. Guaranteed Revenue Payments shall be suspended in any year where the balance of the Guarantee Revenue Reserve Account exceeds the amount of the following year’s debt service obligation on the Senior Debt or some other maximum amount satisfactory to Senior Lenders and rating agencies. Any remaining balance in the Guarantee Revenue Reserve Account at the end of the Revenue Guarantee Term shall be applied by Project Co to redeem Participating Equity Certificates outstanding on the last day of the Revenue Guarantee Term.

- 9.5 If, in any calendar year during the Revenue Guarantee Term, the annual Regulated Revenues are greater than the Guaranteed Minimum Annual Regulated Revenue for such year, Bermuda will have no obligation to make a Guaranteed Revenue Payment in respect of such year.
- 9.6 Bermuda shall be entitled to participate in Regulated Revenues (“**Bermuda Participation**”) in accordance with the following principles:
- (a) Bermuda Participation may commence only after Project Co Members have recovered their initial and any subsequent equity investments plus any other conditions that are stipulated in the Project Agreement that are designed to proportionately reflect the Parties’ respective risks and contributions to the Project have been satisfied;
 - (b) Bermuda Participation shall occur in any particular calendar year only in the event Regulated Revenues exceed the Revenue Sharing Line for such fiscal year. The Revenue Sharing Line for each year shall be specified in the Project Agreement;
 - (c) until such time as Bermuda has recovered all amounts advanced for Participating Equity Certificates, together with interest thereon calculated at Bermuda’s cost of funds plus a margin that reasonably reflects Bermuda’s risk and contribution, Bermuda shall be entitled to a percentage of the Regulated Revenues (such percentage to be based on the Parties’ respective risks and contributions to the Project) above the Revenue Sharing Line, such percentage to be specified in the Project Agreement;
 - (d) once Bermuda has recovered the amounts referenced in paragraph 9.6(c) above, Bermuda will be entitled to a percentage of the Regulated Revenues (such percentage to be based on the Parties’ respective risks and contributions to the Project) above the Revenue Sharing Line, such percentage to be specified in the Project Agreement; and

- (e) Bermuda Participation will only be paid after all Senior Debt service for the period.
- 9.7 For the purposes of Section 9.4, Section 9.5, and Section 9.6 above, the calculation of Regulated Revenues shall exclude Project Co revenues derived from the implementation or increase in any Regulated Fees and Charges as may be permitted under the Project Agreement to fund major capital works or expansions (i.e., outside the scope of the Phase 1 Construction Works) or to compensate Project Co as required under the Project Agreement.

10. Core Project Documents

- 10.1 The Parties will, prior to 270 days after the Effective Date, use their reasonable commercial efforts to agree to definitive drafts of the following agreements:
- (a) the Project Agreement, which will be consistent in form and substance with the Project Agreement Heads of Terms attached as Schedule C hereto and which will be the Project's overriding master agreement that requires all of the other agreements in this Section 10.1 to be entered into;
 - (b) the Construction Contract, which will be consistent in form and substance with the Construction Contract Heads of Terms attached as Schedule D hereto;
 - (c) the Lease;
 - (d) the Master Assignment and Consent Agreement; and,
 - (e) the Domestic Contract;

(collectively, the “**Core Project Documents**”). The date upon which Bermuda and Project Co mutually agree in writing that all Core Project Documents are substantially agreed to between the Parties shall be referred to as the “**Core Project Documents Date**”. For greater certainty, Bermuda will not provide any such agreement without the prior direction of Bermuda's Cabinet.

- 10.2 For greater certainty, the Core Project Documents shall be negotiated and settled, prior to Financial Close but the effectiveness thereof shall all be subject to the fundamental precondition of Financial Close. Once agreed, the Core Project Documents shall be subject only to those amendments as are necessary to meet the requirements of the Senior Lenders and rating agencies.

11. Project Financing

- 11.1 The Parties acknowledge and confirm their mutual objective that Project Co's Senior Debt receive an investment grade credit rating at Financial Close by an internationally recognized rating agency, and that the Financial Plan is fully funded, while also providing the Project Co Members with the Target IRR (collectively, the “**Financing Objective**”) and acknowledge that, consistent with the conclusions set out in Section 9.2 of the Airport Project Concept, a combination of equity, cash from Airport Operations (post Financial

Close), Senior Debt and Limited Government Support will be required to achieve the Financing Objective.

- 11.2 With respect to debt financing, in addition to the activities and deliverables set out in Section 6.1, above, Acon Concessions, in collaboration with Bermuda, will:
- (a) facilitate the completion of due diligence required by the Senior Lenders and rating agencies, including the finalization of Airport Traffic Forecasts and revenue, operating cost and capital cost reports from third party advisors;
 - (b) establish a set of Base Case Financial Model assumptions that reflect the Project Agreement and financial market conditions;
 - (c) present the draft Base Case Financial Model, Project Agreement and Preliminary Debt Financing Package to one or more credit rating agencies in order to facilitate the obtaining of a credit rating; and
 - (d) upon identification of prospective Senior Lenders, propose to and consult with, such Senior Lenders with respect to:
 - (i) the Financial Plan, Base Case Financial Model and the Airport operating budget;
 - (ii) the Core Project Documents; and,
 - (iii) the Financing Documents.

- 11.3 Throughout the financing process, the Parties will cooperate and use commercially reasonable efforts to convey the Project's strengths and growth potential in order to achieve the most favourable financing terms possible for the Project.

12. Financial Close

- 12.1 The target date for the completion of the execution of all Transaction Documents and for the achievement of Financial Close is November 30, 2016, with the expectation that it will be no later than March 31, 2017.
- 12.2 As of the date of Financial Close, the Parties will enter into (or will cause the respective Parties to such agreements to enter into), *inter alia*, the Financing Documents, and the Core Project Documents shall become effective and in force as of the Financial Close (such Core Project Documents and Financing Documents shall be collectively referred to as the "**Transaction Documents**").
- 12.3 Pursuant to CCC's statutory mandate, CCC's sole obligation in relation to the Transaction Documents will be to enter into the Construction Contract with Bermuda, the Master Assignment and Consent Agreement with Bermuda and Project Co and the Domestic Contract with Acon Constructors.

12.4 On Financial Close:

- (a) Project Co will acquire operational control of the Airport from Bermuda (subject to Bermuda retaining control over the Retained Government Services), and will commence the Airport Operations;
- (b) Bermuda will contribute the AIF Reserve to Project Co as stipulated herein;
- (c) all Airport revenue dedicated to the Project will accrue to and be received by or on behalf of Project Co;
- (d) all accrued and pre-paid maintenance costs and other expenses associated with the Airport Assets will be reconciled, adjusted and attributed on a pro-rated basis between Bermuda and Project Co in accordance with their respective rights and obligations; and
- (e) without any further financial obligations of Bermuda other than as expressly set out herein and in the Project Agreement, Project Co will avail itself of sufficient debt, equity and other sources of funds to fund the Airport Operations and the Construction.

12.5 All liabilities and obligations of Bermuda arising in connection with the Airport, Airport Assets and Existing Airport Lands prior to Financial Close, including all obligations in relation to Airport Personnel (including accrued pension liabilities, severance liabilities, benefits and sick bank, overtime, vacation accruals and any employer's obligations in relation to the "privatization" provisions (or equivalent) contained in any current employee collective bargaining agreement or under applicable Law) as well as pre-existing environmental liabilities shall be for Bermuda's account, and Project Co shall not assume or be liable for any such obligations. All liabilities and obligations arising in connection with the Leased Lands, the Transferred Airport Assets and other than in respect of Retained Government Services and as agreed pursuant to the Project Agreement, shall be for Project Co's account, and each of Project Co and Bermuda agrees to conduct its affairs and operations on an "ordinary course of business" basis, including where it would ordinarily defend, at its sole cost and expense, any third party suit, action or proceeding instituted in connection with the Airport.

13. Indemnities

- 13.1 Bermuda will indemnify and hold harmless CCC, Aecon Concessions and each of their respective shareholders, directors, officers, employees and agents from and against any Direct Losses actually suffered or incurred by CCC, Aecon Concessions or such shareholders, directors, officers, employees and agents arising from (A) any failure by Bermuda to comply with, observe or perform any of the covenants, obligations, agreements, terms or conditions in this Airport Development Agreement or (B) any breach by Bermuda of its representations or warranties set forth in Section 16.3.
- 13.2 CCC will indemnify and hold harmless Bermuda and each of its respective elected officials, employees and agents from and against any Direct Losses actually suffered or incurred by Bermuda or such elected officials, employees and agents arising from (A) any

failure by CCC to comply with, observe or perform any of the covenants, obligations, agreements, terms or conditions in this Airport Development Agreement or (B) any breach by CCC its representations or warranties set forth in Section 16.1.

- 13.3 No Party to this Airport Development Agreement will be liable to another Party, whether in contract or in tort or on any other basis whatsoever, for any Indirect Losses suffered or incurred by that other Party.
- 13.4 If payment of any amount payable under this Airport Development Agreement is not made when due, interest will be payable on such amount with interest accruing at three (3) percent per annum, and will be calculated from the date that such amount is due under this Airport Development Agreement until paid, compounded monthly.

14. Development Costs

- 14.1 All reasonable internal and substantiated third party costs that have been necessarily incurred in accordance with normative industry practices in Canada or internationally for a project of a nature that is comparable to the Project, and that are related to the development of the Project, (but which shall not include any such costs or expenses that are incurred in any association with, or as a result of, the exercise of either Party's rights pursuant to this Section 14) that have been incurred by any member of the CCC Team from (but not prior to) the inception of Phase 1 (the "**Development Costs**"), shall ultimately be borne by the Project and form part of the Project's Base Case Financial Model. For greater certainty, the term "Development Costs" shall not include: internal costs that are not associated with the reasonably allocated overhead costs of the Project and that have not been incurred directly and specifically by Aecon Construction expressly for the purpose of the Project; and, any inter-company mark-up or transfer pricing additional (that are not flow-through costs), costs, charges or expenses that have been incurred between any Aecon Construction Affiliates concerning the Project.

15. Early Termination

- 15.1 Bermuda may, on seven (7) days' prior written notice, terminate this Airport Development Agreement without liability in the event that either: (i) Aecon Concessions or CCC fundamentally or materially breaches this Airport Development Agreement; or, (ii) any of the certifications made by Aecon Concessions in the certificate that must be delivered pursuant to Section 16.2 are untrue; or upon any breach by CCC of the representations set out in Section 16.1.
- 15.2 If Bermuda:
- (a) terminates this Airport Development Agreement other than pursuant to Section 15.1 or Section 15.4;
 - (b) abandons the Project;

- (c) is unwilling or unable to:
 - (i) provide the Limited Government Support as stipulated in this Airport Development Agreement;
 - (ii) reasonably demonstrate to CCC, Aecon Concessions' and/or the Senior Lenders' that the Limited Government Support will be provided by Bermuda to Project Co as stipulated in this Airport Development Agreement; or
 - (iii) demonstrate to CCC, Aecon Concessions' and/or the Senior Lenders' reasonable satisfaction that Bermuda will have sufficient resources to provide the AIF Reserve, establish the Airport Quango and/or fund the Retained Government Services during the term of the Project Agreement;
- (d) fails to enact the Enabling Legislation;
- (e) elects to tender the Project under any public procurement mechanism, pursuant to a "Swiss Challenge" or otherwise; or
- (f) fundamentally or materially breaches this Airport Development Agreement or otherwise refuses to perform its obligations under this Airport Development Agreement;

CCC may, on seven (7) days' prior written notice, terminate this Airport Development Agreement, and Bermuda shall reimburse the CCC Team in an amount equal to 120% of all substantiated Development Costs to the date of such termination within thirty (30) days of receipt from the CCC Team of written demand therefor.

15.3 If:

- (a) Bermuda is in breach of any representation, warranty and covenant set out in Section 16.3 of this Airport Development Agreement; or
- (b) subsequent to the Core Project Documents Date, Bermuda either takes or fails to take any action enumerated in Section 15.2(a) – (f) that would permit CCC to terminate this Airport Development Agreement under that Section;

CCC may, on seven (7) days' prior written notice, terminate this Airport Development Agreement and Bermuda shall reimburse the CCC Team in an amount equal to the sum of (A) 120% of all substantiated Development Costs to the date of such termination, plus (B) the Breakage Fee, plus (C) an amount equal to the financial advisory fees payable to Aecon Concessions' financial advisor, plus (D) and any fees and expenses then due to Senior Lenders and/or other financing parties to the extent any financing has been arranged, within thirty (30) days of receipt from the CCC Team of written demand therefor.

15.4 Either Party shall be entitled, on or subsequent to the date set out in the column titled "Permitted Termination Notification Date" in the table set out in Schedule G, on seven (7)

days' prior written notice, to terminate this Airport Development Agreement on the occurrence of a corresponding Off Ramp Event as specified in the column titled "Off Ramp Event" in the table in Schedule G. Upon any termination of this Airport Development Agreement resulting from the occurrence of an Off Ramp Event, Bermuda shall reimburse the CCC Team in an amount equal to 100% of all substantiated and reasonably incurred out-of-pocket third party Development Costs within thirty (30) days of receipt from the CCC Team of written demand therefor. To the extent that any Project related work product that has been created or produced by such third parties and is capable of licensing by the CCC Team, it shall be licensed to Bermuda on a royalty free, non-exclusive, personal and non-transferable basis to use for its own purposes (and not for the benefit of any other Person). Such work product shall not be disclosed to any other Person without the applicable third party written consent (not to be unreasonably withheld) and if consent is so received, disclosure by Bermuda to such Person shall be made solely on a non-reliance basis and subject to confidentiality by such Person.

- 15.5 Bermuda's aggregate liability for Development Costs payable on any termination under this Section 15 at any time shall not exceed the aggregate amount indicated and forecast for Development Cost expenditures up to the date of such termination, as set out in the then current Development Costs Budget.
- 15.6 The Parties agree that the amounts payable by Bermuda pursuant to Sections 15.2, 15.3 and 15.4 are not penalties but represent genuine and reasonable pre-estimates of the damages that the members of the CCC Team will suffer as a result of the happening of the specified events that would be difficult or impossible to quantify upon the happening of the specified events. The Parties agree that such amounts that are substantiated by CCC, other than Development Costs which are acknowledged to be limited to compensation only, shall be payable whether or not the CCC Team incurs or mitigates its damages, and that no member of the CCC Team shall have any obligation to mitigate any such damages. The Parties agree to act in good faith in relation the termination remedies set out in Sections 15.2, 15.3 and 15.4.

16. Representations, Warranties and Covenants

- 16.1 CCC represents, warrants and covenants, as of the Effective Date of this Airport Development Agreement (and shall represent, warrant and covenant, *mutatis mutandis*, as may be applicable, in the Construction Contract and throughout the term of the Construction Agreement), that:
- (a) CCC is a Crown corporation duly organized, validly existing and in good standing under the laws of Canada. The business or activity that CCC is presently engaged in and which it proposes to undertake for the purposes of this Airport Development Agreement is consistent with the purposes for which it was created;
 - (b) CCC has all requisite power, capacity and authority to enter into, incur, execute, deliver and perform its obligations under this Airport Development Agreement. The execution, delivery and performance by CCC of the Airport Development Agreement and the transactions contemplated thereby have been duly and validly

authorized by all necessary action of CCC. The Airport Development Agreement has been duly executed and delivered on behalf of CCC;

- (c) no authorization, approval or consent of, and no filing or registration with, any governmental or regulatory authority or agency of Canada under any Canadian Law is required on the part of CCC for the execution or delivery by CCC of, or for the performance and incurrence by CCC of any of its obligations and liabilities under, this Airport Development Agreement, except for the approval to enter into any Transaction Documents to which CCC is a party will be required by the CCC Board of Directors, the Minister for International Trade and the concurrence of the Minister of Finance, in accordance with the guidelines issued to CCC by the Cabinet of Canada entitled "1999 Risk Management Guidelines for Capital Projects";
- (d) CCC has not within ten (10) years prior to the Effective Date been or be convicted by a Court or tribunal of competent jurisdiction of a criminal offence concerning unethical business practices, including bid rigging, criminal fraud, money laundering, tax evasion, and corruption of foreign officials; and
- (e) CCC shall not, during the term of the Construction Agreement, be convicted by a Court or tribunal of competent jurisdiction of a criminal offence concerning unethical business practices, including bid rigging, criminal fraud, money laundering, tax evasion, and corruption of foreign officials.

16.2 CCC will deliver to Bermuda a certificate executed by Aecon Concessions wherein Aecon Concessions certifies that as of the Effective Date of this Airport Development Agreement:

- (a) Aecon Concessions is a division of Aecon Construction, a corporation duly organized, validly existing and in good standing under the laws of Canada and has the requisite power and capacity to perform its third party obligations under this Airport Development Agreement and all other documents, instruments and agreements required to be executed and delivered by Aecon Concessions pursuant to this Airport Development Agreement;
- (b) the third party obligations of Aecon Concessions contained in this Airport Development Agreement and all documents, instruments and agreements required to be executed and delivered by Aecon Concessions pursuant to this Airport Development Agreement have been duly authorized by all necessary corporate action of Aecon Concessions, with the exception of the execution and delivery of the Transaction Documents and all other documents, instruments and agreements required to be executed and delivered by Aecon Concessions pursuant to the Transaction Documents, and the completion of the transactions contemplated by the Transaction Documents, all of which shall be subject to due and valid authorization by all necessary corporate action of Aecon Concessions;
- (c) no authorization, approval or consent of, and no filing or registration with, any governmental or regulatory authority or agency of Canada under any Canadian Law is required on the part of Aecon Concessions concerning the performance and

incurrence by Aecon Concessions of any of its obligations and liabilities set out in this Airport Development Agreement; and,

- (d) Aecon Construction has not within ten (10) years prior to the Effective Date been convicted by a Court or tribunal of competent jurisdiction of a criminal offence concerning unethical business practices, including bid rigging, criminal fraud, money laundering, tax evasion, and corruption of foreign officials.

16.3 Bermuda represents, warrants and covenants as of the Effective Date of this Airport Development Agreement (and shall represent, warrant and covenant, *mutatis mutandis*, in the Project Agreement and throughout the term of the Core Project Documents), that:

- (a) as provided in, and subject to, the Entrustment Letter, Bermuda has the power and capacity to enter into, incur, execute, deliver and perform its obligations under this Airport Development Agreement and all other documents, instruments and agreements required to be executed and delivered by Bermuda pursuant to this Airport Development Agreement;
- (b) the execution and delivery of this Airport Development Agreement and all documents, instruments and agreements required to be executed and delivered by Bermuda pursuant to this Airport Development Agreement, and the completion of the transactions contemplated by this Airport Development Agreement, have been duly authorized by all necessary action on the part of Bermuda, and this Airport Development Agreement has been duly executed and delivered by Bermuda and constitutes a legal, valid and binding obligation of Bermuda enforceable in accordance with its terms;
- (c) at its sole risk and cost, Bermuda shall satisfy, comply with, undertake and perform all of the requirements that are imposed on Bermuda in the Entrustment Letter; and,
- (d) no other authorization, approval or consent of, and no filing or registration with, the Government of the United Kingdom is required on the part of Bermuda for the execution or delivery by Bermuda of, or for the performance and incurrence by Bermuda of any of its obligations and liabilities under, this Airport Development Agreement or the Core Project Documents or to implement the Project as contemplated herein.

17. Dispute Resolution

- 17.1 If a dispute of any kind whatsoever arises between the Parties in connection with, or arising out this Airport Development Agreement, any Party may notify the other Party of the existence of such dispute, and the Parties will use their best efforts to settle amicably such dispute. To that end, a senior executive officer of each Party will meet and endeavour to resolve such dispute between them for a period of thirty (30) days from the date of receipt of notification of the dispute. If the senior executive officers do not meet or are unable to agree to the resolution of the dispute within the thirty (30) day period referenced above, then the dispute may be referred to arbitration pursuant to Section 17.2.

- 17.2 Any dispute arising out of or in connection with this Airport Development Agreement that cannot be settled amicably pursuant to Section 17.1, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration under the London Court of International Arbitration (LCIA) rules, which rules are deemed to be incorporated by reference into this clause. Such arbitration shall be before a single arbitrator recommended to the LCIA either by the mutual agreement of the Parties, or otherwise appointed pursuant to the LCIA rules applicable at the time of commencement of the arbitration. The seat, or legal place, of arbitration shall be London, United Kingdom or such other place as may be agreed upon by the Parties. The language to be used in the arbitral proceedings shall be English. Unless all Parties to the dispute agree otherwise, no arbitrator appointed pursuant to this provision shall be a citizen or resident of the British Overseas Territory of Bermuda or an employee or agent or former employee or agent of any of the Parties. The decision of the arbitrator with respect to the dispute shall be final and binding on the Parties.

18. Confidentiality; Ownership

- 18.1 Subject to Section 18.1(b), each Party will hold in confidence any Confidential Information received from any other Party, except that this Section 18.1 will not restrict:

- (a) each Party from disclosing or granting access to such information to its professional advisers and consultants, to an arbitrator appointed under Section 17.2, and to governmental authorities, to the extent necessary, to enable it to perform (or to cause to be performed) or to enforce its rights or obligations under this Airport Development Agreement, and provided further that CCC or Bermuda may:
 - (i) provide to Aecon Concessions, Aecon Constructors, the Senior Lenders and other potential lenders, equity providers, rating agencies, underwriters, arrangers, investment dealers, monoline insurers and their respective advisors such Confidential Information as may be reasonably required by them in connection with raising financing for the Project or complying with the terms of the proposed Financing Documents, Core Project Documents or related agreements; and
 - (ii) provide to proposed Subcontractors and their respective advisors, or provide or cause to be provided to other third parties, Confidential Information which is necessary to enable Project Co to perform (or to cause to be performed) its obligations under this Airport Development Agreement or the Project Agreements,

provided that prior to the provision of such Confidential Information, the disclosing party obtains such from any such recipient its agreement to keep such Confidential Information confidential on the terms and conditions contained in this Section 18.1.

- (b) The obligation to maintain the confidentiality of the Confidential Information does not apply to Confidential Information:
 - (i) which the Party that disclosed the Confidential Information confirms in writing is not required to be treated as Confidential Information;
 - (ii) which is or comes into the public domain otherwise than through any disclosure prohibited by this Airport Development Agreement; or
 - (iii) to the extent any Person is required to disclose such Confidential Information by applicable Law, in which case the Party under such duty of disclosure shall provide the other Party with immediate notice of such duty.

18.2 Except with respect to:

- (a) any Confidential Information of Bermuda;
- (b) any studies, forecasts and designs that Bermuda has paid CCC or any member of the CCC Team for; and
- (c) the Airport Project Concept;

any proposal, concept, designs, materials and work product of any kind developed by CCC or the CCC Team pursuant to this Airport Development Agreement (the “**CCC Work Product**”) will remain the sole and exclusive property of CCC or such CCC Team member. On receipt of payment from Bermuda pursuant to Section 15.2, all CCC proposals, concepts, designs, materials and work product of any kind developed by CCC or the CCC Team pursuant to this Airport Development Agreement capable of assignment by CCC or the CCC Team shall be licensed to Bermuda on a royalty free, non-exclusive, personal and non-transferable basis to use for its own purposes (and not for the benefit of any other Person). Such work product shall not be disclosed to any other Person without the applicable CCC Team member’s written consent (not to be unreasonably withheld) and if consent is so received, disclosure by Bermuda to such Person shall be made solely on a non-reliance basis and subject to confidentiality by such Person.

19. General

19.1 Exclusivity

During the Term, CCC and Aecon Concessions will have the exclusive right to develop the Project, subject to the terms set forth in this Airport Development Agreement and as otherwise agreed by the Parties.

19.2 Notices

- (a) All notices, communications and statements (“**Notices**”) required, permitted or contemplated hereunder or hereby, must be given in writing and will be sufficiently given and received if:
- (i) personally delivered prior to 4:00 p.m. local time during normal business hours of the addressee at the address set forth below (personally delivered Notices will be deemed received by the addressee when actually delivered), or
 - (ii) sent by facsimile transmission, on the date of dispatch, provided that the sender’s facsimile machine produces a printed confirmation of successful transmission and further provided that if the transmission is not completed prior to 4:00 p.m., local time, at the recipient’s address, the Notice will be deemed received at the commencement of normal business hours at the recipient’s address on the Business Day next following the completion of such transmission,
- (b) The addresses of the Parties for receipt of Notices are as set forth below:

(i) **Canadian Commercial Corporation**

Attention: Christian DeChamplain, Senior Account Executive,
Business Development and Sales
Fax: (613) 995-2121
Telephone: (613) 996-0034
Email: cdechamp@ccc.ca

Address:
50 O’Connor Street, 11th Floor
Ottawa, Ontario K1A 0S6

With a Copy to:

Vice President Legal Services and General Counsel
Tel: (613) 992-4419
Fax: (613) 992-2134
Email: trybkin@ccc.ca

Address:
50 O’Connor Street, 11th Floor
Ottawa, Ontario K1A 0S6

(ii) **Bermuda Government**

Attention: Anthony Manders, Financial Secretary
Telephone: (441) 295-5151 ext. 1501
Email: amanders@gov.bm

Address:
c/o Ministry of Finance
Government Administration Building
2nd Floor, 20 Parliament Building
Hamilton HM 12
Bermuda

With a Copy to:

General Manager, L.F. Wade International Airport, Department of Airport Operations

Tel: (441) 299-4850
Fax: (441) 293-5677
Email: atadderley@gov.bm

Address:
3 Cahow Way
St. George's GE CX
Bermuda

19.3 Entire Agreement

This Airport Development Agreement and the instruments and documents to be executed and delivered pursuant to it constitute the entire agreement between the Parties, expressly superseding all prior agreements and communications (both oral and written) between the Parties hereto with respect to all matters contained herein or therein, and except as stated herein or the instruments and documents to be executed and delivered pursuant hereto, contains all the representations and warranties of the respective Parties.

19.4 Waivers and Consents in Writing

- (a) no waiver of any provision of this Airport Development Agreement; and
 - (b) no consent required pursuant to the terms of this Airport Development Agreement,
- is binding or effective unless it is in writing and signed by the Party providing such waiver or consent.

19.5 Assignment

- (a) CCC will not assign, transfer, novate or otherwise dispose of any interest in this Airport Development Agreement except to Aecon Concessions or its Affiliate, and unless (i) Aecon Concessions and its Affiliate assume joint and several liability for

all of the obligations of CCC under this Airport Development Agreement; and
(ii) CCC acknowledges to Bermuda it is not released from any of its obligations hereunder.

- (b) Bermuda will not assign, transfer, novate or otherwise dispose of any interest in this Airport Development Agreement except to Airport Quango, and unless, prior to such assignment:
 - (i) Bermuda delivers to CCC the ADA Bermuda Guarantee and ensures that the ADA Bermuda Guarantee remains in force and effect until the Expiry Date; and
 - (ii) Airport Quango assumes all the obligations of Bermuda under this Airport Development Agreement.
- (c) CCC will not be obligated to exhaust its remedies against Airport Quango or any insurer before demanding and being entitled to performance under the ADA Bermuda Guarantee.

19.6 Governing Law

This Airport Development Agreement shall be exclusively governed by and in accordance with the laws of the British Overseas Territory of Bermuda.

19.7 Survival

Notwithstanding any other provision of this Airport Development Agreement, the provisions of Section 13 [Indemnities], Section 15 [Early Termination], Section 16 [Representations, Warranties and Covenants], Section 18 [Confidentiality; Ownership], Section 17 [Dispute Resolution] and Section 19.6 [Governing Law] will survive the expiry or any earlier termination of this Airport Development Agreement.

19.8 Counterparts

This Airport Development Agreement may be executed in any number of counterparts, each of which will be deemed to be an original, and this has the same effect as if the signatures on the counterparts were on a single copy of this Airport Development Agreement so that it will not be necessary in making proof of this Airport Development Agreement to produce or account for more than one such counterpart.

IN WITNESS WHEREOF the Parties have executed this Airport Development Agreement as of the Effective Date.

CANADIAN COMMERCIAL CORPORATION

By: 

Martin Zablocki
President and Chief Executive Officer

BERMUDA GOVERNMENT

By: 

The Hon. Everard Bob Richards, JP, MP
Deputy Premier & Minister of Finance

SCHEDULE A

DEFINITIONS AND INTERPRETATION

1. Definitions

“ADA Bermuda Guarantee” means a guarantee provided by Bermuda to CCC guaranteeing the Airport Quango’s performance of all Bermuda’s obligations under the Airport Development Agreement, to be made effective as of the date of Bermuda’s assignment of its obligations under this Airport Development Agreement to Airport Quango, in form and substance acceptable to CCC, Aecon Concessions, and the Senior Lenders (if applicable), acting reasonably;

“Aecon Concessions” means Aecon Concessions, a division of Aecon Construction Group;

“Aecon Construction” means Aecon Construction Group Inc.;

“Aecon Constructors” means Aecon Constructors, a division of Aecon Construction;

“Affiliate” in respect of a Person means any other Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first Person where “control” means, with respect to the relationship between or among two or more Persons, the possession, directly or indirectly or as trustee, personal representative or executor, of the power to direct or cause the direction of the affairs or management of a Person, whether through the ownership of voting securities, as trustee, personal representative or executor, by statute, contract, credit arrangement or otherwise, including the ownership, directly or indirectly, of securities having the power to elect a majority of the board of directors or similar body governing the affairs of such Person;

“AIF Reserve” means an amount equal to \$12,000,000, which will be principally derived from, but not limited to, Bermuda’s AIF derived revenues received and held in escrow by Bermuda during the Term;

“AIF Reserve Account” has the meaning set out in Section 7.1(r);

“Air Traffic Control and Meteorological Services” means services necessary for expediting and maintaining the orderly flow of air traffic and the prevention of collisions between aircraft or obstacles in the air or within the manoeuvring area of the Airport including flight information services, approach control services and meteorological services, air traffic advisory services, air traffic control services, ground control services and area control services;

“Airport” means the L.F. Wade International Airport;

“Airport Assets” has the meaning set out in Section 7.1(o);

“Airport Development Agreement” means this Airport Development Agreement, including its recitals and schedules, as amended from time to time;

“Airport Improvement Fee” or “AIF” means the fee charged to departing passengers at the Airport, as set out in Schedule E;

“Airport Infrastructure Charge” means the fee charged to departing passengers at the Airport, as set out in Schedule E;

“Airport Operations” means the operation, management, administration, maintenance and lifecycle replacement of the Airport as set out in the Project Agreement, and will include, without limitation, the Airport Services and Commercial Services but exclude the Construction and all Retained Government Services;

“Airport Operations Scope and Specifications” means the document attached to the Project Agreement Heads of Terms as Appendix B;

“Airport Personnel” means all Persons that are employed by Department of Airport Operations as at the date of this Airport Development Agreement and any additional employees hired after the date of this Airport Development Agreement by the Department of Airport Operations as permitted by this Airport Development Agreement to work full-time or part-time at the Airport but excluding personnel engaged solely in the provision of the Retained Government Services;

“Airport Personnel Transition Plan” has the meaning set out in Section 6.3(i);

“Airport Project Concept” means the “Project Concept for the Redevelopment of L.F. Wade International Airport” dated July 22, 2015, attached to this Airport Development Agreement as Schedule B, as the same may be amended, replaced or supplemented from time to time in accordance with this Airport Development Agreement;

“Airport Quango” means the quasi-autonomous non-governmental authority to be established and funded by Bermuda for the sole purpose of providing normative oversight concerning Project Co’s performance of the Project Agreement, including concerning the administration, management and the exercise of certain of Bermuda’s rights and obligations in relation to the Airport and otherwise associated with the Core Project Documents, including Airport Operations and Regulated Fees and Charges;

“Airport Services” has the meaning set out Section B.1 of the Airport Operations Scope and Specifications document attached to the Project Agreement Heads of Terms as Appendix B;

“Airport Traffic Forecasts” means forecasts commissioned by Aeon Concessions of airport passenger volumes arriving or departing on scheduled airline flights, excluding any general aviation traffic and unscheduled charters, and includes the Base Case Traffic Forecast;

“Amended and Restated Letter Agreement” has the meaning set out in Recital E;

“ARFF” means Airport Rescue Firefighting services currently provided by Bermuda Fire Service to the Airport designed to save lives in the event of an aircraft or incident, and provided in accordance with the latest edition of ICAO’s Airport Services Manual, Part 1,

Rescue and Firefighting and Annex 14 to the Convention of International Civil Aviation (“Aerodromes – Volume 1 – Aerodrome Designs and Operations);

“**Aviation Security Fee**” means the fee charged per departing passenger for the Security Services provided at the Airport payable by the departing passengers and collected by the airlines prior to Financial Close, on Bermuda’s behalf and after Financial Close, on Project Co’s behalf;

“**Base Case Financial Model**” means Project Co’s base case financial model for the Project, incorporating assumptions, projections and forecasts satisfactory to Project Co;

“**Base Case Traffic Forecast**” means the agreed upon traffic forecast through the term of the Project Agreement as revised pursuant to the requirements of the Senior Lenders and/or credit rating agencies;

“**Bermuda**” means the Bermuda Government;

“**Bermuda Controlled Airport Lands**” means that portion of the Existing Airport Lands that will not be leased to Project Co under and in accordance with the Project Agreement as shown on the Diagram of Existing Airport Lands attached as Schedule H, subject to rights of access and egress in favour of Project Co appurtenant to the Leased Lands;

“**Bermuda Participation**” has the meaning set out in Section 9.6;

“**Bermuda Person**” means:

- (i) any Bermudian Governmental Authority;
- (ii) any elected official, employee or agent of Bermuda;
- (iii) any representative, advisor (including any legal and financial advisor), contractor or subcontractor (of any tier) of Bermuda in any such Person’s capacity as a provider of services directly or indirectly to Bermuda in connection with the Project, other than CCC, the CCC Team contractors, CCC Team subcontractors, Project Co, Project Co contractors or Project Co sub-contractors; and,
- (iv) any invitee of Bermuda or any of the Bermuda Persons referred to in (i), (ii) or (iii) above who enters upon the Leased Lands;

“**Bermudian Labour**” means persons who either have: Bermudian status; who hold a Permanent Resident Certificate; who are otherwise legally entitled to seek employment in Bermuda; or who are ordinarily resident in Bermuda without association with the Project and who secure a relevant permit to work in Bermuda;

“**Bermuda Subordinated Debt**” has the meaning set out in Section 9.2;

“**Breakage Fee**” shall mean the amount of \$5,000,000.

“CCC Team” means CCC, Aecon Construction, Aecon Concessions, Aecon Constructors and such other members, advisors and other Persons as may join the CCC Team during the development and implementation of the Project;

“CCC Work Product” has the meaning set out in Section 18.2;

“Change in Law” means the coming into effect after the execution of this Airport Development Agreement of:

- (i) any new Law in Bermuda;
- (ii) any modification (including repeal) of any Law in Bermuda existing on such date;
- (iii) any change in the interpretation or application of any Law in Bermuda resulting from a judicial or administrative determination; or,
- (iv) any Bermuda public policy or administrative practice of general application,

(which may, to any extent and without limitation, also be related to Taxes) that is binding on CCC, a member of the CCC Team, Project Co or Bermuda;

“Commercial Model” means the plan for developing the businesses and commercial activities associated with the Commercial Services;

“Commercial Services” has the meaning set out Section B.2 of the Airport Operations Scope and Specifications document attached to the Project Agreement Heads of Terms as Appendix B;

“Competing Business” means any business that Bermuda or Airport Quango, directly or indirectly, in any manner whatsoever (including individually, in partnership, or otherwise), establishes, carries on, is engaged in, concerned with or interested in that is substantially the same as, or competes in whole or in part with, Project Co’s business, including any aspect of the Airport Operations;

“Concessioned Taxes” has the meaning set out in Section 7.1(a)(x);

“Confidential Information” means information of a Party which is supplied, or to which access is granted, to or on behalf of the other Party either in writing, or in any other form, directly or indirectly pursuant to discussions with the other Party and includes all studies, forecasts, designs, analyses, compilations, and other documents whether prepared by or on behalf of a Party which contain or otherwise reflect or are derived from such designated information;

“Construction” means everything required to achieve substantial completion of the Phase 1 Construction Works;

“Construction Contract” means the fixed price, lump sum, date certain construction contract to be entered into between CCC and Bermuda, generally on the terms and conditions set out in the Construction Contract Heads of Terms;

“Construction Contract Heads of Terms” means the heads of terms attached to this Airport Development Agreement as Schedule D;

“Construction Contractor’s Senior Lenders’ Direct Agreement” means the direct agreement to be entered into between Project Co, the Senior Lenders and CCC as Construction Contractor;

“Construction Specifications” means the Construction Specifications forming part of the Project Agreement, which shall be comprised of several parts including, initially, the document contained in Appendix C (Bermuda Airport Preliminary Owner’s Requirements) of Schedule C (Project Agreement Heads of Terms) of this Airport Development Agreement, and, when the Construction Specifications are fully developed, shall also contain the conceptual design of the new Airport and such other documents as are required to reflect the full scope of the Phase I Construction Works;

“Core Project Documents” has the meaning set out in Section 10.1;

“Core Project Documents Date” has the meaning set out in Section 10.1;

“Customs Services” means those functions carried out by the Customs Department of Bermuda in relation to the arrival of goods and passengers at the Airport;

“Debt Service Cash Flows” means the annual interest and principal payments in relation to the Senior Debt and any other debt of Project Co;

“Development Costs Budget” means initially the draft budget for Development Costs attached to Part B of Schedule F hereof as updated from time to time pursuant to this Airport Development Agreement;

“Development Costs” has the meaning set out in Section 14.1;

“Direct Agreements” means the Senior Lenders’ Remedies Agreement and the Construction Contractor’s Senior Lenders’ Direct Agreement;

“Direct Losses” means in respect of a condition, event or omission, without duplication, all damages, losses, liabilities, penalties, fines, assessments, claims (including by third parties), actions, costs (including increased capital expenditures), expenses (including the actual costs of legal or professional services), proceedings, demands and charges, whether arising under statute, contract or at common law, which result directly from such condition, event or omission:

- (i) net of related insurance proceeds and insurance receivables and any amount which the relevant party would have recovered (in respect of such condition, event or omission) if it had complied with the requirements of the Airport Development Agreement or Project Agreement or any policy of

insurance maintained or required to be maintained under the Airport Development Agreement or Project Agreement; and,

- (ii) excluding any Indirect Losses, except to the extent included in a third party claim.

“Discriminatory Change in Law” means a Change in Law that is discriminatorily targeted at Project Co and/or the Project and which could reasonably be expected to have an adverse impact on Project Co, the Project, the Airport Operations, or the users of the Airport. Notwithstanding the foregoing, any such Change in Law shall not be a Discriminatory Change in Law:

- (i) where it is in response to any act or omission on the part of Project Co which contravenes any applicable Law; or,
- (ii) solely on the basis that its effect on Project Co is greater than its effect on any other Person.

“Domestic Contract” means the agreement to be entered into between CCC and Aecon Constructors wherein CCC will subcontract all of its obligations in respect of the Construction to Aecon Constructors in a form, and containing such terms and conditions, that are consistent with, and compliant to, the Construction Contract;

“Effective Date” means the effective date of this Airport Development Agreement, August 24, 2015;

“Enabling Legislation” has the meaning set out in Section 7.1(a);

“Entrustment Letter” means the letter of entrustment delegating the authority specified therein from the Director, Overseas Territories to Mr. George Fergusson, Governor of Bermuda dated July 17th, 2015, which (pursuant to Bermuda’s formal notice of acceptance pursuant to paragraph 8 thereof) became effective on Tuesday, July 21st, 2015, a copy of which is attached hereto as Schedule I;

“Equity Amount” means the Equity Cash Flows discounted at the Market Equity IRR, which shall in no event be negative in value;

“Equity Cash Flows” means an amount equal to the forecast annual cash flows of Project Co (including all revenues and costs) as established by an independent technical financial adviser appointed jointly by Project Co and Bermuda and based on the Relevant Assumptions, minus (i) the Debt Service Cash Flows, and (ii) any amounts forecast to be due to Bermuda in relation to the Bermuda Participation;

“Excepted Airport Fees” shall mean the airport related fees and charges associated with parking and taxi pick-up activities;

“Existing Airport Lands” means those lands identified as the “Existing Airport Lands” on the Diagram of Existing Airport Lands attached as Schedule H;

“Expiry Date” has the meaning set out in Section 5.1(c);

“Federal Aviation Administration” or **“FAA”** shall mean the national civil aviation regulatory authority of the United States (including for Airports, Air Traffic Control, Aviation Safety and Commercial Space Transportation) known as the Federal Aviation Administration, which is an agency of the US Department of Transportation pursuant to the *Federal Aviation Act* 1958, as amended from time to time.

“Financial Close” means the satisfaction or waiver of all conditions precedent contained in the Transaction Documents, the execution of the Transaction Documents and the availability of funding under the Financing Documents;

“Financial Plan” means the financial plan for the Project prepared and updated from time to time by Project Co or the Project Co Members setting forth, among other things, the estimated Total Project Costs (including for contingencies) and the proposed sources of financing throughout the term of the Project Agreement, all based on normative financial, legal and accounting assumptions, applicable GAAP and applicable legal requirements, which, in Project Co and the Project Co Members’ judgment, represents the good faith best estimate of the information set forth therein as of the relevant date;

“Financing Documents” include, without limitation, the loan agreement, credit agreement or trust indenture or other instrument comprehensively setting out the terms of the Senior Debt, hedging agreements, if any, and any Direct Agreements, security documents, blocked accounts agreements, certificates or other documents required to be delivered to the Senior Lenders by any party in relation to the Senior Debt;

“Financing Objective” has the meaning set out in Section 11.1;

“GAAP” means the generally accepted accounting principles which are in effect from time to time approved by the Canadian Institute of Chartered Accountants or any successor institute as applicable, including IFRS;

“Governmental Authority” means any domestic governmental authority, quasi-governmental authority, quango, court, government or self-regulatory organization, commission, board, tribunal, or any regulatory, administrative or other agency, or any political or other subdivision or branch of any of the foregoing in Bermuda, and having or purporting to have jurisdiction in any way over or in respect of any aspect of the performance of the Project Agreement, Construction or Airport Operations, but excluding organizations such as the FAA, IATA, or the ICAO;

“Guarantee Line Schedule” has the meaning set out in Section 9.4;

“Guaranteed Minimum Annual Regulated Revenues” has the meaning set out in Section 9.4;

“Guaranteed Revenue Payment” has the meaning set out in Section 9.4;

“Guaranteed Revenue Reserve Account” has the meaning set out in Section 9.4;

“Handback Assigned Obligations” has the meaning set out in Section D.1(w) of the Project Agreement Heads of Terms;

“Handback Condition” has the meaning set out in Section D.1(v) of the Project Agreement Heads of Terms;

“IATA” means the International Air Transport Association;

“ICAO” means the International Civil Aviation Organization;

“IFRS” means The International Financial Reporting Standards as issued by the International Accounting Standards Board, which are in effect from time to time;

“Indirect Losses” means any loss of revenue, loss of profits, loss of use, loss of contract, loss of goodwill, loss of production, loss of business, loss of business opportunity or any exemplary, punitive or special damages, non-direct damages of third parties, consequential or indirect loss or damages of any nature claimed, suffered or allegedly suffered by:

- (i) Project Co or any Project Co Person (other than a Person who is a Project Co Person solely by virtue of being an invitee of Project Co or any Project Co Person); or,
- (ii) Bermuda or any Bermuda Person (other than a Person who is a Bermuda Person solely by virtue of being an invitee of Bermuda or any Bermuda Person) or a Bermuda Indemnified Person;

“Law(s)” means all laws (including the common law), statutes, regulations, treaties, judgments and decrees and all official directives, by-laws, rules, consents, approvals, authorizations, guidelines, orders and policies: (i) having the force of law in Bermuda from time to time, including, for greater certainty, those related to the issuance of Permits, and any building codes, or (ii) of any Governmental Authority;

“Lease” means the lease agreement to be entered into between Bermuda and Project Co on Financial Close, on reasonable market terms and conditions that are generally commensurate and consistent with the terms and conditions of commercial lease agreements in Bermuda, having regard (in part) to customary and normative exceptions, exclusions and restrictions contained in commercial leases in similar commercial circumstances, and which will include such other terms and conditions that are mutually agreed between the Parties, wherein the Leased Lands together with the Airport Assets and certain fixtures and personal property of Bermuda shall be leased to Project Co at nominal cost for the purposes set out herein;

“Leased Lands” means that portion of the Existing Airport Lands to be leased to Project Co and controlled by Project Co under and in accordance with the Project Agreement, identified as the “Leased Lands” on the Diagram of Existing Airport Lands attached as Schedule H, subject to rights of access and egress in favour of Bermuda appurtenant to the Bermuda Controlled Airport Lands, which shall include all buildings, structures, fixtures thereto;

“Letter of Agreement” has the meaning set out in Recital H;

“Limited Government Support” has the meaning set out in Section 9.1;

“Market Equity IRR” means the average of two estimates of the market equity internal rate of return, reflecting the internal rate of return at which the Equity Cash Flows could be sold on an open market basis and taking into account the amount of any Project Co debt, established by two independent experts appointed jointly by Project Co and Bermuda (the **“Independent Experts”**). The Independent Experts shall be members of internationally recognized accounting firms, investment banks or financial advisory firms with requisite experience in the airport concession sector and specifically in the valuation of private airport concessions in circumstances similar to that contemplated by the Parties. In the event the Parties cannot agree on the appointment of the Independent Experts, same shall be made by the International Centre for Expertise in accordance with the provisions for the appointment of experts under the Rules for Expertise of the International Chamber of Commerce;

“Master Assignment and Consent Agreement” means the assignment and consent agreement to be entered into between Bermuda, Project Co and CCC as of Financial Close wherein, amongst other things, Bermuda will assign to Project Co all of its rights and obligations under the Construction Contract and Project Co will accept such rights and obligations and Aecon Constructors will release Bermuda from all liability under the Construction Contract;

“MOU” has the meaning set out in Recital D;

“Off Ramp Event” has the meaning set out in Schedule G;

“PA Bermuda Guarantee” means a guarantee provided by Bermuda to Project Co guaranteeing the Airport Quango’s performance of all Bermuda’s obligations under the Project Agreement, in form and substance acceptable to Project Co and the Senior Lenders;

“Participating Equity Certificates” has the meaning set out in Section 9.4;

“Parties” means each of CCC and Bermuda, and **“Party”** means any one of them;

“Permits” means all permissions, consents, approvals, certificates, permits, licences, statutory agreements, zoning and by-law amendments and variances, and authorizations required from Bermuda or third parties needed to carry out the Project;

“Person” means an individual, legal personal representative, corporation, body corporate, firm, partnership, trust, trustee, syndicate, joint venture, limited liability company, association, unincorporated organization, union or Governmental Authority;

“Phase 1” has the meaning set out in Recital F(b);

“Phase 1 Construction Works” means the scope of works for the first phase of construction of the Project as set forth in the Construction Contract, including the Construction Specifications;

“Preliminary Debt Financing Package” means a debt financing proposal to be created by the CCC Team, addressed to potential Senior Lenders and credit rating agencies, which shall include certain assumptions regarding the Project, including Limited Government Support, the Base Case Traffic Forecast, cash flows during construction and Required Equity Commitments, together with a description of proposed debt requirements, including quantum of debt, financing terms, required reserve accounts and dividend restrictions;

“Preliminary Development Plan and Budget” means the table of anticipated completion dates for the Parties’ respective Airport Development Agreement deliverables together with the associated Development Costs Budget set out in Parts A and B of Schedule F, as may be updated from time to time;

“Project” means the redevelopment of the L.F. Wade International Airport, which shall include the financing, design, construction, operation and maintenance of the Airport and all other works and ancillary services in accordance with the Project Agreement;

“Project Agreement” means the long term concession agreement to be entered into between Bermuda (or Airport Quango), and Project Co;

“Project Agreement Heads of Terms” means the Project Agreement Heads of Terms attached to this Airport Development Agreement as Schedule C;

“Project Co” means a special purpose entity established by the Project Co Members for the Project;

“Project Co Members” means, at any time, the equity owners of Project Co;

“Project Co Person” means:

- (i) any director, officer, employee or agent of Project Co in each case acting as such;
- (ii) any Project contractor, any subcontractor and any representative, advisor (including any legal and financial advisor) or contractor of Project Co, in any such Person’s capacity as a provider of services, work or materials, directly or indirectly to Project Co in connection with the Project; and,
- (iii) any invitee of Project Co or any of the Project Co Persons referred to in (i) or (ii) above who enters upon the Leased Lands;

“Regulated Fees and Charges” has the meaning set out in Section 7.1(a)(ii);

“Regulated Fees and Charges Schedule” has the meaning set out in Section 8.1;

“Regulated Revenues” means all revenues received by Project Co arising from the Regulated Fees and Charges;

“Relevant Assumptions” means the following assumptions:

- (i) the sale of Project Co is on the basis that the Project Agreement has not been terminated;
- (ii) the sale of Project Co is on a going concern basis; and,
- (iii) no restrictions exist on the transfer of share capital;

but that otherwise the actual state of affairs of Project Co is taken into account;

“Required Equity Commitments” means, as set out in the Financial Plan, the equity to be committed by the Project Co Members to fund Total Project Costs, the precise quantum to be determined based on several criteria, including, without limitation: (i) the Base Case Traffic Forecast; (ii) gearing and other requirements that are satisfactory to the Senior Lenders or rating agencies; and (iii) the Target IRR;

“Retained Government Services” means all services with respect to the Airport to be retained or to be performed by Bermuda or the Airport Quango at its sole cost and expense (including directly or by subcontract to any third party) subsequent to Financial Close, including without limitation: Air Traffic Control and Meteorological Services; wildlife control and habitat management, ground electronic services, ARFF, policing, immigration and Customs Services as those categories of Retained Government Services are more particularly defined in the Project Agreement;

“Revenue Guarantee Term” has the meaning set out in Section 9.4;

“Revenue Sharing Line” means the annual amount targeted for revenue sharing between Project Co and Bermuda as the Parties may agree in the Core Project Documents which amount shall be greater than the Base Case Financial Model revenue for such year;

“Security Services” means:

- (i) access control for all Airport access points;
- (ii) pre-boarding and airside/landside security screening;
- (iii) CCTV monitoring of strategic locations in terminal and ramp area;
- (iv) commercial security services as required by airlines;
- (v) administration and issue of Airport security passes;
- (vi) background security screening and approval of all Airport security pass applicants, including employees, VIPs and VIP delegations; and,
- (vii) Airport lands perimeter patrolling;

“Senior Debt” means all amounts owed to the Senior Lenders under the Financing Documents;

“Senior Lender(s)” means the senior lenders to whom Senior Debt is owed;

“Senior Lenders’ Remedies Agreement” means an agreement to be entered into by Bermuda, the Senior Lenders and Project Co;

“Subcontractor” means any Person who performs any portion of the Airport Operations or Construction, whether hired by Project Co or by a Person hired by the Project Co and including each joint venture partner (if applicable), each tier of contractor, subcontractor, sub-subcontractor and so forth, and any Person providing all or a portion of the materials required by any Person to perform any portion of Airport Operations or Construction, whether or not incorporated into the Works;

“Supervening Events” means events to be agreed by the Parties, which may result in, *inter alia*, an inability of Project Co or Bermuda to comply with their respective obligations under the Project Agreement, and may include compensation events, relief events, excusing events, force majeure events, Discriminatory Change in Law events and Change in Law events;

“Target IRR” means the threshold levered equity interest rate of return required by the Project Co Members based on the financial risk profile of the Project;

“Taxes” means: (i) taxes, duties, levies and assessments, that are imposed or assessed by Bermuda or Airport Quango including (but not limited to) any tax on gross income, net income, franchise, gross receipts, capital, capital gains, value added, stamp, windfall profits, environmental, duty, profits, sales and use taxes, real property, personal property, transfer, anti-dumping, countervail, excise, or tariffs of any nature, wharfage, severance, stamp, documentary, occupation, premium, windfall profits tax, or duty (including all employment insurance premiums, pension plan contributions or premiums); (ii) any fine, penalty, interest, levy or addition to taxes, duties, imposts, levies, assessments, fees and other charges imposed or assessed by Bermuda; and (iii) any liability for any of the foregoing as a transferee, successor, guarantor or by operation of law;

“Term” means the period commencing on the Effective Date and ending on the Expiry Date;

“Terminal Opening Date” means that certain deliverables have been achieved in relation to the new Airport terminal, including:

- (i) an independent third party that Project Co and Bermuda agrees upon has certified that “substantial performance” of the new Airport terminal has been achieved, and
- (ii) an occupancy permit has been issued for the new Airport terminal or there has been issued a temporary occupancy permit or other written permission that is sufficient for occupancy of the new Airport terminal by Project Co; and,
- (iii) the new Airport terminal is open to the public;

“Total Project Costs” means all reasonable costs incurred by the Project Co Persons or by or on behalf of Project Co directly and indirectly related to the acquisition, construction, reconstruction, installation, equipping, operation and financing of or otherwise attributable to the Phase 1 Construction Works that are capitalized in accordance with GAAP, including but not limited to: (i) costs relating to land, labour, materials, machinery, equipment and furnishings; (ii) the cost of relocation and installation of utilities, environmental cleanup and noise abatement; (iii) the cost of Project Co performance security (if any); (iv) all arm’s length costs of architectural and engineering services including the costs of test borings, surveys, estimates, plans and specifications and preliminary investigation therefor, and for inspecting and supervising construction, as well as for the performance of all other duties required by or consequent upon the proper construction of the Project; (v) arm’s length fees and expenses incurred in connection with the development of the Project and the consummation of the transactions contemplated by the Transaction Documents, including all Development Costs and fees, financial, accounting, legal, surveying and consulting fees not exceeding commercially reasonable fees for comparable competitively procured services; (vi) funding of Lender reserves; (vii) taxes; (viii) structuring costs; (ix) letter of credit costs; (x) interest on the Senior Debt prior to the Terminal Opening Date; and (xi) insurance premiums with respect to the insurance and reinsurance required pursuant to the Transaction Documents prior to the Terminal Opening Date, [etc.];

“Transaction Documents” has the meaning set out in Section 12.2;

“Transferred Airport Assets” has the meaning set out in Section 7.1(p);

“Transition Plan” has the meaning set out in Section 6.3(ee);

“Works” means the works described in the Construction Specifications.

2. Interpretation

- (a) The division of this Airport Development Agreement into Sections and the provision of any table of contents and the insertion of headings and references to them in this Airport Development Agreement are for convenience of reference only and shall not be taken into consideration in the interpretation or construction of this Airport Development Agreement.
- (b) Unless otherwise specified, references in this Airport Development Agreement to sections, schedules and exhibits are to sections of, and schedules and exhibits to, this Airport Development Agreement. References to any agreement or documents include (subject to all relevant approvals) a reference to that agreement or document as amended, supplemented, substituted, replaced, restated, novated or assigned, in any such case in accordance with its terms.
- (c) All terms used in a Schedule or Exhibit with initial capital letters shall have the meanings given to such terms in Section 1 of this Schedule A, unless expressly stated otherwise in a particular Schedule in which case such definition shall be construed for the purposes of that Schedule alone.

- (d) If there is any conflict between the terms of a Schedule and the terms of the main body of this Airport Development Agreement, the terms of the main body of this Airport Development Agreement shall prevail.
- (e) All terms used in this Airport Development Agreement with initial capital letters shall have the meanings given to such terms in this Airport Development Agreement, unless expressly stated otherwise.
- (f) Words importing Persons or parties are to be broadly interpreted and shall, where the context so requires, include an individual, a corporation, a partnership (including a limited partnership), a trust, an unincorporated organization, a joint venture (whether incorporated or unincorporated), a Governmental Authority and executors, administrators or other legal representatives of an individual in such capacity.
- (g) Wherever in this Airport Development Agreement provision is made for the giving or issuing of any notice, endorsement, confirmation, consent, declaration, approval, certificate or determination by any Person, unless otherwise specified, such notice, endorsement, confirmation, consent, declaration, approval, certificate or determination shall be in writing and the words “notify”, “endorsed”, “confirmed”, “consent”, “declared”, “approved”, “certified”, or “determined” shall be construed accordingly.
- (h) This Airport Development Agreement is an English text agreement and shall be construed and interpreted accordingly.
- (i) References to any applicable Law are to be construed as references to that applicable Law as from time to time amended or to any applicable Law from time to time replacing, extending, consolidating or amending the same.
- (j) The words in this Airport Development Agreement shall bear their natural meaning. The Parties have had the opportunity to take legal advice on this Airport Development Agreement and no term shall, therefore, be construed *contra proferentem*.
- (k) Where the expression “including” or “includes” is used following any general term or statement, it is not to be construed as limiting the general term or statement to the specific items or matters set forth immediately following such word or to similar items or matters, but rather as referring to all other items or matters that could reasonably fall within the broadest scope of the general term or statement.
- (l) In calculating interest payable under this Airport Development Agreement for any period of time the first day of such period shall be included and the last day of such period will not be included.
- (m) “**Business Day**” shall be any day except a day that is a Saturday, a Sunday, a statutory holiday in the Province of Ontario or the British Overseas Territory of Bermuda and any day on which banks are generally not open for business in the cities of Toronto, Ontario, or Hamilton, Bermuda. Where a payment is to be made

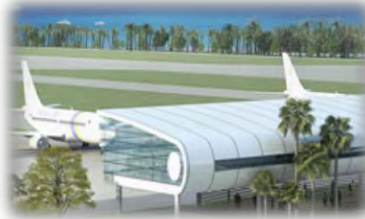
or an action is to be taken on a day which is not a Business Day, then it shall be made or taken on the next following Business Day.

- (n) The words “herein”, “hereof”, “hereto” and “hereunder” and other words of similar import refer to this Airport Development Agreement as a whole and not to any particular Section, subsection, paragraph or any other subdivision of this Airport Development Agreement.
- (o) Any reference to currency is to lawful currency of the United States of America.
- (p) In this Airport Development Agreement, unless there is something in the subject matter or context inconsistent therewith:
 - (i) words in the singular number include the plural and such words shall be construed as if the plural had been used;
 - (ii) words in the plural include the singular and such words shall be construed as if the singular had been used; and
 - (iii) words importing the use of any gender shall include all genders where the context or party referred to shall require, and the rest of the sentence shall be construed as if the necessary grammatical and terminological changes had been made.
- (q) Unless otherwise indicated, any references in this Airport Development Agreement to a date or time shall be a reference to such date and time in Toronto, Ontario.
- (r) Unless otherwise provided, all accounting terms used in this Airport Development Agreement shall be interpreted and all financial information prepared in accordance with GAAP, consistently applied.

SCHEDULE B
AIRPORT PROJECT CONCEPT



Project Concept for the Redevelopment of L.F. Wade International Airport



Presented to the Government of Bermuda by Canadian Commercial Corporation, July 2015. All contents of this Project Concept document and any proposal, concept, designs, materials and work product of any kind developed by CCC or members of the CCC Team are the sole and exclusive property of CCC or the relevant member of the CCC Team, are non-binding and are intended solely for purposes of discussion and negotiation with the Government of Bermuda. The technical, commercial and financial concepts, figures and data in the Airport Project Concept document, while based on extensive due diligence and analysis, are indicative only and provided for purposes of discussion and future negotiation. Any Proposal is subject to requisite Board, committee and other relevant approvals.



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Section One: The Vision – “Our Time to Shine”

Vision for the Redevelopment of L.F. Wade International Airport, Bermuda

“The redevelopment of the Bermuda airport represents one of the most important capital projects ever undertaken on our island shores. It will play a crucial role in the renaissance of the Bermuda economy... Its success will be paramount to all in Bermuda.”

Bob Richards, Minister of Finance, November 10, 2014

“It’s our time to shine. It is now up to us as a community and as individuals to understand and embrace the amazing opportunities before us. There is an investment in our infrastructure and economy that is coming. Such development will live far beyond 2017 as a legacy both to the America’s Cup and Bermuda.”

Michael Dunkley, Premier of Bermuda, December 3, 2014

December 2, 2014, less than a month following the Bermuda government’s announcement of a Government to Government agreement with the Canadian Commercial Corporation (CCC) for the redevelopment of L.F. Wade International Airport, Bermuda was named as winner of the bid to host the 2017 America’s Cup. The announcement ceremony covered live from New York and broadcast internationally, provided a rare opportunity for Bermuda’s Premier, Michael Dunkley, to address a global audience.

“Being the home of America’s Cup is an extraordinary opportunity that aligns perfectly with the heritage, profile, spirit and future of our island. There is no more vivid and hospitable setting than Bermuda to stage an event of this nature and for the next evolution of the sport.”

The Premier’s reference to the island’s heritage, profile, and spirit, echoed the aspirations expressed a few weeks earlier by finance minister Bob Richards with reference to the planned redevelopment of Bermuda’s International airport:

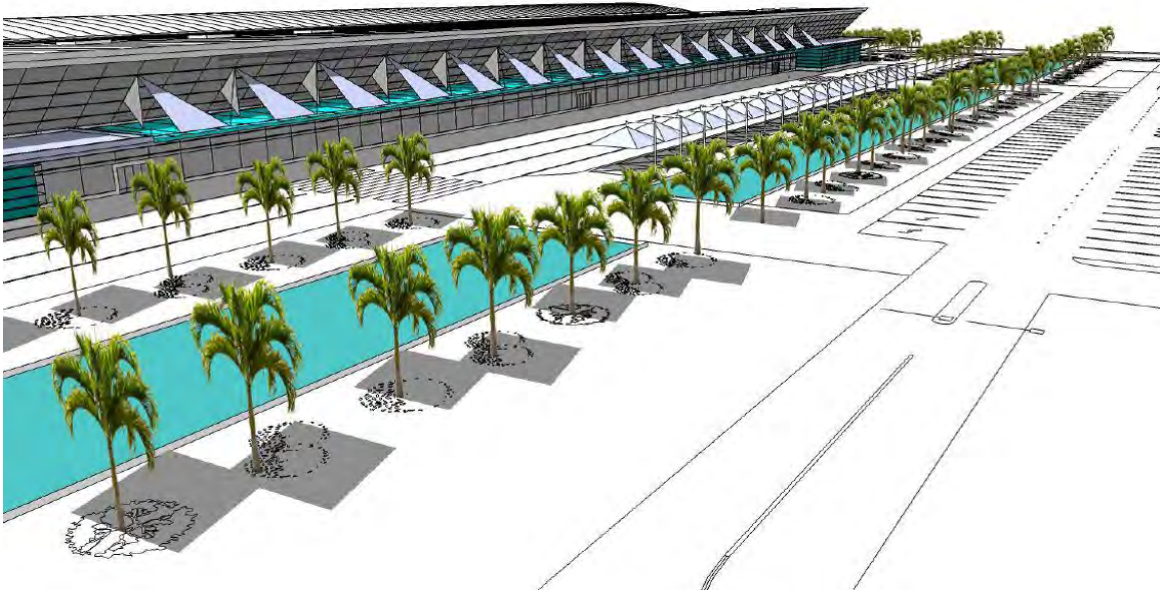
“The airport is Bermuda’s principal gateway, the place where travellers to our island get their first impression. We want that first impression to be consistent with the brand that Bermuda presents to the world, and that brand can be summed up as, ‘First Tier, First Class, First World.’”

The Project Concept for redevelopment of L.F. Wade International Airport presented in this document is intended to capture the heritage, spirit, and future aspirations of the Bermudian people. The desire for a first tier, first class, first world airport, is integral to the realization of a greater vision, the consolidation and transformation of Bermuda’s economy, whose diversified financial services and tourism sectors must be revitalised and strengthened in order to deliver sustainable growth, employment, and continued prosperity for all Bermudians.

The Project is also designed to deliver affordability and value for money under the Public-Private Partnership (PPP) model, requiring a minimum of financial support from the Government of Bermuda.

Technical aspects of the Project have been designed in accordance with the scope, priorities, targets, and outputs determined in consultation with the Government, relevant airport stakeholders, and in accordance with the highest international aviation standards. Top priority has been given to a structure and approach which embraces Government employees, targets job creation for Bermudians, and made-to-purpose airport infrastructure capable of supporting longer term employment opportunities and sustainable growth for Bermuda's world class tourism and financial services industries.

The new terminal will be the iconic centre piece of Bermuda's infrastructure, whose mission is the revitalisation and strengthening of the economy by providing a world class gateway to Bermuda's tourism and financial offerings.



Section 2: Strategic Rationale and Background of the Project

Since the 1940s, L.F. Wade International Airport has played an essential role in connecting Bermuda to the world. It has been the island's lifeline and key node of transportation infrastructure supporting the development of international tourism and trade, and fundamental to the growth and wellbeing of Bermuda's economy.

Opened in January 1946, Kindley Field Airport, (as it was first known) was established on that part of the US military base once reserved for and used by Britain's Royal Air Force (RAF). Ownership and control of the airport passed to the Bermuda Government in 1995, marking the beginning of several phases of renovation. Now approaching its 70th year of operation, L.F. Wade International is vastly in need of a complete overhaul.

Crisis and Opportunity

Today, L.F. Wade International Airport directly contributes circa 2% of total employment in Bermuda and is a vital part of the overall value chain for tourism and commerce. However, since 2007, *there has been a strong trend of declining traffic volumes at the airport reflecting the decline in tourism to the island.*

It has now become imperative to reverse the current trends in traffic volumes for the following reasons:

- Further reductions in flights, connectivity and air service capacity would have significant time and cost implications for Bermudians travelling for business, education, and leisure
- Further decline in air arrivals would lead to further reductions in air service capacity, resulting in further declines in tourism, trade, and employment
- Further declines in tourism, trade, and employment would entail a deepening economic crisis for Bermuda

In this context, Bermuda's government is faced with an increasingly critical and expensive obligation to redevelop an ageing and inflexible fixed airport asset. While 21st century airport processing and spatial requirements have changed significantly, the existing facilities are poorly equipped to accommodate current and future processing needs, and are increasingly inefficient from an operating cost and energy use perspective.

Investment in Bermuda's airport infrastructure will provide a significant catalytic and promotional boost to the island's vitally important tourism and commerce sectors, reversing trends that threaten Bermuda's very existence, while sending a clear message to investors and potential trading partners that Bermuda is seriously "*First Tier, First Class, First World.*"

The redevelopment of Bermuda's international airport will be vital to an all-encompassing rebranding of Bermuda as a world class destination for tourism and trade, providing visitors with first and lasting impressions on par with the island's beauty, proud heritage, and aspirations for future growth and prosperity.

Building on America's Cup Legacy

Whilst hosting the 2017 America's Cup is the major step-change and catalytic event required to reverse declining tourism trends, it is in fact the renewal and expansion of Bermuda's airport and hotel infrastructure that will secure a sustainable and long-term legacy from the event in terms of expansion of tourism, commerce, and employment on the island.

Under the Public Private Partnership (PPP) model of airport development, private investors and operators have a long term commitment to ensuring sustained traffic and capacity growth, achieved through focused and effective strategic cooperation with Government, tourism authorities, hotel associations, chambers of commerce, airlines, tour operators, and travel marketing groups.

International airport developers work hand in hand with airlines, hoteliers, and governments to ensure that significant investment in infrastructure provides long term benefits and returns in terms of capacity, traffic and tourism growth. Under this model, not one, but many future events like America's Cup could be contemplated and realized in Bermuda, driven by expertise of an operator working hand in hand with government and other stakeholders to obtain the maximum return on airport investment.

The 2017 America's Cup will definitely have a positive, but possibly temporary, impact on the global diffusion of Bermuda's brand. As a parallel and longer term undertaking, the project for redevelopment of L.F. Wade International Airport will ensure a lasting legacy in terms of sustained employment, hotel capacity and tourism growth.

A Public-Private Partnership with an overarching "Government-to-Government" Framework

Following an initial exploration, the Government of Bermuda and CCC agreed to work towards a Memorandum of Understanding that would establish a collaborative relationship to achieve a pragmatic solution. Bermuda would benefit by having a partner willing to front the early stage development costs and supply the necessary intellectual capital to create the project, with appropriate exit ramps for both parties in the event there was not a meeting of minds on concept and financial considerations. CCC in turn would be able to further its commercial mandate of facilitating the export of Canadian goods and services, provided they could demonstrate a structure meeting all technical and financial requirements and clearly demonstrating value for money. This would be a win-win for both parties.

Purpose of the "Government-to-Government" Approach

When delivering critical infrastructure, public procurement processes are designed to provide the requisite degree of transparency and to achieve a competitive economic outcome. In most instances these positive objectives are achieved; however, there are specific circumstances when such processes inhibit the ability of governments to ensure project delivery in a timely way.

Bermuda faces the challenge of financing the redevelopment of an airport that has less than 1 million annual passengers. Tenders for airport concessions with this volume of traffic are not seen in the international aviation market due to lack of investor interest and the costs of setting up and running a

traditional procurement process. The case of Bermuda is compounded by declining passenger volumes which heighten perceived investment risks associated with the project.

These challenges combined directly question if a purely commercial open-market tender would reach financial close or offer the Government of Bermuda value for money in the redevelopment of the airport.

CCC explores how governments can achieve the benefits of a competitive, public procurement process without triggering its drawbacks, by utilizing a risk-sharing, “Government-to-Government” approach. The fundamental objective of the Government of Canada, acting through the CCC, is to assist Bermuda by providing a preferred Canadian solution effectively, efficiently and that meets the needs in a timely manner.

Working directly with CCC to deliver public infrastructure offers a process designed to answer three important questions:

- Is direct contracting with Canada the right choice at this time for the project?
- How does the proposed delivery approach provide value to your Government?
- What are the assurances and controls that CCC puts in place to deliver the anticipated results?

While framed as a “Government to Government” undertaking, it is important to emphasize the CCC’s entirely commercial role. CCC is offering to work together with the Government of Bermuda in a commercially, cooperative and collaborative manner to reduce the costs, risks and timelines associated with delivering a project of vital economic and social importance to the nation. CCC will mobilize world class experts, an advisory team, to assist Bermuda in arriving at the optimal structure - including getting the right balance between private financing and Government support.

The Government of Canada, through CCC, provides access to a roster of fully vetted and approved Canadian companies, accompanied by a Government of Canada backed guarantee of contract performance to ensure the project will be completed in accordance with its terms and conditions, and CCC oversight through the life of the project.

As a Government of Canada agency, CCC must demonstrate the viability of the projects it undertakes to an internal Risk and Opportunities Committee and adhere to principles of good project management and ethical business practices, particularly as it actively promotes a project on a single source basis.

In this instance, the benefits to the Bermuda Government are greatly increased by the involvement of the Canadian Government acting through the CCC. CCC brings to the Project the assurance by a ‘AAA’ sovereign counterparty that the construction of the airport will be carried out in accordance with the terms of the contract – most importantly, on time and on budget. CCC’s mandate permits it to be part of the construction portion of the project but the concession portion is to be novated to the special purpose concessionaire established by the airport development team. Further discussion in this regard will occur during the development of project agreements.

The concession model has been successfully replicated in jurisdictions around the world. Recently, the CCC Team successfully delivered a new airport project in Quito, Ecuador valued at US\$750 million under the very same model that is being proposed for Bermuda.

The Quito Airport Project is the recipient of many prestigious international awards, including awards for financing, environmental sustainability and corporate social responsibility, and in 2014 the Globe Travel Award for **Best Airport in South America**, considered the Oscar of the Airport industry; this is the track record the CCC Team is bringing to the Bermuda Airport Project. Among many other jurisdictions including the U.K., the concession model is widely tested and proven in Canada, which today is the epicenter of the world's Public-Private Partnership (P3) industry. Over 220 projects having been delivered by Government in partnership with the private sector and utilizing private sector financing and expertise.

The CCC Team

The CCC Team is comprised of the Canadian Commercial Corporation together with a team of airport developers, airport constructors, airport designers and financiers, collectively with exceptional experience and capability in financing and delivering airport infrastructure. Several members of this proposed team worked together successfully delivering the Quito Airport Project.

Individual members of the team each have extensive capability and depth of experience in relation to delivering privately financed infrastructure concessions.

Aecon is Canada's largest publicly traded construction and infrastructure development company, having delivered many of Canada's landmark infrastructure icons. Aecon has extensive P3 and concession development and management expertise and a depth of experience in airport construction. Bermuda will benefit from Aecon's ability to deploy a team with expansive airport development, P3 and construction experience internationally, ensuring global standards of delivery.

Aecon in turn will be supported by Mott MacDonald, one of the world's leading aviation consultancies with an unrivalled track record delivering aviation projects in over 120 countries around the world.

Aecon will also be supported by Scott Associates Architects of Toronto, a firm that has successfully completed more than 70 airport planning, design and construction projects in over 25 countries, and by UBS Investment Bank, acting as financial adviser in relation to the project. UBS is a leading investment bank with over CHF1.01 trillion in assets, with a strong track record of advising clients on complex transactions in the airports, ports, toll road and rail sectors.

CCC brings together global experience of airport operations and commercialization that will assist Bermuda in transforming its airport business.

Further details on the CCC Team are set forth in Annex 1 to this document

Phase 1: Preliminary Due Diligence and Project Scoping:

In June 2014, the Government of Bermuda and CCC agreed that the project would be developed in phases, beginning with Phase 1 - *Preliminary Due Diligence, Project Definition, and Project Scoping leading to a Go-No-Go Decision and Agreement to Proceed.*

Phase 1 activities constituted a broad due diligence assessment and project definition through consultation with Bermudian and other relevant stakeholders, leading to the development of a conceptual structure and preliminary plan for the Project – the **“Airport Project Concept”** - now set forth in this document.

Phase 1 activities included:

- Aviation market, traffic and airline analysis
- Aeronautical and commercial revenue analysis
- Analysis of tourism and international business development initiatives and proposed enablers of change to reverse decline
- Initial Traffic forecast
- Master Plan review & collaborative workshop to prioritize and confirm capital investment needs
- Develop initial concept options for terminal area
- Initial construction schedule and execution plan
- Development of high level capital cost scenarios
- Operational cost, organization and staffing review
- High level operating model, structures and allocation of scope
- Exploration of commercial and organizational structures for future operations
- Commercial business review and identification of opportunities to optimize the commercial business
- Financial due diligence
- Review of economic growth and development plans of Bermuda Tourism Authority and Bermuda Business Development Agency
- Analysis of required financial support from Bermuda
- Preliminary financial model and exploration of financing options including potential debt and equity financing sources
- Preliminary technical and asset due diligence
- Preliminary legal due diligence
- Assessment of Bermuda’s local capacity and development
- Outline of the local procurement strategy options which provide transparency and opportunity for consultation by Bermuda

The Sections below set forth a summary of the due diligence and analysis performed thus far by members of the CCC Team during Phase 1 and the primary outputs of this Phase 1, which collectively constitute the Project Concept. The Project Concept, as developed by members of the CCC Team, is presented in the following main categories: Traffic, Design, Construction, Project Structure, Operations, Commercial, Financial, the CCC Value Proposition and Value for Money & Adherence to Green Book Principles.



Section 3: Traffic

Section 3.1: Market Context & Analysis

In order to redevelop the airport it is paramount to understand the projected number of passengers and aircraft that will use the airport in the future. This will ensure that all airport facilities are sized to cater for the future traffic and that the estimated revenue streams coming from the aviation industry are satisfactory enough to recoup the monetary investment being undertaken for the redevelopment of this key infrastructure for Bermuda.

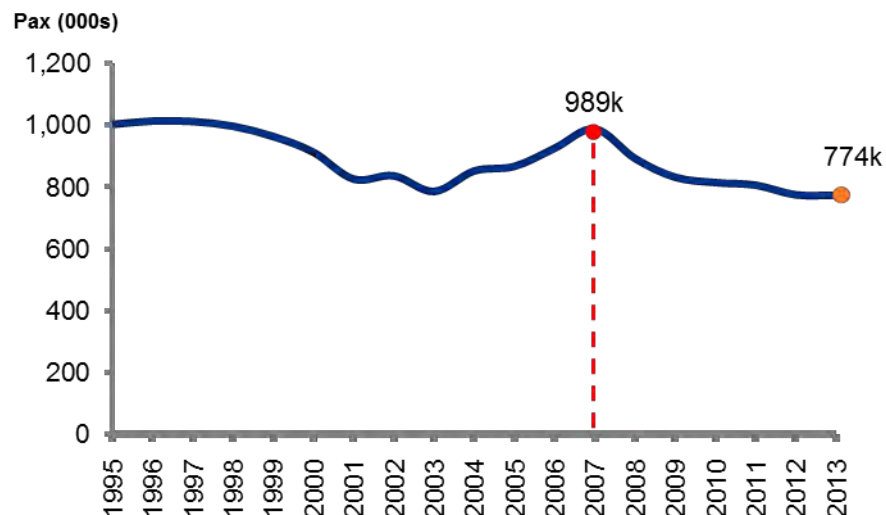
A total of 774,000 passengers travelled through Bermuda airport in 2013, representing a decrease of 25% compared to 1995 levels. This downward trend continued in 2014, dipping to 750,000 passengers, a further 3% decline.

Passenger traffic at Bermuda can be differentiated into four main segments:

- outbound Bermudans,
- inbound vacationers,
- inbound visiting friends and relatives, and
- inbound business/conferences visitors.

Each of these components has different drivers and motives to fly to Bermuda, which is considered as one of the world's strongest country brands although it has lost some positions in the past few years. Of the four market segments, the loss is predominantly in the inbound vacationers segment which has fallen by 45% since 1998, compared to a background of world traffic growth.

BDA pax traffic 2013 vs 2007: -28%



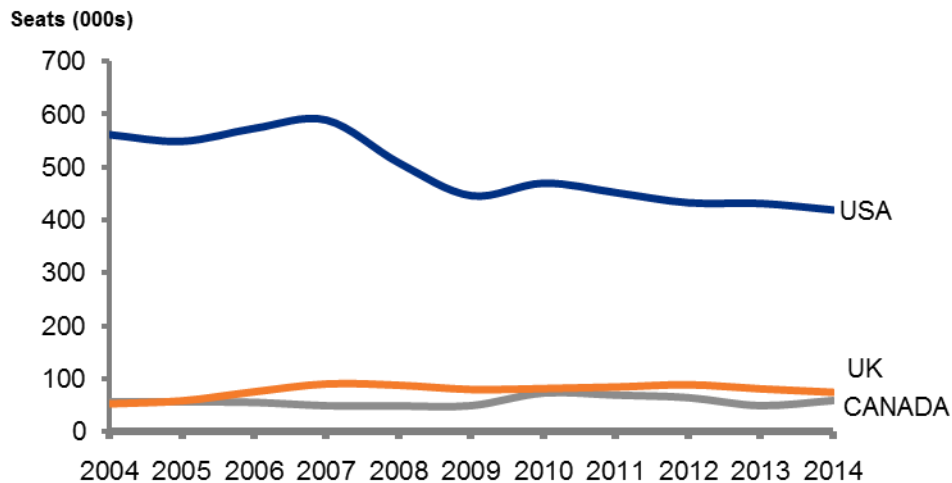
The main originating markets for passengers travelling by air are:

- United States,
- Canada, and
- United Kingdom.

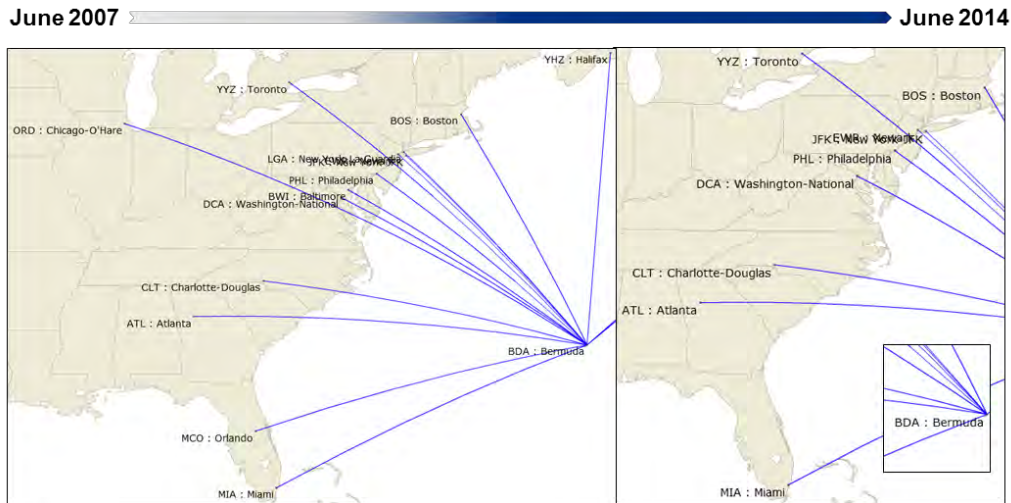
The market that lost most of the passengers is the United States, with Canada and the United Kingdom traffic being fairly static in recent years. The Canadian market has been static in spite of intense competition between WestJet and Air Canada on the Toronto route, which should have resulted in a stimulation of traffic. The UK market is limited to a single route operated by British Airways to London Gatwick and is not subject to a significant increase in operations.

Historic departing seats from BDA: No recovery after USA crisis

Drop in USA-bound seats: CAGR 2007-2014 = -4.7%



Bermuda US connections have air links only to the main US East Coast airport hubs, which provide access to the main gateways and onward connectivity to passengers. The numbers of flights and seats available to these hubs have decreased over time, thus decreasing the overall connectivity for passengers. In particular the New York JFK route has significantly decreased (through reduction of frequencies and aircraft size) a sign of how Bermuda has lost its appeal among its single largest originating market, the New York metropolitan area.



Traffic figures indicate that Bermuda has lost its appeal amongst tourists arriving by air, becoming an “out of fashion” destination, with hotel properties closing down, reduction in the room occupancy rates and restricted seasonality of tourism arrivals. This is due to an unclear product offering, the scarce presence of luxury and world class hotel brands, the limited availability of free land space and the high costs of vacationing in the island compared to other destinations.

Bermuda is not geographically part of the Caribbean but it competes against the Caribbean islands for inbound tourists. Consequently, Caribbean islands airports are the best comparators for benchmarking Bermuda airport performance. Key performance indicators for airlines operating between the USA and the Caribbean show that Bermuda has the third lowest load factor performance out of a sample of 27 airports. This leads to airlines reducing aircraft size, dropping frequencies and routes and to an increase in the airline fares.

Bermuda’s strength lies in being only 2-3 hours from every city in the US East Coast. The US pre-clearance facility provides a quick way of entering the US from abroad. Unlike most of its Caribbean competitors Bermuda benefits from a diverse mix of traffic, linked to the two largest industries in Bermuda: tourism and the international businesses (i.e. insurance activities). On top of this, Bermudans have a very high propensity to fly due to the high income per capita which leads to a higher spending on travel.

Bermuda has lost market share of the total Caribbean tourism marketplace in the last two decades from 4% down to 1%. While other areas of the Caribbean have witnessed an increase in the number of tourists arriving by air, these have decreased in Bermuda. Bermuda ranks last among the Caribbean islands in terms of the growth of air tourist arrivals (-3% CAGR between 1995 and 2012). On the other hand the growth in the cruising sector, with tourists arriving on ships from the US East coast has increased over time. However the monetary contribution of this segment of traffic is much lower than the contribution of tourists arriving by air (which spend more for accommodation, transportation and

food on the island). In 2013 the average expenditure by cruise ship visitors was of USD 184 against the USD 1,335 spent on average by air passengers.

The growth in tourists arriving by sea creates confidence in the fact that Bermuda is still an appealing destination as a whole, with its strength being close to the US East coast. At the same time it underlines the problems evidenced in the Bermudian hotel stock: lack of international brands and prices higher than market average for products that are poorer than the competitor's. It is key for Bermuda to redevelop its hotel stock also by increasing the amount of hotel concessions released and possibly the building of further all-inclusive resorts to compete effectively against its regional competitors.

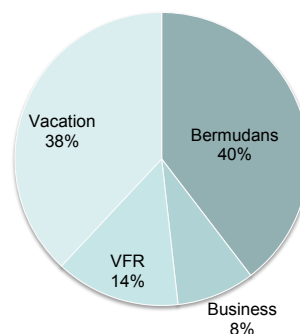
The redevelopment of the airport, together with the revitalisation of the Bermuda Business Development Agency (BDA) and the Bermuda Tourism Authority (BTA) create an unprecedented opportunity for traffic figures to grow. Leveraging the strong brand and the impact that the America's Cup (to be held in Bermuda in 2017) will have, will provide the opportunity for the island to regain Caribbean tourism market share, which has provided strong competition in terms of products and prices in the past two decades.

The continuous reduction in frequencies and seats from Bermuda Airport has the effect of decreasing travel options for Bermudians and foreign visitors alike, contributing further to the decline in passengers. Air connectivity is also a key factor in ensuring that the international business activities present in the island have the optimum amount of air services to the mainland necessary to maintain their offshore presence.

The international businesses activities (mainly insurance services) are the backbone of Bermuda's economy, being the single largest contributor to the Bermudian GDP, contributing approximately to a quarter of the GDP output. The presence of this industry is vital to the island's economy and although it is understood that the presence of international business in Bermuda is not under threat, changes in international agreements and laws can alter the status quo with companies reevaluating the extent of their presence Bermuda, for instance by keeping a smaller representation in the island.

The Bermudian macroeconomic environment, measured by the island's GDP, is a driver for the growth of passengers classified as outbound Bermudians, visiting friends and relatives (VFR) and business-related air travelers. The sum of these three segments is defined as "non-vacation" passengers group and its variation on a year-on-year basis is strictly correlated to the variation year-on-year of the Bermudian's GDP.

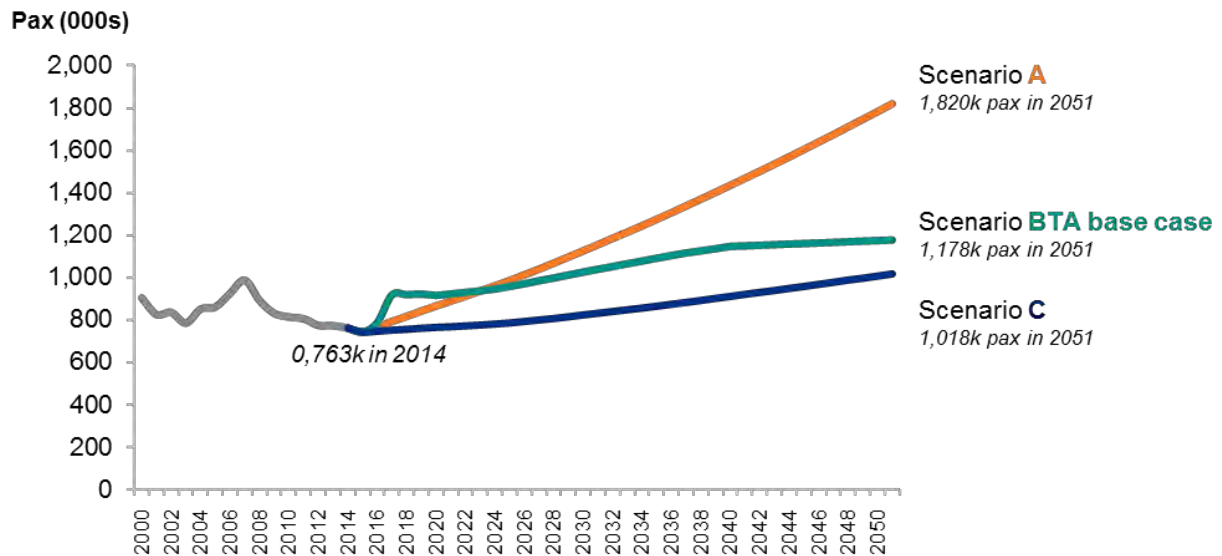
Air Passengers 2013



Section 3.2: Traffic Forecast

Three Forecast Scenarios

Three different air passenger traffic scenarios, based on market and macroeconomic factors were produced for Bermuda Airport. Two scenarios [A,C] forecast separately each of the four traffic segments reported in the previous section while scenario BTA base case is based on outbound Bermudians segment and the Bermuda Tourism Authority (BTA) latest forecast of inbound air visitors, which takes in account the estimated impact of the America's Cup on Bermuda in terms of additional air visitors arrivals.



Scenario	CAGR 2000-2014	CAGR 2014-2051
A		2.4%
BTA base case	-1.2%	1.2%
C		0.8%

Outbound Bermudians were forecast in each of the three scenarios. Their growth is based on the Bermudian GDP and the widely recognized relationship between the GDP growth and the propensity to fly growth of the island-based population.

VFR and Business passengers in scenario A and C were forecast by undertaking an econometric regression analysis of their relationship with the Bermudian GDP. Inbound tourists in Scenarios A and C were forecast by estimating the total tourists from USA, Canada, Europe and rest of the World to the Caribbean area (including Bermuda). Bermuda market share of these tourists was estimated for each originating country group.

- **Scenario A** assumes a market share recovery to the average 2000-2012 levels
- **Scenario C** assumes a continuation of the historic trends for every country group except for the USA. In scenario C the number of American air travelers to Bermuda is assumed to be stable at 2012 levels in future years.

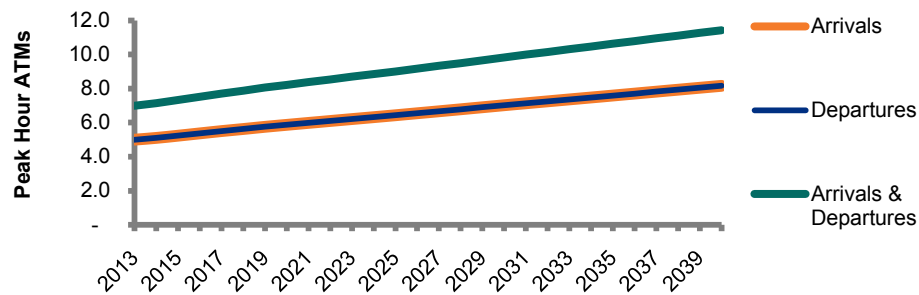
For the purpose of the business model Scenario BTA base case has been adopted as it is consistent with the BTA room and inbound traffic forecasts and America's Cup impact on Bermuda.

- **Scenario BTA base case** takes in account the outbound Bermuda traffic and the inbound component of traffic. The inbound component is sourced from the Bermuda Tourism Authority (BTA) inbound air visitors forecast which includes the estimated effects of the America's Cup in terms of additional air visitors to Bermuda. As this forecast covers the period up to 2024, from 2025 onwards traffic was assumed to grow in line with Scenario C until 2040, when it was assumed that without further investment in accommodation infrastructure, inbound air visitors will not continue to grow.

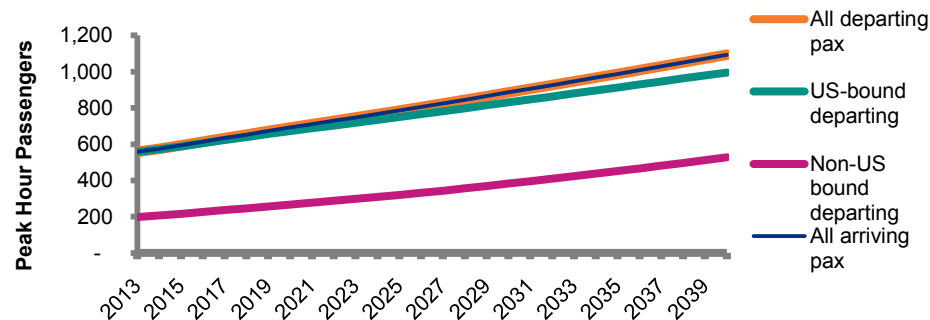
Peak Demand

From the passenger traffic forecast Scenario A, a set of derivative forecasts was produced: air transport movements (ATMs), peak hour ATM movements, busy hour passengers and peak stand demand forecasts.

Peak hour ATMs forecast



Peak hour passengers forecast



Stand Demand

Year	Code C	Code E MARS	Remote	Cargo	Total stand demand
2018	2	2	1	1	8
2028	3	2	1	1	9
2040	5	2	1	1	11

Section 3.3: Route Development and ‘Active Management’

The next phase consisted in validating the *top-down* forecast approach results with a corresponding *bottom-up* forecast to apprehend the feasibility of reaching the figures obtained through the consideration of macroeconomic factors and room numbers. The bottom-up forecast takes into account the performance of airlines operating at Bermuda and the current and closed routes KPIs. The bottom-up forecast covers the period 2014-2040 but concentrates on the three years period between 2016 and 2018 in order to give a view of the *quick wins* targets for Bermuda Airport.

Although Bermuda has faced a downturn in passenger traffic and in general the performance of existing services is underperforming in terms of passenger loads and yields, there is opportunity for a recovery. To maximise this opportunity an *Active Management* strategy would be introduced. This would provide an integrated and directed approach in the following 5 areas: Airline Engagement, Stakeholders, Resources & Skills, Budget & Incentives and Marketing & Communication.

Given the existing market position and the Active Management implementation targets, it was identified that by 2040 an additional 820,000 passengers could be generated (thus reaching and surpassing the scenario A forecast). Therefore the Scenario A target is reachable but requires a considerable route development activity. These 820,000 additional passengers would be delivered through 14 new air services to 11 destinations by 2040 (delivering 730,000 additional passengers) and capacity changes on existing routes which will equate to around 90,000 additional passengers.

Out of all the new services and capacity increases that could be achieved by 2040, initial targets were identified as key priorities for the next 3 years that could be delivered with “Active Management”. In addition, targeted increases in capacity were identified for specific airlines on existing routes to Canada and the United States. The impact of these increases and a growth in demand through load factors can deliver 168,000 incremental passengers by 2018. This includes a “natural growth” of existing services.

In order to deliver the targets identified (2 new air services and 3 increases in capacity) by 2018 and achieve the growth in passenger traffic suggested of 200,000 over a three year period there has to be a significant route development effort, described as Active Management.

As mentioned the Active Management strategy would require developments in the following 5 areas: Airline Engagement, Stakeholders, Resources & Skills, Budget & Incentives and Marketing & Communication. *Airline Engagement* has the objective of improving airline engagement to develop new

air services to new destinations and additional capacity to existing services. The aim would be to accelerate passenger growth through bringing forward the decisions to serve Bermuda.

Through *Stakeholders* engagement, all the relevant stakeholders would work together to ensure that the best case is pitched to the airline, and one that is competitive in the marketplace. To ensure all the stakeholders are committed to delivery and implement change to key enabling actions.

To ensure that Bermuda has the most effective team in developing air services, effort should be placed on the *Resource and Skills* factors. A team that can compete effectively in the marketplace and ensure that resources are spent effectively and monitored carefully is required.

Bermuda should build an *incentive budget* that is effective and competitive in the marketplace. It must ensure that any support is the most effective use of budgets and that these supports have the greatest impact. Significant incentives are likely to be needed to encourage airlines to add capacity given the destination's low load factors and declining passenger volumes over the past several years. Bermuda Airport would be required to *communicate and market* itself to raise awareness with both airlines and customers.

Section 4: Design

Section 4.1: Design Analysis

Phase 1 Design Activities

Please refer to our Design Brief attached as Annex 4 in conjunction with the Conceptual Drawings attached as Annex 5.

The main Phase 1 activities relating to design elements of the Project Concept include:

- Master Plan review
- Collaborative planning and design workshops with the Airport management team in order to discuss and build consensus on the Project Concept, taking into account all relevant technical, operational, risk management, legal compliance, economic and political considerations
Development of preliminary concept options for terminal area
- Preliminary technical and asset due diligence

In the Summer of 2014, the CCC Team was given access to relevant information, data, studies, personnel, advisors and past advisors of Bermuda that are relevant to the Project, including access to relevant authorities and stakeholders for the purpose of conducting their due diligence examination of the Airport Project.

During Phase 1, the parties held collaborative planning and design workshops with the Airport management team and its advisors as well as other relevant stakeholders, in order to discuss and build consensus on the Project Concept, taking into account all relevant technical, operational, risk management, legal compliance, economic and political considerations.

A workshop was held on October 27 and 28, 2014, with the Bermuda Airport Management to discuss the project in detail and to outline their objectives, concerns and aspirations related to the project development. The workshop notes are attached as (Annex 6).

This subsection of the Project Concept includes high level design concepts and preliminary capital cost estimates on the basis of the above mentioned analysis and workshops.

Basic Design Assumptions and Limitations

It should be reiterated that the technical and design aspects of the airport redevelopment project are still at a very preliminary stage and only the high level functional and design concepts have been developed so far.

Design solutions presented are derived from varied inputs, including:

- Traffic projections prepared to date

- Preliminary business plan
- Existing documents and data (reference to HNTB 2006, 2008 and 2014 Master Plans)
- Workshops held in Bermuda during 2014 with Airport Management
- Discussions with CCC team members, Bermuda Department of Tourism, etc.

Key Assumptions

The following are the preliminary assumptions on which the scope has been based. These will need to be further tested and refined during the next phase of project development.

- Passenger facilities and processes will be based on IATA ADRM Level of Service “C”
- The PTB will be built approximately level with taxiway Bravo (+4m above sea level).

Timeline

- A Concession term of 30 years commencing at financial close, assumed Q3 2016 to Q3 2046.
- Construction of the new Passenger Terminal will commence in 2016
- New PTB will be operational in 2020
- The entire project of airport development will be implemented in 3 phases:
 - Phase 1 (2020 – 2028)
 - Phase 2 (2028 – 2038)
 - Phase 3 (post 2038)
 - Design Year for Phase 1 - 2028

Forecasted Passenger Traffic Loads

Traffic sectors	INT and US Preclearance
Combined two way peak hour (departures + arrivals)	987 pax
Combined peak hour departures (US + international)	845 pax
Peak hour US departures	790 pax
Peak hour international departures	356 pax
Peak hour arrivals (US + international)	845 pax

Configuration Options

Two configuration options for the terminal design were considered:

Pier Terminal - 1 .5 levels with a centralized processor operating on a single level supporting both arrivals and departures. Upper level hold lounges are configured as an east/west pier.

Linear Terminal - 1.5 levels with a centralized processor operating on a single level supporting both arrivals and departures. Upper level hold lounges are oriented linearly in a north/south direction.

Both options are similar in floor area and functional layout of processor. Both are modularly expandable. Main differentiators are cost, simplicity of expandability and impact on surrounding infrastructure.



A decision was made to proceed with the Linear Terminal option based on our assessment which indicates that this layout better meets the following criteria:

- Ease of expansion
- Customer service
- Expandability
- Cost
- Operational efficiency
- Phasing impact on other airport functions

Section 4.2: Design Program

Refer to Design Brief attached as Annex 4 for additional details of Passenger Terminal Concept

Terminal Description

The new passenger terminal will feature state of the art technologies and building design. It will be modern and supportive of Bermuda's forward looking goals as it faces the next phase of its evolution as an international tourist and business destination.

First and foremost it will be functional in layout and will provide a logical straight forward passenger experience. By simplifying and consolidating functions such as security screening and document control, it will aim to reduce stress and anxiety typically associated with large international airport hubs.



The building will be aesthetically pleasing. Beautiful to look at from the air but more importantly beautiful to see and experience at the passenger level.

Its ambiance will be suggestive of the Bermuda experience for the arriving passengers and reminiscent of the Bermuda experience for those departing.

Built out of modern materials such as glass and steel, the terminal will respect the fact that it is a 21st century building. At the same time it will feature familiar Bermuda motifs in its use of colour, vegetation and most of all the Bermuda “pyramid roof form” and “sails”. These will appear in the building exterior, on the canopy and in the outdoor patio area created for the departing passengers lingering over the last *Dark ‘n Stormy* while watching the blue ocean nearby.



The building will respect Bermuda’s climate. It will be air conditioned in summer and air ventilated during the cooler months. It will provide access to/from the plane via passenger boarding bridges. This will all be achieved while respecting modern environmental regulations applicable to passenger terminals.



Commercial opportunities will be maximized for all passengers with varied offerings for all types of customers, ranging from food and beverage outlets, convenience stores, duty free shops, high end retail, business and VIP/CIP lounges, money exchange counters, hotel desks, fractional ownership promotional outlets, etc. The layout and the flows will be supportive of non-aeronautical revenue generation and will not

impact basic functionality. Every effort will be made to feature Bermudian products and services, whether as commercial opportunities or as advertisements for in town offerings.

Airport specific functions will facilitate fast and efficient processing for frequent business travellers.



Alongside, the layout will support and encourage tourist activities, for those who chose to while away their time prior to flight time in a fun and interesting ambiance.

There will be a balanced approach to the capex expenditures vis-à-vis the building materials, systems, finishes and amenities. Utmost care will be taken to ensure that functionality, aesthetics and quality and durability are properly balanced.

Throughout the building, durable interior finishes and furnishings such as stainless steel and granite, will be installed to ensure that they can withstand the heavy duty uses associated with airport buildings.

Up to date IT systems, electronics and technologies will be installed both in the back and front of the house. These will cover everything from the check-in process, to security and document control to baggage handling systems and building controls.

The design of the terminal fully anticipates future changes. This is something that all technologically sophisticated buildings need to recognize. Therefore the design is expandable, flexible and modular.



Airside Infrastructure

Aircraft Gating

The apron layout accommodates the following aircraft:

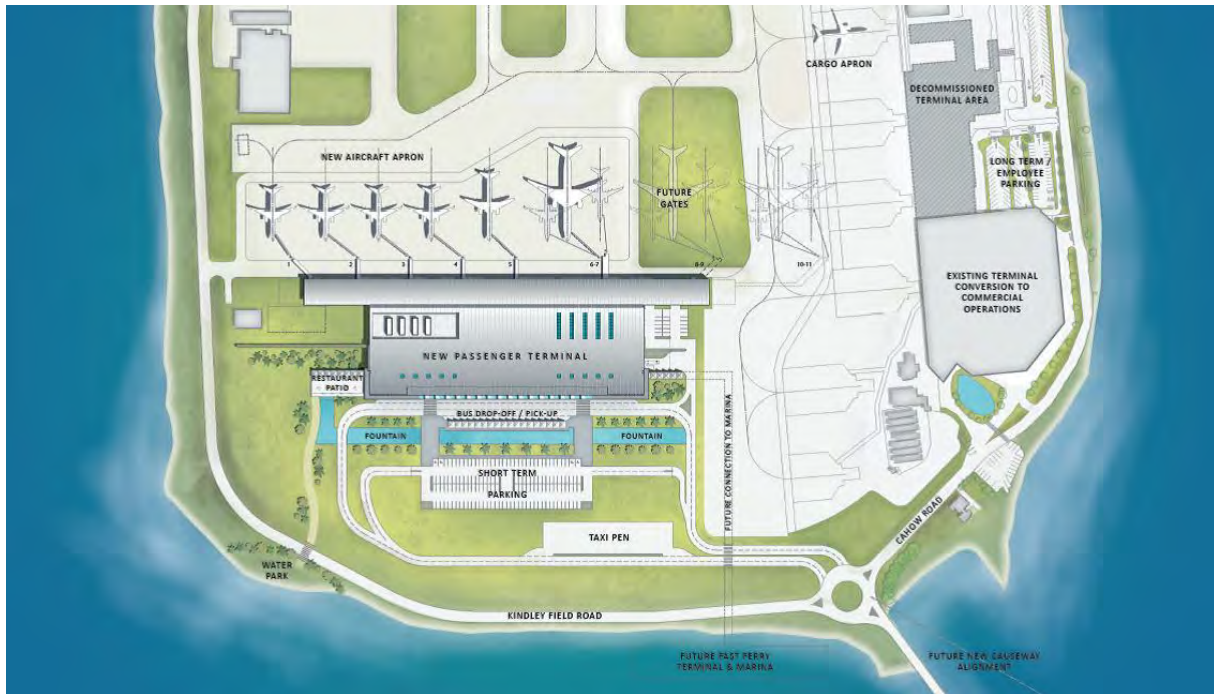
Phase 1 (to 2028) – 6 Code C + 1 Code DR / 1 Code E + 1 Code DR + 4 Code C

Phase 2 (to 2039) – 8 Code C+1 Code DR+1 Code E / 2 Code E+1 Code DR+4 Code C

Phase 3 (post 2039) – up to 11 Code C/5 Code C + 3 Code E

Terminal Apron

- Sized to support 2028/2030 aircraft demand
- Provides Head-of-Stand (HOS) and Tail-line service roads
- Layout creates minimal impact on existing airfield operations during construction
- Approximate area 46,020 m²



Hydrant Fueling

Installation of a new hydrant fueling line and appropriate pits at the new terminal apron shall be coordinated with the fuel supplier SOL. Further discussions are required to define the best operating model; whether extension of the hydrant system or re-fuelling vehicle operation is the most appropriate.

Ramp Signage

The apron and new taxiway shall be supplied with all appropriate signage including but not limited to:

- Illuminated gate numbers
- Aircraft lead-in-lines
- PBB parking limits
- Equipment exclusion markings
- Regulatory signage
- Taxiway hold markings

Taxiway Interconnects

The site plan, SK-1 identifies interconnections to existing taxiways.

Elevations and blends with the new apron shall be effected in accordance with ICAO recommendations.

Where required, existing taxiway lighting shall be modified and extended.

Apron Lighting

The apron will be illuminated from masts mounted on the airside perimeter of the new terminal. In addition, lower level supplemental lighting at the working face of the terminal, head of stand roadway and the bridge areas shall be provided in accordance with good practice.

All lighting will take into account cut off levels to avoid interference with pilot's line of sight.



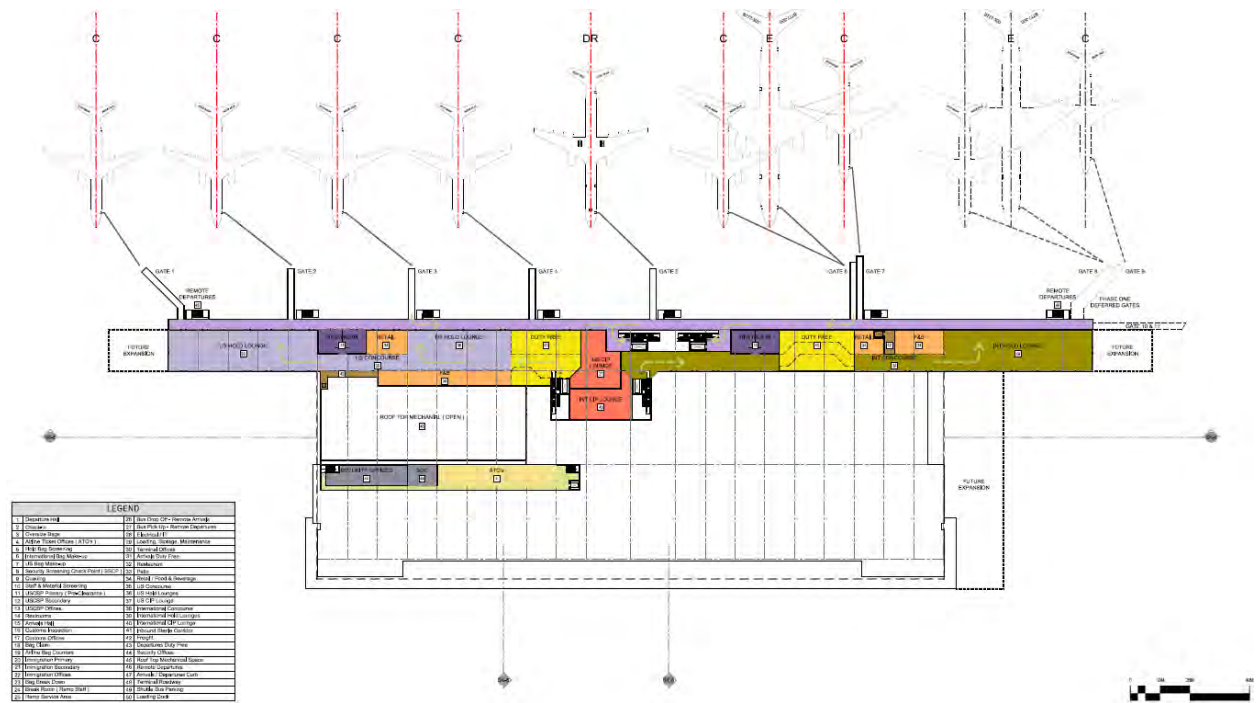
Modifications of Required Taxiway Interface

Prior to initiation of construction of the new terminal and apron, existing taxiway Sierra will be relocated as identified on SK-1.

New Passenger Terminal - Area Summary

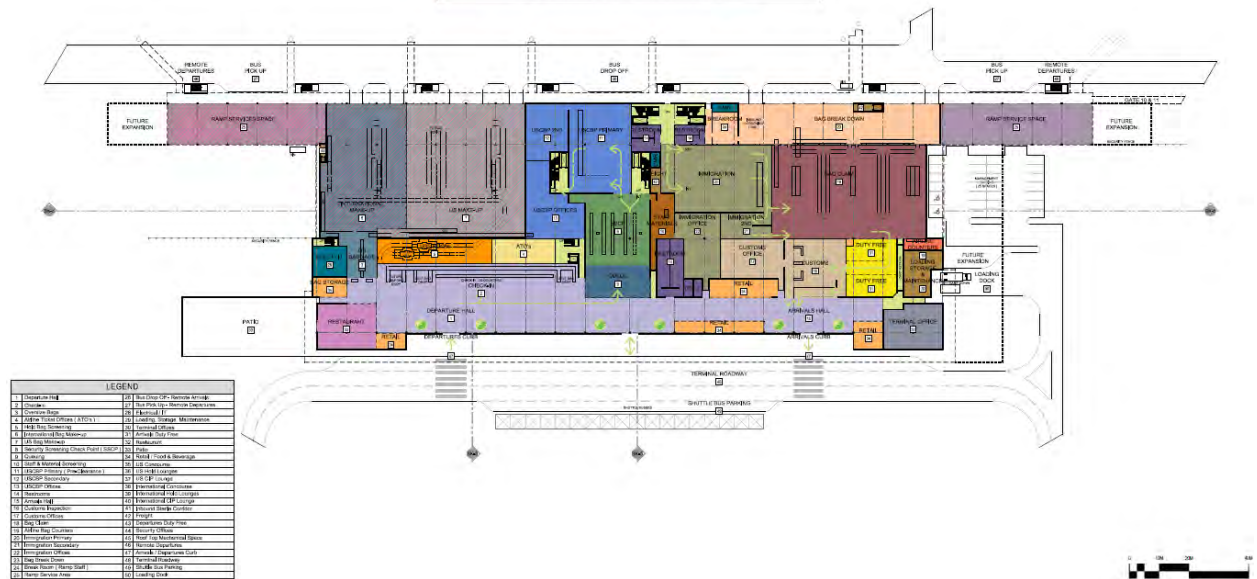
As per our Program of Requirements and preliminary terminal layout the following is a summary of the key functional and support areas in the building:

Departures Hall + Arrivals Hall	3,930 m ²
Security Screening	1,015 m ²
US Preclearance	1,330 m ²
BHS/HBS	4,400 m ²
Hold Lounges	5,785 m ²
Immigration	1,260 m ²
Bag Claim	2,000 m ²
Customs	695 m ²
Office Space	1,220 m ²
Support Space	3,035 m ²
Total ¹	24,670 m ²
¹ Airport operations and certain government offices will be allocated to the existing PTB.	
² Includes commercial, circulation, mechanical, electrical, etc.	



LINES	ENCLOSURE	COVERED	SUBTOTAL	OPEN	TOTALS
COVER - FURS	13425 M2	5342 M2	17765 M2	*	17765 M2
COVER - LEATS	8850 M2	*	8850 M2	*	8850 M2
HAIR - FURS	10208 M2	5342 M2	24650 M2	-	24650 M2
TOTALING TOTAL					24650 M2

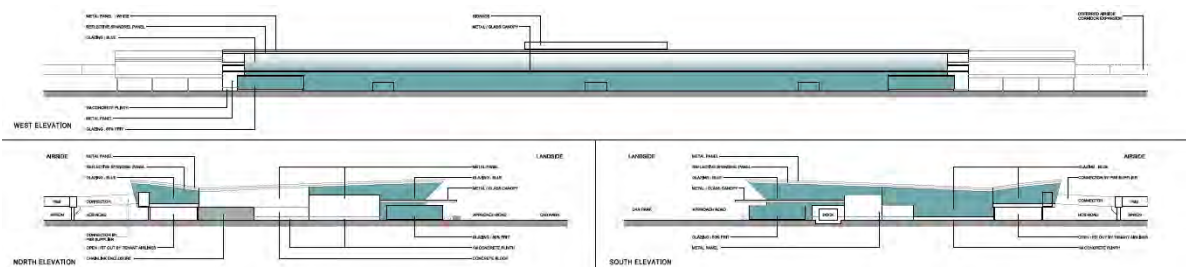
NOTE: Above listed area of the enclosure area allocated to roof top-mounted air handling units

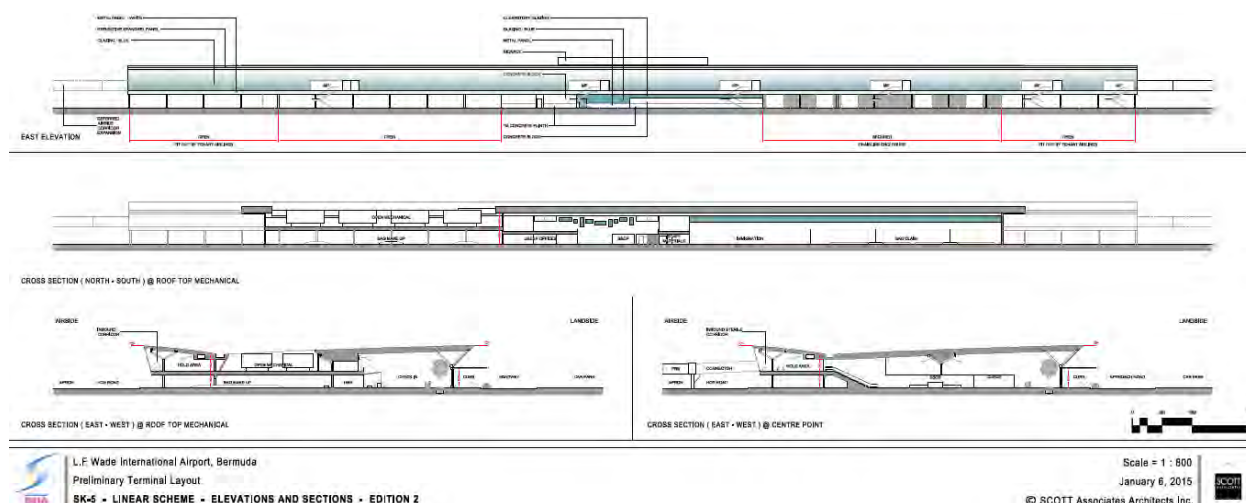


Key Components and Metrics

Check-in Facilities (assumes common-use)	
Total number of counters	20
Self bag drop positions	7
Oversize/out of gauge check-in positions	2
Kiosks (boarding + bag tag)	24
Percentage of pax utilizing kiosks/off-site check-in	85%
Average bags per passenger	1.0
Number of well-wishers per passenger	0.175
Passenger Security Screening Lanes	4 + 1 future
Staff/materials screening lanes	1
Pre-board screening processing rate	200 pax/lane/hour
USCBP (assume “Small” facility classification)	
Primary positions	7 + 1 crew
Passport readers	(TBD)
Percentage of US & CDN passengers utilizing Global Entry/Nexus	20%
Percentage of pax using automated passport readers	80%
Hold Lounges	
Assume maximum 7 gate positions	
Assume net 1.28 m ² /pax + concourse + restrooms + commercial	
Bermuda Immigration	
Counter positions	8+1 crew
Average Immigration processing rate	80 pax/hr/position

Passport readers	(TBD)
Percentage of arriving pax using automated passport readers	80%
BHS	
Bag make-up device (INT)	1 @ 55Lm
Bag make-up device(s) (US)	1 @ 55Lm + 1 future
Number of bag claim devices	2
Claim frontage of each device	55Lm
Number of OS claim devices	1
Commercial Space	
Non-secure side commercial	410 m ²
Restaurant * ¹	305 m ²
Secure side commercial* ²	1,525 m ²
US CIP Lounge	240 m ²
International CIP Lounge	235 m ²
Inbound Duty-Free	220 m ²
Total	2,935 m ²
<p>*¹ Excludes outdoor patio area of 890 m²</p> <p>*¹ Includes outbound Duty Free, all retail and F & B</p>	





Existing Passenger Terminal

During the construction phase of the new PTB, that minor modifications will be made to the existing PTB to accommodate interim traffic growth and potential modifications to commercial spaces.

Post 2019, the existing newer west passenger terminal building will be repurposed. Its primary functional uses will include: government offices, airport offices, staff facilities, and storage - all generally supporting the new passenger terminal operations. The remaining area will be segregated and combined with the commercial development.

During transfer of operations from old to new PTB, areas of the old PTB will be used as swing space.

The east portion of the existing terminal will be demolished due to the operational and conversion costs associated with re-purposing of such an old facility.

Landside Development and Infrastructure

The following vehicle parking facilities are proposed:

Public short term parking opposite the new PTB	140 spaces
Long term parking (located at the existing PTB)* ¹	135 spaces
Overflow parking (located at existing PTB) * ¹	100 spaces
Taxi/limousine staging	70 spaces
Bus/mini bus/shuttle parking opp. PTB	±7 positions

Car rental parking (immediate slots)	TBD
Car rental return (located at existing terminal)* ¹	TBD
Staff car park (located at existing terminal)* ¹	145 spaces
Terminal operations parking (adjacent to PTB)	25
Cycle/scooter spaces (distributed throughout public and employee parking areas)	125 positions
* ¹ Remote parking shuttle service required.	

Utilities

Potable Water

The new terminal will recover and store rainwater. It will have two supply lines. Untreated filtered (grey) water will service WC's urinals, fire hydrants, sprinklers, etc.

Potable water to lavatory basins, food and beverage outlets etc. will be purified via an onsite package water treatment plant.

International Garbage

Under the ground handling agreement, all international garbage from aircraft will be separated and disposed of in accordance with local regulations.

Sewerage

The new terminal will be supported by the installation of a packaged sewerage treatment plant sized to support the 2028 loads. The plant shall be modularly expandable to process loads beyond 2028.

Communications

The existing communications duct bank to the existing terminal will be relocated prior to construction of the new terminal.

Electrical

The existing electrical duct bank, (which follows a similar alignment to the existing communications duct bank) will be relocated prior to constructions of the new terminal.

Storm Water Storage

Storm water from the terminal shall be captured and stored in above grade storage tanks located north of the new terminal.

Other Facilities

The requirement for conversion of the existing mail processing facility into a satellite ARFF facility which would support apron operations is to be confirmed in the future.

Scope Exclusions

Items that are not included in the scope are listed in Section 5 below.

Assumptions

Assumptions are discussed in Section 5 below.

Section 5: Construction

Section 5.1: Project Schedule*

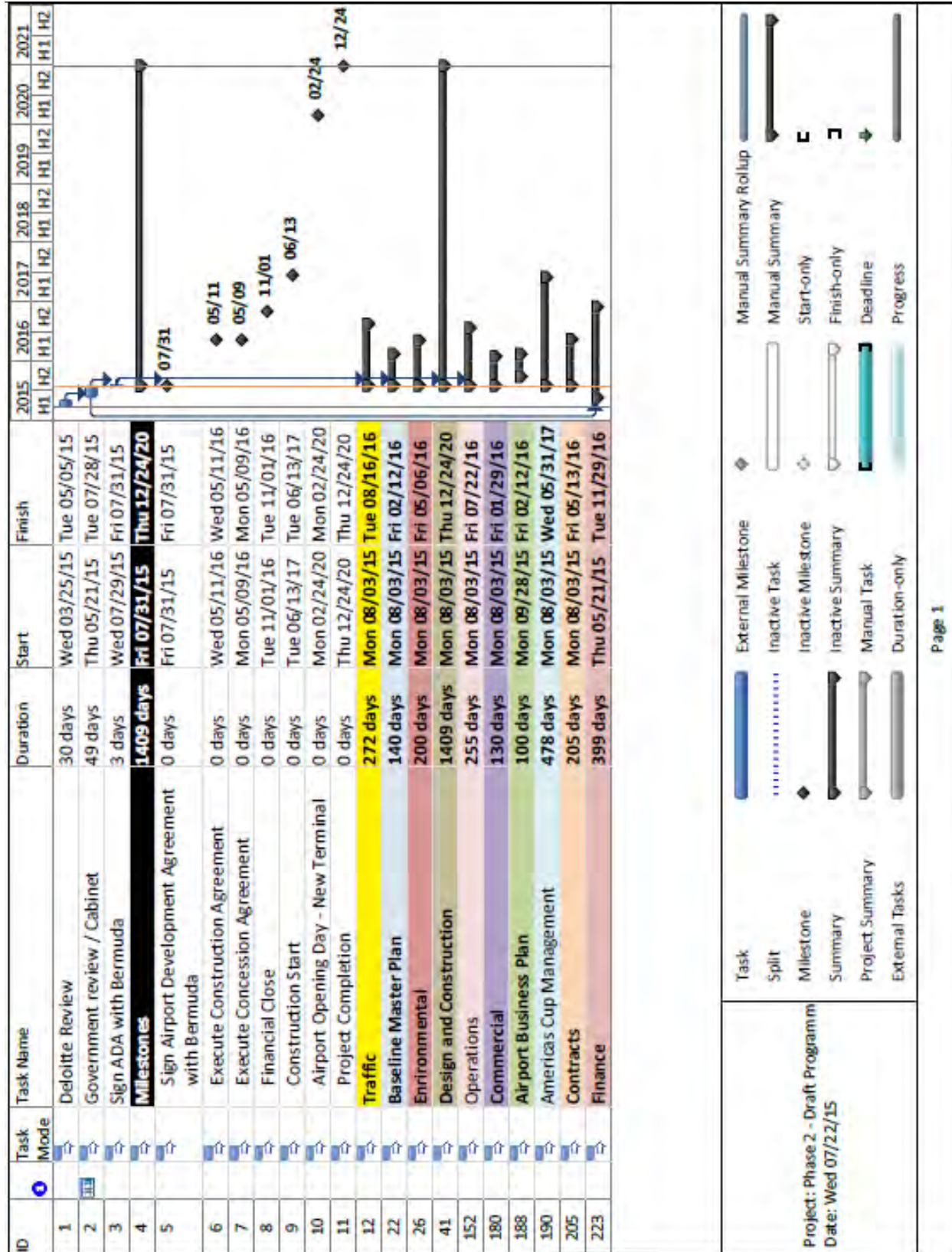
If a Go decision is achieved by July 31, 2015, we anticipate the construction program to track the following major milestones:

Milestone	Date
Development Agreement Signed:	July 31, 2015
Concession & Construction Contracts Signed:	May 2016
Financial Close:	November 2016
New PTB Opening Date:	February 2020
Existing Terminal Modifications Complete:	December 2020

The design and construction program is a 40 month program from financial close to opening of the new terminal, after which works can commence renovating the existing facilities as required. A preliminary schedule *in Gantt chart form* has been developed to illustrate how the project will proceed through the subsequent development phases and into design and construction.

See following page.

**Note: The June 30, 2015 target date for signing of the Development Agreement was extended to accommodate the Government review process. Consequential changes have been made to subsequent dates.*



Section 5.2: Preliminary Construction Budget

Estimates of the Capital Costs summarized below include allowances for all design, labour, equipment and materials; shipping and handling; etc. required to complete the works. Included in the costs are direct and indirect costs, contingency, contractor margin and CCC related fees and expenses.

General Assumptions are:

- The budget estimate provided is Conceptual and represents a Rough Order of Magnitude given stage of design and due diligence prior to “Go” decision.
- Given the elevated topography of the new terminal site in reference to the existing terminal building, and the strategic citing of the new terminal building, the footprint of the new terminal finish floor will closely match the proposed apron geodetic finish floor elevation, no provisions has been made to raise the new terminal building pad for flood surge protection.
- The rainwater cistern estimated to be at grade, standalone standard retention water tank and not incorporated into the design of the building structure.
- Standard unit rate applied for all renovation and re-purposing of the existing terminal, Repurposing of the existing terminal has been estimated it as lump sum allowance.
- Demolition and abatement of existing terminal has been estimated it as a lump sum allowance
- Estimate is predicated on linear option only.
- Budget estimate is conceptual and reflective of the conceptual drawings prepared by Scott Associates dated Nov 21, 2014 and updated design brief dated Nov 27th
- The budget estimate is for the new terminal building proposal only, no provisions has been made for tenant fit-out works; early fit out work, re purposing, renovation of the existing terminal, while the new terminal is under construction.
- The budget estimate is for the new terminal building proposal only, no provisions has been made for fit out of commercial subconcessions.
- The equipment options that we have identified for pricing comply with TSA’s QPL and EU Standard 3 CEP for both baggage and passenger screening.
- Landscaping budget is an allowance only
- Standard 2 year warranty provided with no ever green provisions
- CCC team will have use of the existing building electrical service for temporary construction power.
- Utilization of the existing airport building for management office and meeting rooms.
- The Project site is ‘balanced’ and relatively flat to negate the need for engineered fill placement.
- The CCC Team will be granted full and unobstructed access to Marginal Wharf with direct access to the airfield service road.
- CCC Team will have use of project site for mobile readi-mix and or asphalt plant production.
- For performance security package we have assumed a standard structure for project financing.

Not included in the costs summarized below are:

- Import taxes, levies and duties which are assumed waived as special project dispensation.
- Development, permitting and approval charges.
- Allowance for soil remediation.

- Tenant fit out; provisions have been made for the tenants to connect to all standard services and utilities.
- Airline dedicated operating system.
- Government agencies computers, monitors, printers, passport readers, associated software excluded under base budget.
- Provisions for extreme weather delays.
- Upgrade, repair, demolish and or reinstate any ancillary buildings and or structures within the airport landmass.
- Relocation and/or export excavated fill and spoils off site.
- Overtime and shift work provisions.
- Inflation until 2016 is covered under the cost estimate; beyond 2016 is provided for in the financial model escalation formula. A lump sum price including inflation throughout the construction period will be prepared during Phase 2 of the concept development.

Bermuda Airport Project Concept Summary Cost Phasing						
Phase 1 Development						
2016		2017	2018	2019	2020	Total
	\$ 58,000,000	\$ 115,000,000	\$ 45,000,000	\$ 29,000,000	\$ 10,000,000	\$ 257,000,000
Phase 2 Development						
2030		2031	2032	Total		
		\$ 8,700,000	\$ 8,700,000	\$ 8,600,000		\$ 26,000,000
Phase 3 Development						
2043			2044	Total		
			\$ 10,000,000	\$ 10,000,000		\$ 20,000,000
Major Maintenance Buildings						
2020-2025		2026-2031	2032-2039	2040-2046	Total	
	nil	\$1000k per year	\$3000k per year	\$2900k per year		
		\$ 6,000,000	\$ 24,000,000	\$ 20,300,000		\$ 50,300,000
Major Maintenance Airfield						
2030		2031	2043		2044	Total
	\$ 15,000,000	\$ 15,000,000		\$15,000,000	\$ 15,000,000	\$ 60,000,000

Bermuda Airport Project Concept Summary Cost Estimate				
Category	LEVEL 1 Major Group Elements		LEVEL 2 Group Elements	Estimated Budget in USD
A	Total Substructure			\$18,000,000
		A10	Deep Foundation	\$8,000,000
		A20	Building Foundation, Level 0 Construction	\$10,000,000
B	Total Shell			\$57,000,000
		B10	Superstructure	\$26,000,000
		B20	Exterior Enclosure	\$31,000,000
		Incl. in B20	Curtain wall	-\$17,000,000
		Incl. in B20	Roofing	-\$14,000,000
C	Total Interiors			\$34,000,000
		C10	Interior Construction	\$34,000,000
D	Total Services			\$47,000,000
		D10	Conveying	\$11,000,000
		D20	MEPFP	\$36,000,000
		Incl. in D20	Plumbing	-\$6,000,000
		Incl. in D20	VAC	-\$11,000,000
		Incl. in D20	Fire Protection	-\$1,000,000
		Incl. in D20	Electrical	-\$18,000,000
E	Total Equipment & Furnishing			\$29,000,000
F	Total Special Construction & Demolition			\$7,000,000
		F10	Demolition	\$3,000,000
		F20	Retrofit	\$4,000,000
G	Total Building Site work			\$57,000,000
		G10	Site Improvements	\$40,000,000
		Incl. in G10	Airside	-\$19,000,000
		Incl. in G10	Landside	-\$21,000,000
		G20	Site Electrical Utilities	\$17,000,000
H	CCC Related Fees			\$8,000,000
Total Project Budget				\$257,000,000

Section 5.3: Analysis of Construction Budget vs 2008 Master Plan Budget

Summary Cost Plan

To enable comparison with the 2008 Master Plan, we standardized both costings to reflect a common construction start date of 2016. To enable a value for money comparison to be made, we provide a summary below (excluding project contingencies) which reconciles the elements of the 2008 scheme that remain in scope of the currently proposed concept. We believe this represents a significant savings in terms of capital development costs whilst protecting the core elements which drive value in the redevelopment of the airport:

	2008 Master Plan (BD\$)	CCC (BD\$)
Terminal	376,652,600	185,000,000
Airside Facilities	51,050,000	12,500,000
Airside Pavement works	49,234,715	19,200,000
Other Airside Civils works	17,566,685	17,200,000
Landside Roads and Car Parking	19,526,000	8,100,000
Sub Total	514,030,000	242,000,000
Existing Terminal Modifications	nil	7,000,000
Total (including existing terminal works)	514,030,000	249,000,000

Whilst in areas such as airside facilities we have adopted a refurbishment approach to the development, rather than the total re-provision of facilities we believe that this is comparable for the purposes of this assessment given the level of services are likely to be the same as an outcome.

The remaining commentary focuses on two of the most material examples of where we have applied our capacity optimisation skill sets in order to drive additional value in the development of the airport.

New Passenger Terminal Building

The Master Plan (2008) concluded that the scheme for the Passenger Terminal Building (PTB) be based on an enclosed Pier configuration with a Gross Internal Floor Area (GIFA) of 32,792m².

Throughout the design review process the CCC Team has undertaken to develop two PTB scheme options (a pier scheme and a linear scheme) that progressively builds on the work done to date as well as incorporate the feedback from the BDA management team with regards to the prioritization of needs in the delivery of a new terminal.

As part of this process we have also taken account of advances in operational and technological developments since the advent of the 2008 master plan, as well as the co-location of processing facilities and non-critical terminal functions to deliver a substantial saving to the required size of terminal development as illustrated below:

Proposed Development	Area (m ²)	Total (BD\$)	Rate/ m ² (BD\$)
Master Plan Pier scheme	32,792	376,652,600	11,486
CCC Linear scheme	24,670	185,000,000	7,499

An example of the benefits this process has delivered is that:

- The linear scheme (which in our evaluation is considered more economical), results in a total GIFA of 24,670 m² comprising 19,805 m² of enclosed area and 4,775m² of covered area for Baggage operations. This is a saving of c. 8,000 m² whilst still being able to deliver the require levels of services to a design horizon of 2028 as a first phase.
- Both the Master Plan PTB 'Pier' scheme and the PTB 'Linear' scheme are supported by a preliminary approximate Budget Estimate / Order of Magnitude Cost Plans, however we have confidence that there can be a significant saving on the m² rates of airport terminal construction

Whilst the unit rate of BD\$ 7,499/ m² is still in the region of 40%-50% above a benchmark for a similar project in North America. It must be considered that this additional cost is primarily driven by site logistics, location factors (shipping, duty, dockage, etc.), imported materials, specialist labour and local market conditions. It does however represent a significant saving on the reference master plan.

To provide confidence in the level of detail incorporated into the evaluation of our cost plans, they have been priced on elemental unit rates / lump sums based on both local & imported labour & material construction costs. To enable a relative 'like-for-like' comparison to be done with the reference master plan we have adjusted for Inflation (up to 2016 pricing levels), contractor design & general conditions, indirect on-costs and overheads & profit.

The significant cost variance between the Masterplan & CCC Team's schemes is primary driven by the operational efficiencies of the linear concourse configuration, circa 30% area reduction. The total budget cost for the PTB Linear scheme appears credible and is a sound basis for future development of the design and value engineering opportunities. It also provides better value for money achieved by optimisation of the facility space requirements/processing functions and impact on floor plate, non-elevated ground floor level, centralisation of MEP services, reduced area of external cladding and utilise ramp services into the existing terminal building.

Airfield Apron, Taxi-lanes & Taxiways Infrastructure

Both the Master Plan (2008) and CCC Team developed outline layouts for the above infrastructure and are supported by preliminary approximate Budget Estimate / Order of Magnitude Cost Plans, the cost and resultant unit rates / m² are tabled below:

Proposed Scope	Masterplan (2008) Scope			CCC Scope		
	Area (m ²)	Total (BD\$)	Rate/ m ² (BD\$)	Area (m ²)	Total (BD\$)	Rate/ m ² (BD\$)
<i>Removal of existing aprons / taxiways</i>	158,650	6,419,190	40	71,500	4,520,000	63
New Works						
New PCC Aprons	39,468	11,372,900	288	24,522	8,370,000	341
New Asphalt Aprons, Taxilanes & Taxiways serving Terminal	89,057	27,422,345	310	29,380	8,240,000	280
Ditto serving Cargo	7,998	2,462,770	310	0	0	0
New Shoulders	39,128	7,976,700	204	10,050	1,600,000	159
New Stand Roads	Incl.	Incl.	Incl.	3,740	990,000	265
TOTAL (New works)	175,651	49,234,715	(avg.) 280	67,962	19,200,000	(avg.) 283

The basis and approach to the pricing & of the project contingency for the Airfield Infrastructure is similar to that outlined above for the PTB facility.

The significant cost advantages / value for money of the PTB is further accentuated by the differential in the Airfield Infrastructure areas calculated above. The cost advantages are achieved by use of the existing terminal apron stands, with the benefit of enhancing the provision of remote parking of overnight / longer stay aircraft, and a rationalisation of the aircraft types / stand and taxiway requirements whilst still maintaining flexibility.

Overall, the total area of the new airfield works for the proposed CCC Team scheme is only c. 40% of that identified in the Master plan which reaffirms our ability to optimise the required capital development requirement and demonstrate value for money.

Section 5.4: Next Steps in Development of Definitive Construction Pricing

The next steps will lead to the preparation of schematic designs, outline specifications, and a project execution plan sufficiently developed to be incorporated and form the technical basis for a fixed price, date certain construction agreement to be executed at the end of Phase 2. Project scope, quality, cost and time will be defined in the next phase by:

- Understanding the client functional, technical, and commercial requirements enabling the project team to work on value engineering options to deliver the desired performance level at the best price.

- Undertaking additional activities which will include but not be limited to: full assessment of the existing site, facilities and equipment; testing; engineering design, etc.
- Developing a detailed space program based on discussions and interviews with various stakeholders, including airport staff, Bermuda and US government agencies, airlines, Tourism Authority, potential concessionaires, etc.

Mitigating factors to reduce risk and project contingency

- Insufficient information on drawings and contract documents may cause cost uncertainties; as the design professionals populate the plans with more details, assumptions can be validated and consequently the project budget can be refined.
- In depth understanding of the site hydrology and geology; geotechnical investigations will enable the project team to optimize the foundation design
- Phasing schedule to potentially defer works/scope to match each relevant design phase and projected load cycle
- Reducing operating and life cycle costs by selecting energy efficient building systems, material and products
- Economy of scale savings through *Aecon One* buying power.
- Working closely with airport staff to maximize the use of local knowledge, existing services and utilities
- Optimize design, procurement and construction phase to reduce overall project duration.
- Managing inflation and commodity escalation through early procurement
- Transportation strategy to minimize shipment of less than container loads.
- Strategic local partnering with local contractors and trades; early engagement of trade partners and suppliers in design development
- Execution of design /build agreements with relevant major subs to minimize design oversights

Section 5.5: Prequalification, Tendering, and Award Strategy through Strategic Local Partnering

The project procurement plan will be phased to support the sequential and fast-tracked construction implementation and project delivery schedule. The model of sequential tendering, in principle, will enable the project team to procure the early works in an environment when the design and project documents may not be fully developed. Consequently, the construction program can commence and progress in parallel with the design advancement.

The project tendering premise will closely follow the North American public tendering protocol to prequalified bidders under strict, set criteria to ensure the highest safety, skills and performance requirements are met. In addition to technical expertise, local presence and relevant experience are prevailing factors in the prequalification and selection phase. The project will be tendered and procured under the Multi-Prime Contract project procurement model, where the project design/build entity enters to a subcontract agreement with each respective trade.

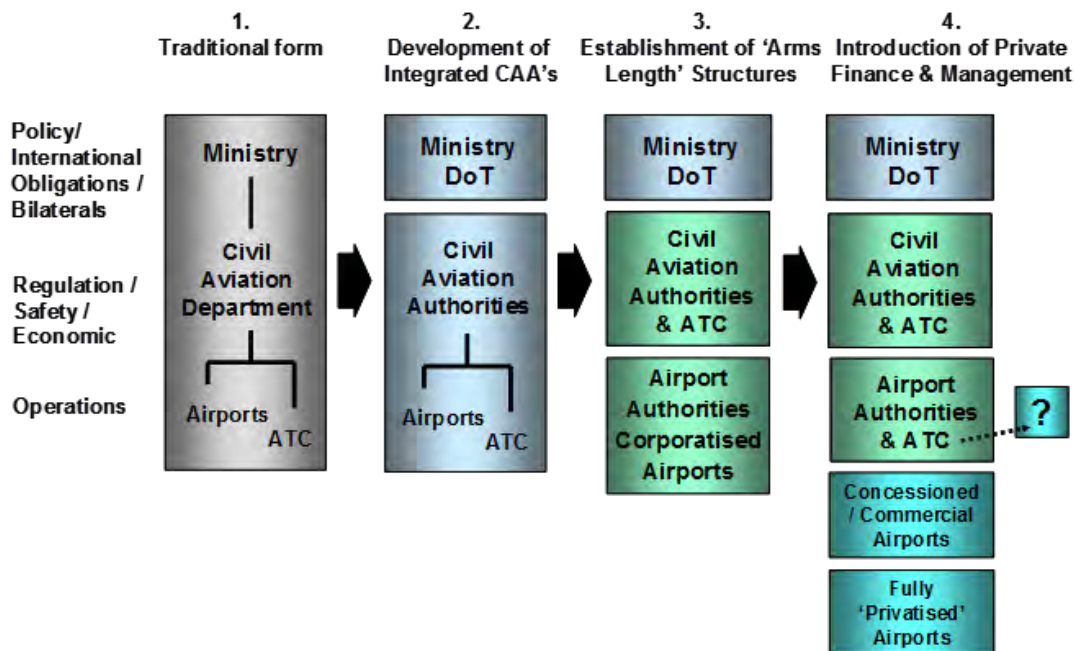
Section 6: Project Structure

Section 6.1: Context

As can be seen from the diagram below, the history of civil aviation reform over the last thirty years has been one of a progressive separation of traditional aviation related functions and responsibilities:

- First, from Central Government Ministries and Departments of Transport, into 'integrated' Civil Aviation Authorities, which retained both the 'regulation' and 'direct operation' of airport and ATC services funded from central Treasury payments and receipts.
- This was followed by the separation of regulation from direct service provision, with the creation of 'separate' Airport Authorities embodying continued ATC responsibilities and corporatized airports retained under Government control and funded on State budgets.
- This separation has continued with the further separation of direct airport services into commercial structured entities such as airport concessions, funded not by Government but by private finance.

Figure.1: Following the trend of Progressive Civil Aviation Reform



We view the Project deal as facilitating the next step along a common path of corporatization and introduction of private finance to assist in the development of sustainable airport assets.

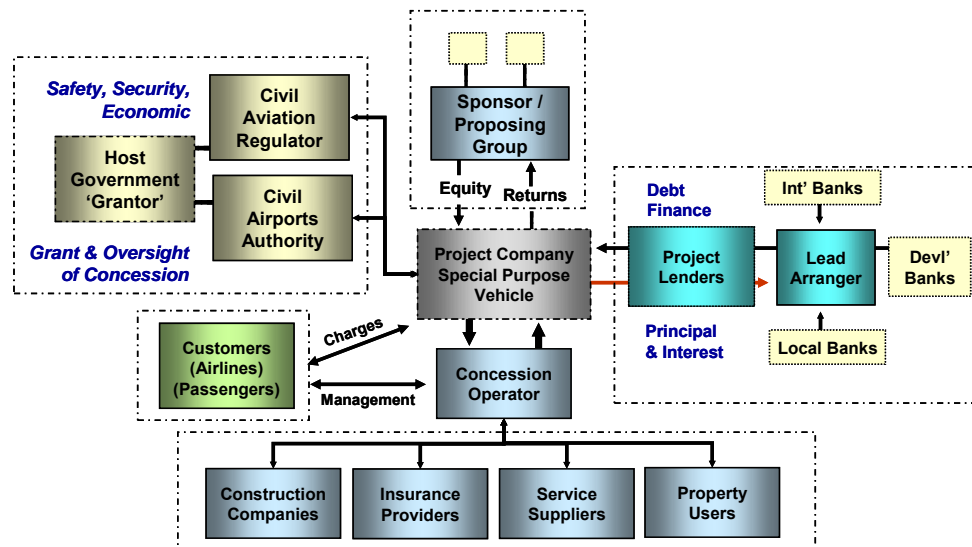
Section 6.2: Proposed Concession Structure

The concession is structured to facilitate a limited recourse project financing in which the Project is financed mainly on the basis of forecast revenue streams and not through Government debt or balance sheet. This form of financing is now well established globally as a means of developing airport projects and its structure is familiar and indeed mandated by Project finance institutions. As such, the wheel should not be reinvented: tried and tested contractual structures need to be implemented to ensure familiarity to financing institutions and access to private capital.

The core structure centers around a Grantor-Concessionaire contract relationship, established on the basis of allocating risks and responsibilities to the party best-placed to manage and control each risk. ProjectCo will raise private capital from equity and debt providers and will enter into the agreements necessary to develop the Project.

Following international precedent, the chart below illustrates the proposed contractual structure for the Project.

Figure.2: Airport Concession Structure



As set forth in the Letter Agreement, CCC does not form part of the ProjectCo/SPV, and the proposal would see CCC novating or assigning the concession responsibilities to this entity. CCC would remain responsible for the construction portion of the Project only. The precise vehicle for the completion of the proposed structure will require further discussion in the agreements phase of the development.

The Concessionaire's Responsibilities

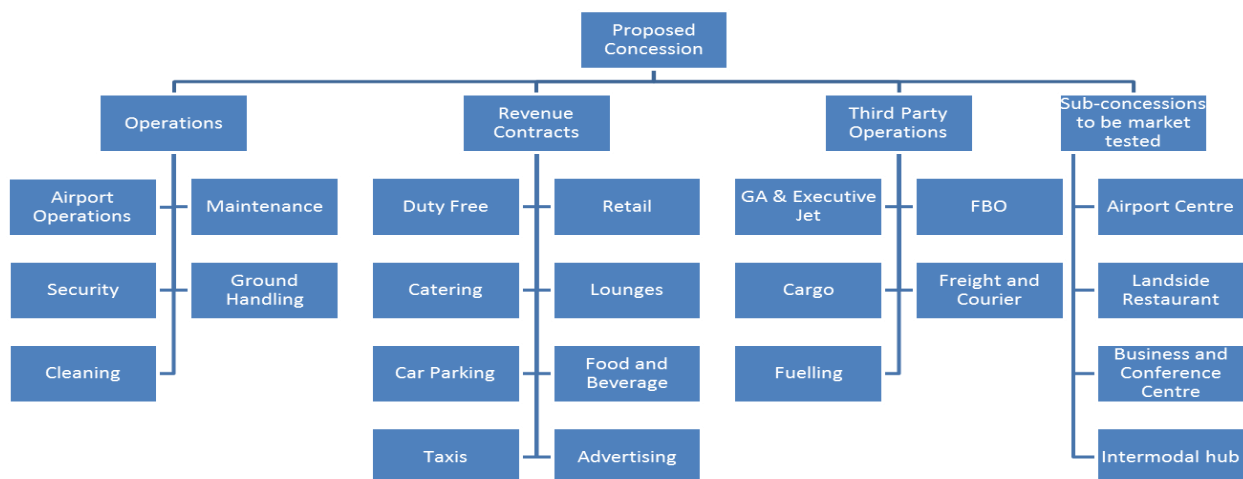
ProjectCo will, in accordance with the concession agreement, and after novation by CCC, have the exclusive right and responsibility to assume the financial, technical and operational risks and benefits

associated with the development, operation and maintenance of new airport infrastructure and management of the airport business. It will have the obligation to provide a safe and efficient operation of the airport's assets throughout the concession period. These responsibilities include:

- Committing to complying with the safety and security requirements of the Civil Aviation Authority and agreed levels of service based on ICAO service levels.
- Managing both the airport development process and committed capital expenditure program agreed as part of the concession contract including the tendering and award of contracts.
- Setting charges within any economic regulation agreed as part of the concession contract. A commercial arrangement will also be between the Concessionaire and Bermuda establishing agreement on the regulated charges that will apply to the Project including the manner in which such charges will be increased over time based on inflation and such other adjustments as are necessary and required to fund future capital or expansion programs.
- The exclusive right to develop and manage new businesses on the airport property to diversity revenue and risk and maximize economic development
- Manage and develop the airport commercial business.
- Receive all revenues from airport operations, and bear the corresponding costs of operation.
- Undertaking airport marketing and route development / support activities including the development of incentive programs. *(This will be done as a coordinated team with the BTA, BDA and other key stakeholders on the island)*
- Liaising with all statutory bodies including the DCA, the DAO, and the provider of air traffic control and air navigation services.

From a functional perspective we would therefore envisage that the following services or contractual relationships would be transferred to the airport concessionaire:

Figure.3: Airport Concession - Functional responsibilities



Sub-concession deals to support the economics of the deal, control risk and deliver benefits to the wider community

In later sections of this report we comment on airport operations and the revenue contracts, within the operations and commercial plan sections respectively however at a macro-level it is first important to mention the sub-concessions that we would like to investigate further in order to support the economics of the deal, control risk and potentially deliver benefits to the wider community.

There are a number of potential additional sub-concessions that could be developed on the landside are due to the release and reconfiguration of land associated with the new terminal layout.

With regards to the airport centre (a small mall, landside restaurant, early bag store, spa, showers and an area for passengers to relax), and business centre these will be inextricably linked to the economics of the airport concession. As such we believe that the airport concessionaire will need to retain control of these potential sub-concessions in order that the revenue streams at the airport aren't weakened to the detriment of the concessionaire.

Finally with respect to subconcessions, we believe that there could be merit in developing a fast ferry and hotel water taxi terminal co-located to the new airport terminal facilities. This was something that was identified in the 2006 Master Plan, however we would recommend that a market-sounding is put out for the development of this as a separate sub-concession to the airport. If there is private interest in the development of these services then this could further enhance the airport redevelopment. It is likely that the long-term benefit of development of these facilities will be found through the reduction of congestion on the island's road network and potentially providing the resiliency of a secondary fast connection between St George's and Hamilton via the airport.

Bermuda Government's Responsibilities: Owner of the Assets and Grantor of the Concession

Having described the structure of our proposed concession it is equally important to mention that there will be a number of risk, responsibilities and functions that remain with the Government of Bermuda.

Primary risks retained by the Government include things such as:

- Ensuring vacant enjoyment of the airport site for the concession period
- Maintaining offsite infrastructure and airport access
- Delivering Governmental permits and approvals
- Guaranteeing stability in legal framework applicable to the project and project investments
- Coordination of Government agencies and stakeholders and procuring required enabling legislation

The definitive development agreement will also set forth understandings in relation to financial support, if any, to be provided by BDA to support or enhance the financing.

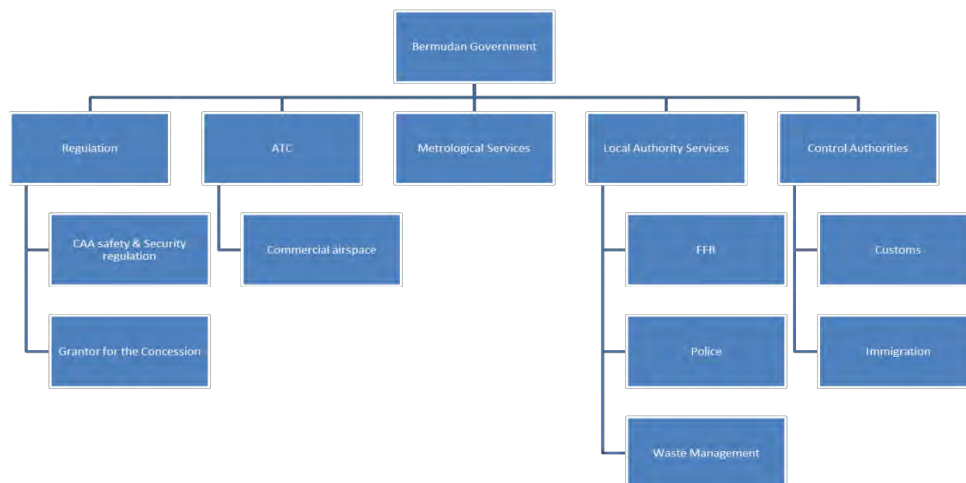
In transferring the financial and operational risks of the airport to the concessionaire, the role of the Airports Authority becomes one chiefly of monitoring compliance with the terms of the concession contract on behalf of Government.

As “Grantor” BDA will serve as the Project’s Implementing Authority, with direct oversight and monitoring rights and responsibilities over the concessionaire’s contract performance and the obligation to ensure the concessionaire is able to carry out the concession at arms-length from the BDA and the Bermuda Government. These typically include:

- **Service Standards:** This would provide minimum performance specifications/ standards for passenger processing times and provision of facilities. These would be in accordance with pre-defined IATA levels of service (LOS) and will mean that the Government of Bermuda has a framework against which they can objectively measure the performance of the concessionaire.
- **Operational Standards:** This includes airfield and access to the runway performance targets and infrastructure availability
- **Construction Specifications:** Provide the parameters for the construction delivery, including delivery of the phase 1 development works to an agreed backstop date.
- **Environmental Obligations:** Stipulations on concessionaire responsibilities to the disposal, treatment and storage of hazardous waste and wildlife management.
- The Government will also continue to carry out its current **civil aviation related functions**.

Construction Contract

There will be a direct relationship will be established between Bermuda and Canada through the prime contract with CCC for the construction of the airport under a fixed price, date certain EPC contract. The concessionaire, as the party financing the construction, will have direct supervision of the contractor to ensure on time on budget delivery of the Project.





Section 7: Operations

Section 7.1: Day-to-day Operations

From a day-to-day operational perspective it is clear that the airport is generally well run and maintained, however the terminal facilities are getting towards the end of their useful life.

In summary, the airport management team knows the airport assets extremely well and in addition understand the airport's importance to the wider community. Their insight has been invaluable in assisting the CCC Team in the compilation of this Project Concept through the identification of potential routes towards optimizing the assets further.

Following our review of the current airport management structure it is clear that there are several roles that have been identified by the management team that remain unfilled. There also appears to be a long lead-time with the recruitment of staff. This could well be limiting the airport management team's capacity to develop operations at the airport.

Moving forward we would expect delays in recruitment to be eliminated through the airport operating as a private entity responding either on the basis of sound commercial sense or through the need to discharge an obligation within the Concession Contract. This has been taken into consideration in our planning and we will be looking to support and enhance the airport management team

The second dynamic is that the management team has chosen to outsource a lot of the airport operations and maintenance. This is fairly common amongst airports nowadays, especially where there isn't the size of operation on which to maintain a dedicated operational team. Within outsourcing strategy however there are a number of inherent risks that need to be controlled. These can include:

- Retention of Intellectual Property (IP)
- Ownership of data and the use of systems as mandated and controlled by the airport
- Obligations to maintain asset records (such as 'as-built drawings' and maintenance records)
- Minimum response time criteria and performance obligations
- Setting a maintenance outsource strategy that is flexible and considers the use of multiple contractors, critical to avoiding a higher than normal risk of business failure

We believe that these observations are being incorporated in the latest versions of the outsourced services contracts, however we would recommend that before any new material contract is placed it is done subsequent to a review by a joint CCC-BDA team to ensure that it does not frustrate plans at a concession level.

Section 7.2: Embracing and Enhancing the Existing team

The operational plan has been built on the concept that the CCC Team will embrace the existing BDA management team and focus on supporting and enhancing the existing team through:

- Making targeted appointments to strengthen the team as required to implement the Project
- Amplifying corporate governance to match a structure that will be required by providers of external finance (specifically enhancing the *Environmental Management* function and ensuring the independence of *Health & Safety* reporting)

Continuity of management is critically important to our team, and our proposal is based on the principle that we retain and develop the existing airport management team. As such we would see the majority (if not all) of the existing team transferring to become the airport's *Concession Management* team, subject naturally to qualifications and performance.

At the same time, a *Government Grantor* team will need to be established in order to monitor and oversee the concessionaire, to ensure we are discharging our obligations as concessionaire. The CCC Team would envisage all current employees fitting into one of these two teams.

The creation of a concessionaire, a private entity, brings more flexibility in budgeting which will enable the airport management team to quickly address any staffing/recruitment challenges, providing an enhancement to the capabilities of the management team.

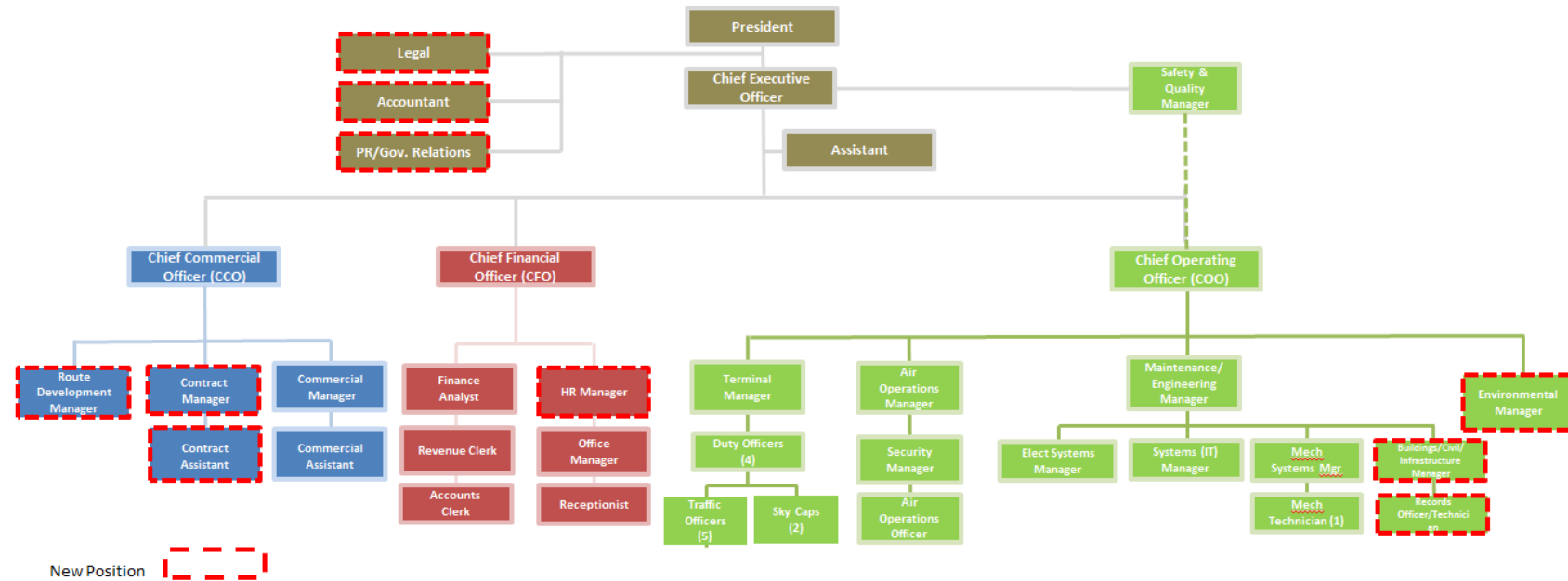
The CCC Team has the resources and ability to provide international expertise from day one of the concession in order to make the step-change in the airport business. As the concessionaire the CCC Team would seek to support and enhance the airport's management team with a specific focus on:

- **Ensuring that the safety and security of staff and passengers is our highest priority**, through the appointment of a dedicated Health and Safety Manager. The Health and Safety Manager will be responsible for ensuring the implementation, monitoring and feedback of international best practice health and safety procedures to be adopted by the concessionaire. As H&S is a core part of the corporate culture, the Health and Safety Manager will report directly to the CEO to ensure maximum transparency with H&S from the very top of the organization.
- **Strengthening the Contract Management function** to facilitate management of all 3rd parties contracts, including both commercial and operational contracts, as well as the various airport subconcessions.
- **Enhancing the administration team** to include an HR function as well as Press and Government relations officers in order to provide effective communications as a standalone entity.
- **Providing best practice in the management of environmental issues** through the appointment of an Airport Environmental Manager

In addition we will enhance the commercial team to enable it to also focus on driving the business and route development. This team will work closely with airport stakeholders such as BTA/BDA, the hoteliers and the wider the Bermudan community to maximize the tourism and business development potential of the island through air service development. This will be key to facilitating 'The Bermuda Airlift Development Plan' and form the critical component of our Active Management Approach.

Below is a summary of CCC's proposed organizational structure for the airport management team.

Figure.4: Proposed future structure of the Airport Management team



Headcount (per Department)	FTE #		
President & CEO	6		
CCO	6		
CFO	7		
COO	25	Headcount	FTE #
Total	44	2013 (Est)	43

Source: Mott MacDonald

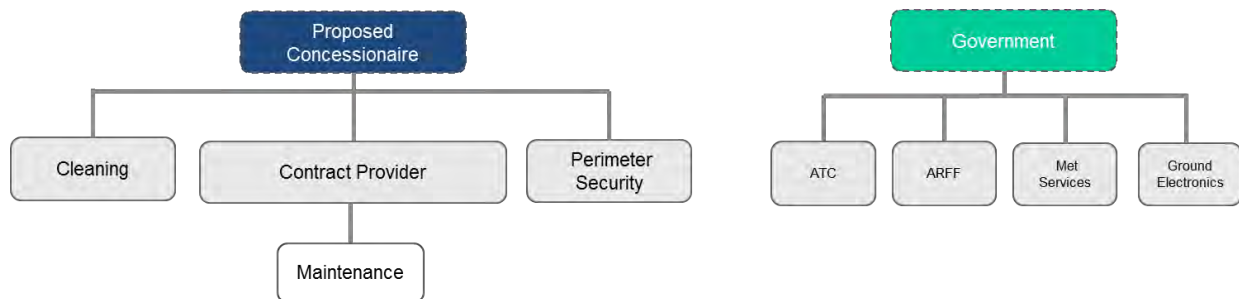
Corporate support – the added value of the Project Team

The added value of our team is that in the context of Bermuda recently being awarded the 2017 America's Cup, our international airport operational expertise combined with the games planning experience that Mott MacDonald brings to the team from events such as London 2012 Olympics and the 2014 Commonwealth games means that the airport will be able to draw on experts who have the knowledge of major event travel planning, including those within the team who assisted Heathrow prepare for the logistical operation associated with the Olympics.

Section 7.3: Separating ATC and Met from Operations

The plan from a functional perspective would be to create a clear delineation between the ATC and Metrological services (which are proposed to be retained as Government functions) and airport operations which will be managed as part of the Concession. At the operational level this will mean that there is a need to novate only part of the current outsourced contract to the new Concession entity.

Figure.5: Changes to the outsourcing arrangements



Source: Mott MacDonald

Within the airport's proposed staffing structure are specialist managers who would be responsible for the technical inputs, schedules of work and quality inspection of the associated services to ensure compliance not only with the operator's requirements but the obligation to the Grantor and people of Bermuda.

Section 7.4: Security

The Concessionaire will become responsible for all security practices at the airport including airport perimeter, cargo and ancillary security. The reason for this is that we see airport security as a prime constituent of the airport experience both from an operational and commercial perspective. This very much matches the view of the UK airport operators where airports such as Heathrow operate security as a core part of their operation.

The airport charging structure currently provides a security fee charged to passengers for the security processes. We would amend this fee to reflect the cost of provision of the services.

The one exception to this principle is that technology risk associated with amendments to the national security regulation requirements would be at the cost of the Government. This is a risk that is better managed at a Governmental level.

Section 7.5: Cleaning

Cleanliness is an essential and critically important airport performance criterion. Across airport performance studies and passenger satisfaction surveys, cleanliness is ranked as one of the most important factors in a passenger's experience.

Because of this it is right for the concessionaire to hold the obligation for controlling the performance of cleaning services at the airport. It will allow for a quick reaction to any changes in cleaning performance. On a day-to-day basis the concessionaire will monitor and inspect cleaning routines and standards on a real time basis.

Section 7.6: General Maintenance

General Maintenance for the terminal and airfield will become the responsibility of the concessionaire. This will allow the airport to have full control over the maintenance schedules which can be effectively integrated into the operational procedures of the airport. This will result in minimal disruption and optimum use of time in order for maintenance to be carried out whilst ensuring smooth day-to-day airport operations.

The concessionaire will also benefit from quick communication and response time between any subcontractor and the airport and is therefore best-placed to manage this risk.

Section 8: Commercial

Section 8.1: Approach to Commercial

The creation of a 21st century air terminal capable of showcasing Bermuda's attributes and aspirations to the world presupposes a commitment to a higher level of customer experience and a higher standard of commercial performance. Optimising commercial revenue will be the key to ensuring the airport operates to world class standards and achieves the highest levels of customer satisfaction.

- Commercial due diligence and analysis for the project was conducted between July and December 2014 by the CCC Team.
- Commercial due diligence included meetings and workshops with BDA management, survey of existing commercial space in the airport, compilation of revenue contract database, review of lease and commercial terms for rental, services and concession contracts, documentation of historic BDA revenue performance, and mapping of the commercial management structure.
- Commercial analysis included benchmarking of BDA revenue performance and service offering in comparison to North American and Caribbean airports, segmentation and seasonality of passenger traffic, evaluation of limitations to revenue performance resulting from size, layout, and processes of the existing terminal, identification of opportunities for improved performance of existing revenue streams and introduction of new commercial businesses.

The following are our key observations regarding the current situation:

- For non-aeronautical revenue, BDA significantly underperforms in comparison to North American and Caribbean airports
- 35% of BDA revenue from operations is non-aeronautical, ideally the proportion should be higher
- Concession spend is low considering the high income profile and segmentation of passengers; existing retail and F&B concessions are substandard and overpriced
- Initial benchmarking indicates that PTB commercial revenue could be increased by 200% to 300%, with adequate commercial space properly distributed and managed by qualified operators, and flexibility to deal with existing contracts
- Concession and contract terms are generally below market for space and percentage rent rates; there appear to have been constraints in not renewing underperforming concessions and in allowing tenants with poor payment performance to continue operating
- Contract terms and revenue control procedures are not in place to ensure that concession sales are accurately reported to airport management
- In many cases, fees and charges have not been increased for years

Section 8.2: Commercial Plan

The Project Concept's commercial plan is based on the Bermuda government's vision of an airport that powerfully communicates the Bermuda brand: ***"First Class, First Tier, First World"***.

The new airport terminal is designed to be a showcase for everything that is beautiful and exciting about Bermuda, from its exotic flavours and colours, to the highest value brands of its retail, financial, and tourism sectors.

The new commercial program should optimise the quality of visitor experience through the use of leading edge design, technology, and merchandising strategy, finely tuned to meet the needs and preferences of BDA passengers.

The new commercial plan will be implemented in stages: the first stage to cover the transitional period during which the new terminal is under construction, and the second stage beginning when the new terminal is operational.

Transitional Period: Existing Terminal

The success of airport commercial programs depends on a number of key variables. Among the most important are:

- Passenger volumes and segmentation
- Size and distribution of commercial space
- Passenger dwell times
- Choice (range of products and services on offer)
- Value for Money

In spite of the outdated facilities and low passenger volumes during off peak months, opportunities exist to improve revenue performance through focus on increasing dwell times, choice and value for money, and with some rethinking on passenger profile and space distribution.

Passenger Volumes and Segmentation

While overall passenger volumes are low, BDA has a high value passenger profile, including upper middle to high income leisure travellers, business visitors, and frequent flying Bermudians, many of whom travel three or more times a year, often with shopping as the main purpose of their trip. The transitional period is an opportune time to conduct market research aimed at gaining a clear understanding of passenger needs, preferences, and purchase motivations, in order to design and optimise the future commercial offer and merchandising strategy.

Size and Distribution of Commercial Space

While the existing terminal presents challenges in terms of passenger flows and processes, the current retail and F&B program can benefit from cost effective reconfiguration of existing retail and F&B space

distribution, including implementation of mobile micro retail/F&B carts or kiosks both landside and airside where refit or relocation of existing concessions is not economically feasible.

Dwell Times

There is a direct correlation between passenger dwell time in the airside departure lounges and spend per passenger on retail/duty free and F&B. Passenger flow and processing challenges of the existing terminal can be mitigated through closer collaboration and process engineering with the relevant stakeholders and authorities, while terminal operations can be mobilized to facilitate flow management through improved wayfinding signage, information assistance, and guidance of passengers.

Choice

Most airport purchases are unplanned and impulsive. Passengers dissatisfied with the choice of shops and products spend less. Numerous opportunities exist to improve the current commercial offer in terms of retail mix and range of products on offer, including expansion of the top selling duty free categories (perfumes, cosmetics, personal care, liquor, luxury goods, watches, jewellery, accessories and apparel), specialty retail (newspapers, magazines, souvenir gift items, travel accessories), F&B (island cuisine, local beer, and non-alcoholic beverages).

Value for Money

Globally most travellers do not believe that airport retail and F&B provide value for money. BDA can enhance the value component of the existing commercial program through implementation of a calendar of planned value promotions that are effectively communicated and easily understood by passengers. Value can also be enhanced through customer service, for example, expansion of the *purchase on exit/collect on return* duty free offer targeting Bermudians and foreign residents. Potential exists for greater engagement with Bermudian and business passengers, many of whom are frequent travellers, who could be targeted for a loyalty program and preferential services in the airport (fast track check in/security, VIP lounge access, home delivery of e-commerce purchases, discounts and promotions for airport F&B and retail, business and concierge services, etc.)

Contract Transition

Most of the existing BDA retail and F&B concession contracts will expire during the transition phase (some already have). Further due diligence will be undertaken to clarify scenarios and options for extension, renegotiation, or termination of existing contracts in the transition and new terminal operation phases. It is assumed that BDA will support initiatives to work with existing tenants and concessionaires to optimize the airport commercial business during transition phase to deliver quick wins and immediate results, and also that the new terminal will not be burdened by historic commercial contracts and commitments, such that the project essentially inherits a 'blank slate' and is not unduly burdened by rigid contracts that cannot be adapted (or removed) to align with the Project Concept. In general, we must assume that the Government will adopt a facilitating and enabling approach to helping

the CCC Team implement a robust commercial platform, as it is essential to the viability of the project financing and minimizing the extent of required financial support from Government.

Commercial Management Transition

The requirement to optimise revenue performance of the BDA commercial program will entail expansion of the commercial management team for performance monitoring, future planning, tendering, contract management, stakeholder engagement, marketing, and customer relationship management. Details of the proposed commercial management structure are provided in Section 7.2, Operations Plan, above.

Other Non-Aeronautical Revenue Enhancement

In addition to enhancement of commercial revenue from terminal concessions and services, further due diligence and planning will be undertaken for the enhancement/development of revenue from non-terminal airside and landside concessions and services, including FBO, hangars, fuel, cargo, ground handling, bonded warehousing, telecommunications, and land development.

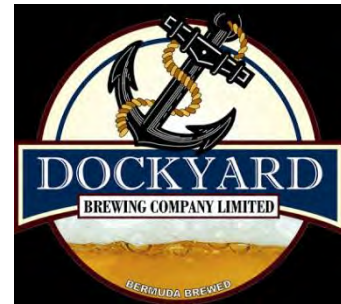
Regarding the FBO in particular, Bermuda is considered to be ranked 7th of the top 10 Caribbean area airports for private jet arrivals, and this ranking could soar with the America's Cup. In short, there ought to be significant opportunity to improve the airport's commercial participation in this business.

Commercial Plan: New Terminal

As a state of the art, built-to-purpose facility, the new BDA passenger terminal will be a showcase for high value Bermuda brands. The duty free, retail, and F&B offer will be focused and exciting in terms of passenger experience, variety of products on offer, and value for money. Leading edge technology and processes will increase dwell times, enhance customer engagement, and drive commercial revenue performance.

Local Flavour and Authenticity

The airport of the 21st century offers an environment with a distinct ambiance underlining the importance of authenticity and a culture-driven experience. While all airports offer a selection of global brands, local flavour is what distinguishes one destination from another. A selection of local brands, products and other creative experiences, provide the travellers with an exclusive 'sense of place'.



Examples of leading Bermuda brands that should be prominently featured in the new BDA retail and F&B program include Goslings Black Seal Rum, Dockyard Brewing, Lili Bermuda Perfume, TABS (The Authentic Bermuda Shorts), Chesley Trott cedar and bronze sculpture, and Barbara Fisness linen, ceramics, and handbags. Although some of these are currently present in the existing airport, in the new terminal they will be more prominently showcased and effectively merchandised in surroundings that significantly add perceived value while promoting customer engagement and inducement to purchase.



Innovation and Interactivity

Airports are not only leaders in terms of adapting to the latest technology but also global crossroads where innovation and interactivity are highly valued. A recent trend is the use of touch-screen technology which can provide a personalised experience to shoppers while at the same time offering information about the goods commercialised. Customers can browse the airport's retail offer on a tablet, choosing the desired products according to recommendations, new additions, best sellers, exclusives, and special offers.



Motivation and Mobility

More than 90% of mobile users carry their device within arm's reach at all times. When it comes to motivating sales in the airport, shopping behaviour is increasingly influenced by mobile access. When shopping in the airport, travellers use their smartphones for a variety of reasons, most often to:

- Compare prices
- Find promotions
- Locate stores/products they are interested in

Going mobile boosts airport retail performance by:

- Facilitating faster shopping and purchases
- Personalised, immersive experience
- Maps and airport apps to help passengers navigate the terminal
- The possibility to pay without cash (banking apps)
- Apps which reward loyalty

Commercial Space Program

The new terminal floorplan provides up to 3,000 m² of commercial space for specialty retail, food and beverage, duty free, and other commercial services. An addition 890 m² of outdoor patio area is located adjacent to the landside restaurant on the south side of the terminal building.

Commercial Space	
Landside commercial	410 m ²
Restaurant * ¹	305 m ²
Airside commercial* ²	1,525 m ²
US CIP Lounge	240 m ²
International CIP Lounge	235 m ²
Inbound Duty-Free	220 m ²
Total	2,935 m ²
* ¹ Excludes outdoor patio area of 890 m ²	
* ² Includes outbound Duty Free, all retail and F & B	

A detailed commercial plan for the new terminal will be developed in the next phase of the project.



8.3 America's Cup Opportunity

In 2017, Bermuda will play host to The America's Cup. This provides a once in a lifetime opportunity to rebrand and market Bermuda to a global audience. Given the short timeframe there is a pressing need to capitalize on this event by leveraging the benefits over the next 2 years.

To provide context, previous editions of the race have been held in Valencia and San Francisco with both having a profound effect on the economies of each

Valencia, Spain

The America's Cup match held in the summer of 2007 allowed for a significant increase in expenditure on the part of visitors to the Spanish province. This increase translated to an added value of 51.6 million euros and thus permitted the generation and retention of 1,115 jobs. The impact brought about by the influx of passengers to the region contributed more than 92% of the overall economic impact attributed to the America's Cup.

As well as the visitors to Valencia, the competition attracted 40 super-yachts and a number of media personnel, contributing the remaining 8% of overall economic impact. Spending by super-yachts was estimated at 4.2 million euros, generating and retaining 58 jobs, whilst the impacts associated with the spending of the media translated to an added 1.8 million euros and the generation and retention of 38 jobs.

San Francisco, U.S.A.

The city of San Francisco played host to the America's Cup World Series events in 2012 and allowed for a total economic impact to City businesses and residents of USD 364.4 million. Added tax revenues to the city totalled USD 5.8 million and an estimated 2,863 jobs were created in response to the series.

In order to successfully host the 34th America's Cup, the city of San Francisco incurred USD 11.5 million in net costs which comprised of USD 6.0 million in net General Fund costs and USD 5.5 million in net Port costs.

In light of its vast economic impact historically, experts and economists including the Chairman of the Bermuda Tourism Authority have predicted a minimum 10% increase in arrivals to the island between 2014 and 2017, allowing for a USD 300 million boost to Bermuda's economy as a whole.

Although it proves a difficult task to predict exact numbers, the hosting of this highly prestigious event is nonetheless a once in a lifetime chance for Bermuda, its airport and its economy (itself heavily reliant upon tourism and financial services) to rebrand themselves as premium opportunities for investment and commercial development.

Engaging with CCC will allow Bermuda to access international expertise in events preparation and execution to ensure that airport logistics and commercial activity associated with the event are planned and executed in an effective, efficient manner. This will include build up to the event and associated preparation, event logistics, and close out of the event.

From an airport perspective, infrastructure requirements include adequate space to park additional aircraft, as well as an optimally operating terminal. A direct procurement will allow sufficient timeframe in which to deliver and operate an enhanced airfield in time for 2017.

With such an important and prestigious event, CCC will actively engage with the Bermuda Tourism Authority to provide a holistic and integrated response, maximizing benefits to the island. The strengthened management team proposed for the commercial department will be prepared to fully leverage the marketing opportunities for business and route development that the event will create.

America's Cup is a great opportunity for Bermuda to reposition its tourism offering to a global audience and confirm its position as one of the worlds' leading premium tourist destinations. This will further contribute to the economy via job creation and real GDP growth.

Section 9: Finance

Section 9.1: Financial & Affordability Analysis

In August 2014, the team conducted an initial affordability analysis based on a preliminary and high-level review of the airport operations under a 30-year concession model. The analysis at the time indicated that the airport's current operations could support a small capital project at best, sized at approximately US\$36 million, excluding non-construction costs. When compared to the estimated construction cost of US\$257 million, this represented a US\$221 million funding gap under the status quo. Since then, the team has advanced the due diligence on the current operations, required improvements and opportunities to enhance value.

Based on current forecasts of traffic, long-term operating cash flows and financing assumptions, the team estimates that the airport could support a financing package of approximately US\$375 million (Sources of Funds) to fund construction and project costs. With an estimated construction cost of US\$257 million plus other costs related to construction and financing, the team currently estimates that the total cost of the project (Uses of Funds) will amount to approximately US\$375 million. The current analysis assumes an eliminated affordability gap based on the mutually agreed government support structure (to be discussed in Section 9.2: Financing Plan). The current structure incorporates limited Government financial support which improves the financial outlook of the project and offsets the affordability gap without the need for an outsized increase in equity contribution or upfront cash contribution by the Government. The ultimate goal of the Concessionaire is to structure a sustainable deal that delivers maximum value to Bermuda and creates a world-class airport for the Bermudian people, while achieving a reasonable equity return commensurate with the risk profile of the investment.

Methodology

The affordability estimate was derived from a detailed financial model constructed by the team, incorporating input from the various technical advisors.

The financial model includes a detailed forecast of the long-term cash flows produced by the airport operations under a concession. The key operating and financial improvements assumed in the Base Case financials, and described in detail elsewhere in this document, include:

- Increased aeronautical charges and passenger fees
 - Airport Infrastructure Charge (AIC)
 - Increased Security Fee
 - Annual inflation-based escalation of regulated (aeronautical) charges
 - AIF Reserve Account
- Improved commercial offering
- Retained services by the Government (ATC, Meteorological, Ground Electronics and ARFF)
- Provision of a specified electricity level by the Government at no charge to the airport

Using this operating forecast, the financial model then calculates the total sources of cash available to fund the project.

The model calculates a sustainable financing package based on the project's cash flows and assumptions of the expected financing terms, as discussed in the Financing Plan section of this report. In the current Base Case, the team estimates that the financing package would include US\$192 million of debt and US\$69 million of equity, US\$12 million of AIF Reserve funds (in the form of subordinated debt) and US\$101 million of excess cash flow from operations used to fund project costs. The debt and equity contribution have been sized based on expected market conditions/constraints. Debt quantum has been calculated using reasonable assumptions of interest rates, debt tenor and required minimum debt service coverage ratios. The equity contribution is sized based on a commercially acceptable return from residual cash flows, taking into account the risk profile of the project and comparable airport projects. Depending on the structural considerations of the final lease framework, the concession risk may imply a higher target equity return.

Construction costs have been forecasted from the current design documents and itemized cost and labor estimates. Non-construction costs (or 'soft costs', including transaction expenses, financing fees, contingency and other expenses) are a significant component of any redevelopment project. In the case of Bermuda, these costs are estimated to cost US\$118 million or 31% of the total project costs. Non-construction costs have been detailed by the project team in the model and in the Use of Funds section of the Financing Plan.

Summary of Base Case of Sources and Uses of funds for the project:

Uses (US\$mm)	Total	Year 1	Year 2	Year 3	Year 4
Phase 1 Construction	257	52	119	46	40
Reserves Funding / (Release)	26	153	(84)	(22)	(21)
Transaction Expenses / Soft Costs / Other	22	20	1	1	0
Financing Fees	7	5	1	1	1
Debt Service During Construction	37	6	11	11	10
Project Contingency	25	5	12	5	4
Total Uses	375	240	59	41	35
Sources (US\$mm)					
Common Equity	69	25	31	10	3
Debt	192	192	-	-	-
Cash Flow From Operations	101	11	28	31	32
Bermuda Subordinated Debt	12	12	-	-	-
Funding Gap	-	-	-	-	-
Total Sources	375	240	59	41	35

An affordability gap is determined by deducting the total estimated Source of Funds during construction from the total estimated Use of Funds. As previously noted, there is no affordability gap forecasted in the Concessionaire's Base Case.

Affordability Study: Sensitivity Analysis on Key Operational Drivers

As part of the affordability study, the project team analyzed the value impact of fluctuations in key operational drivers. An airport redevelopment carries significant risks related to variability in the execution of construction, operations and financing activities. Such risks need to be considered to assess both the affordability of the project and the sustainability of the concession structure. The team believes that the Concessionaire Base Case presented in this report represents an achievable forecast and sustainable structure for the project. However, understanding key value drivers can help mitigate risks and identify value-creating opportunities. The results of the team's preliminary analysis are discussed in the following section.

Passenger Traffic

As part of the sensitivity analysis, the project team analyzed the impact of changes to Base Case passenger traffic throughout the forecast. The team started from an initial year traffic number in 2015 and adjusted the annual growth rate by +/- 1% throughout the forecast.

PAX Growth (% increase / decrease)	Affordability Gap / (Surplus) (USD '000)
-1%	4,151.1
0	0.0
1%	(3,911.1)

Traffic growth is the key risk to all stakeholders in the airport project and both the forecast and actual traffic performance will have a significant impact on the project's affordability. The team has taken an optimistic view on tourism and traffic growth following the America's Cup to support project affordability. Lenders and credit rating agencies may take a more conservative view of future traffic, which could impact the achievable financing package. Additionally, the project relies heavily on ongoing airport revenues earned during construction for funding, and lower traffic levels could result in a funding short fall.

Airport Improvement Fee (AIF) Reserve and Airport Infrastructure Charge (AIC)

The Base Case financial model assumes that a US\$21.86 (in terms of nominal 2016 US dollars) Airport Infrastructure Charge is charged to each departing passenger at the airport from the moment of Financial Close (current estimate and resulting implied equity returns are subject to further review). Further, as part of the Limited Government Support package, Bermuda will establish a US\$12 million AIF Reserve Account on Financial Close that will be made available to Project Co for drawdown. Proceeds from the AIF Reserve Account are a significant funding source for Phase 1 Expansion, whereas the AIC is critical for ongoing operational and capital expenditures.

Airport Infrastructure Charge (USD / PAX)	Affordability Gap / (Surplus) (USD '000)
16	7,699.4
21	0.0
26	(7,525.3)
31	(15,769.0)
36	(24,012.7)
41	(32,256.4)
46	(40,500.1)

An increase in AIC will improve the ability to raise funding as well as provide a reasonable return to equity. This, in particular, will need to be reviewed prior to Financial Close in order to satisfy the requirements of lenders and equity providers. The team will also consider any potential impact on passenger traffic as a result of the fee increase.

Commercial Operations – Sales per Passenger and Margin

A key value driver in the affordability study is the Concessionaire's ability to improve commercial operations at the airport through a series of capital improvements. In the Base Case, certain commercial segments are forecasted to increase cash flow generation from historical levels, with an improved product and services offering post-construction.

Gross Sales per PAX (% increase / decrease)	Affordability Gap / (Surplus) (USD '000)
-20%	809.2
0	0.0
20%	(271.2)

Airport Margin on Sales (% increase / decrease)	Affordability Gap / (Surplus) (USD '000)
-10%	2,569.2
0	0.0
10%	(2,124.2)

Several factors could impact the contribution of the commercial offering to the project's financing package. The team has made assumptions regarding commercial revenue potential which lenders and credit agencies may discount and which could in turn decrease the amount of debt financing available. Additionally, the Concessionaire's freedom to bring well-known retailers and food brands into the airport will impact the actual revenue potential as well as lenders' perceptions of commercial revenue potential.

Operating Expenses: Salaries & Wages

Salaries and wages are one of the most significant operating expenses at BDA. Technical advisors to the project provided a rigorous analysis of the staffing structure at the airport. Assuming a 10% change in salaries and wages over the forecasted period, affordability is expected to fluctuate by about US\$1.0 - 1.5 million.

Salaries & Wages (% increase / decrease)	Affordability Gap / (Surplus) (USD '000)
-10%	(1,057.2)
0	0.0
10%	1,554.5

Conclusion

Certain drivers that determine the ultimate affordability of the project are outside of the direct control of both the Concessionaire and the Government. While the outlook by lenders will impact the size of the facility, actual performance will have an effect on coverage ratios and equity returns. Passenger traffic to Bermuda will be a key concern for all stakeholders in the project. Despite a positive outlook with the Americas Cup, future passenger traffic is unknown and may or may not support the redevelopment of the airport. Traffic, commercial revenue and operating expenses may, for various reasons, underperform expectations and have a negative impact on the actual affordability of the project. In such downside cases, risk mitigation through the currently contemplated Government revenue support structure will ensure that the project remains sustainable and that it provides maximum benefit to the public.

Section 9.2: Financing Plan

The project team has contemplated several funding structures to finance the forecasted project size based on preliminary construction estimates and indicative concession structures. In March 2015, this exercise included an affordability analysis to understand the size of a potential funding gap for the project assuming no revenue support from the Government and modest increases to passenger fees. At the time, this funding gap amounted to approximately US\$35 million.

In late May 2015, the team met with the Government and their advisors to initiate discussions for Government support structure that could mitigate the affordability gap and avoid the need for upfront Government funding to support the project. This resulted in a structure whereby the Government would support a minimum level of regulated revenues per a defined schedule to assist the project only in the event of a downside regulated revenue scenario. The Government would in turn receive participating equity certificates for their contribution to the project.

Sources of Funds

Debt

For the purposes of the financial model and affordability analysis, the deal team has assumed the debt to be a low investment grade private placement bond financing. A private placement bond allows for a long-term debt tenor that will bring stability and predictability to the project. A financing of this type will allow the project to potentially lock in current low interest rates for the long term and lower the project's lifetime borrowing costs. Additionally, private placement financings often carry lower upfront fees than bank loans, which will lower the total cost of debt to the project. The expected debt quantum has been sized to achieve coverage metrics in line with investment grade criteria – ensuring the long-term financial stability of the airport.

Another component of an investment grade debt financing includes the funding and maintenance of 1- to 12-month reserves for debt service payments, operating expenses and capital expenses. These reserves are initially funded at financial close and released to cover their respective expenses. The reserves add additional stability to the project and help to smooth the cash flow profile during construction. Since the team's original analysis in March 2015, we have included additional reserves to fund one-time major maintenance and expansion projects, including a Phase 2 Expansion reserve, a Major Maintenance – Building reserve and a Major Maintenance - Airfield #1 reserve. This provides for a much smoother cash flow and DSCR profile over the life of the concession versus previous provisions.

The Concessionaire intends to leverage its strong relationships with many multilateral and export credit institutions globally as an additional potential source of debt financing. In particular, this project may be eligible for financing from Export Development Canada (EDC), which provides competitive financing to Canadian firms. The project team has worked with EDC in the past on the development of the airport in Quito, Ecuador and is highly familiar with EDC processes and financing solutions. Typically, EDC loans are structured similarly to bank loans but carry additional covenants and limitations on the financing package. Export credit rates may be an attractive alternative, and the project team will be exploring this option throughout the development phase.

Ultimately the quantum and terms of a debt financing package will be determined by a number of criteria including the state of lending markets, the proposed concession structure and the availability of credit support. The team intends to use its best efforts to optimize the project's debt financing in order to ensure sufficient funding, minimize life-cycle costs and ensure that the project has a stable financial foundation for the long term.

Equity

In the financing structure contemplated, the Concessionaire will contribute a significant portion of total project funding. This equity contribution is assumed to be drawn down during the course of construction. Equity sponsors in concession projects are entitled only to the residual cash flows in a project after payment of all operating expenses, capital expenses, taxes (as applicable), debt service and reserve funding or other required costs. As such, an airport investment, particularly in a terminal

redevelopment project where the cash flows are not well-established, involves significant risk for the equity sponsors.

Cash Flow from Operations

Based on the current operations and historic financial performance, the airport would not be able to support any meaningful capital projects without significant operating improvements and government support. In fiscal year 2013-2014, the airport produced a Net Operating Income, including Departure Tax, of only US\$5.4 million. This figure will need to increase significantly in order to support a terminal renovation.

Assuming the expected improvements in financial performance under the concession are achieved, the airport's cash flows will be contributed to the project as a source of cash during construction and on an ongoing basis. This includes improvements to concession revenues as well as reductions to operating expenses. Another key component of the financial forecast is an assumption that passenger and airline fees will be increased at financial close without reducing passenger traffic at the airport.

AIF Reserve

Based on discussions with the Government, Bermuda will establish an AIF Reserve at Financial Close from which the Concessionaire may draw down upon in the form of subordinated debt. Interest on subordinated debt is assumed to accrue until maturity.

Government Support & Participation

Throughout the diligence process and affordability analysis, the team has made a commercially reasonable effort to structure the financing package to mitigate the fiscal impact of the project on the Government of Bermuda. However, project funding is constrained by the reasonable assumptions of operating improvements and market financing terms. In order to ensure project affordability and financeability, government support may be needed in the event that the project fails to meet projections (i.e., passenger traffic and/or airport operating performance). The Government and Concessionaire have agreed to the concept of a minimum revenue guarantee structure where the Government will provide funds to the Concessionaire in return for participating equity certificates in the case of a regulated revenue shortfall at the airport. The level of Government support would be the difference of actual regulated revenues achieved at the airport and the level of Government-guaranteed regulated revenues per a defined schedule included in the Project Agreement. The guaranteed minimum revenue structure is intended to limit the risk to senior lenders and Government while ensuring a commercially successful redevelopment project at the airport.

In addition to providing support in a downside scenario, the Government will be entitled to receive revenue from the Concessionaire if the project exceeds financial forecasts. The revenue share will commence after the Concessionaire has recouped its equity investment in the project and will be based on revenues in excess of a mutually agreed 'Revenue Sharing Line.' The Government's share of revenue will be elevated in years where the Project exceeds forecasts and where the Government has previously

received participating equity certificates (that remain outstanding) in return for funding the project. The revenue share structure is intended to incentivize and reward the Government to drive additional passenger traffic through the airport as well as to provide the Government with a possible repayment structure for the participating equity certificates.

Uses of Funds

The key objective of the project is to finance the much-needed renovation of the terminal. This construction cost comprises 69% of the uses of funds. However, in addition to the costs associated with the materials, labor and construction, there are a number of other uses of funds to be considered. Additional costs included in a concession financing include transaction expenses (incl. development fees), funding of reserves, debt service during construction and financing fees.

Phase 1 Construction

The scope and description of the passenger terminal renovation project have been detailed at length in other sections of this proposal. The financing plan and financial model, including the debt financing package, equity contributions and reserve accounts have been structured to sustain the target project size. The final capex schedule and forms of financing will determine how the funds are drawn down over time.

Reserves

Typical debt financing packages require that the Concessionaire maintain a number of reserve accounts to ensure that the project remains solvent throughout the duration of the debt tenor. These reserves are funded at financial close and are typically sized as a number of months of a particular budgeted expense. The funds are released or funded from cash flow from operations over time in order to fund expenses or accumulate additional reserves for the future as required. For the purposes of the financial model, the team has included several key reserve accounts which extend throughout the duration of the concession:

- Capital Expense Reserve Account – sized to equal the next 1 month of expected capital expenditures
- Operating Expense Reserve Account – sized to equal the next 3 months of expected operating expenses
- Debt Service Reserve Account – sized to equal the next 12 months of expected debt service
- Phase 2 Expansion Reserve Account – reserve begins post construction in 2020; equal installments are reserved overtime until released to cover Phase 2 expansion costs from 2030 to 2032
- Major Maintenance – Building Reserve Account – sized to equal the next 12 months of expected major maintenance expenses with buildings at the airport

- Major Maintenance – Airfield #1 Reserve Account – reserve begins post construction in 2020; equal installments are reserved overtime until released to cover major maintenance on the airfield in 2030 and 2031

Transaction Expenses / Soft Costs

During the course of the development process, the Concessionaire will incur a number of expenses including advisory fees, legal costs and other expenses. These expenses may be incurred over the course of development and the construction period but are typically funded at the time of financial close. In the financial model these expenses have been included based on the project team's current assessment and development costs budget.

Financing Fees

These fees are paid at financial close, or in the case of a drawdown facility, paid over time based on the size of the committed funding. The total amount of financing fees will depend on the final quantum of debt required, the type of debt and the market conditions at the time.

Debt Service during Construction

As the project will require a large debt package to finance construction, there will be a requirement to pay interest expense during the construction period before the project has begun to maximize its cash flow from operations. Interest expense is budgeted as a use of funds during construction. Mandatory principal repayments are assumed to begin post-construction.

Project Contingency

An allocation of funds will be required to cover additional unforeseen capital costs or scope changes during the construction period. Given the preliminary stage of construction estimates and engineering analysis that has been included in the construction plan, a 10% contingency on capital expenditures is a typical rate for this type of project.

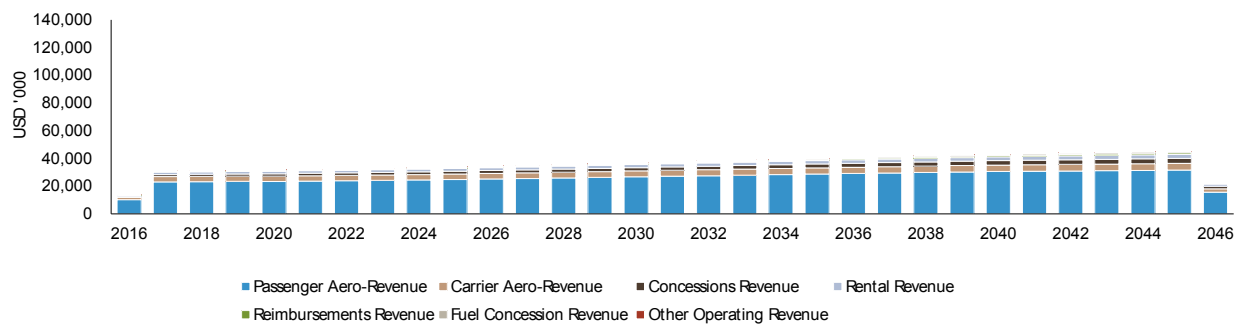
Section 9.3: Financial Model Output Summary

The following analysis reflects projected operations under a 30-year concession

I. Operating Revenue Comparison – Status Quo vs. Base Case

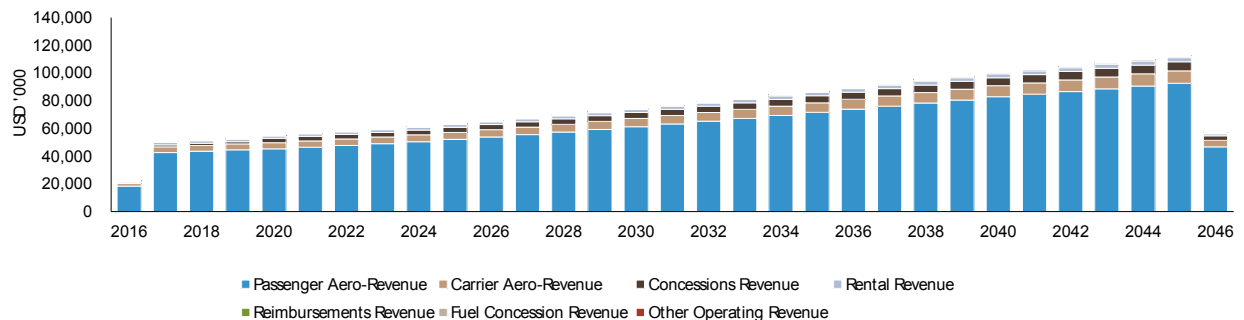
Status Quo

The status quo case assumes that the airport continues to operate in line with historical performance. Without the operational uplift from an experienced Concessionaire, there is no assumed upside to commercial revenue, effectively capping any opportunity for ancillary revenue growth. Additionally, this case assumes no changes to the current aeronautical fee structure.

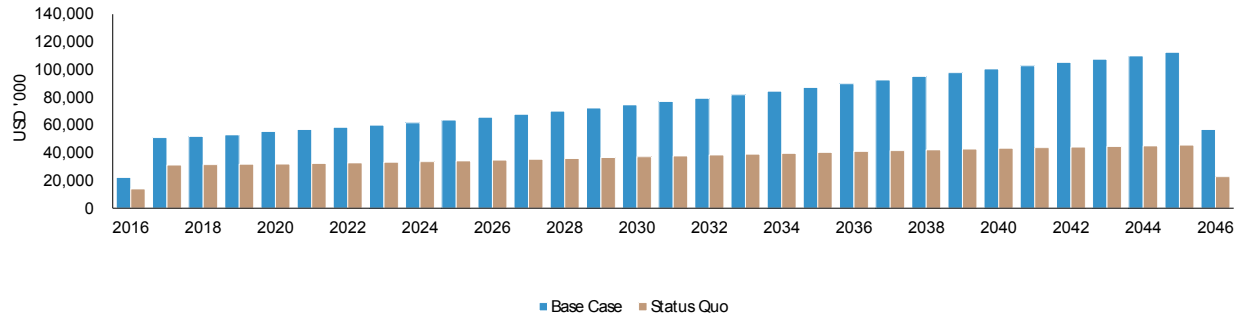


Base Case

The Base Case assumes two additional key aero-revenue streams are implemented to fund unsubsidized capex at BDA: an Airport Infrastructure Charge (AIC) of US\$21.86 (nominal 2016 US dollars) per departing passenger and a Security Fee that will be increased to cover the actual security expense. Assuming that the AIC and Security Fee are levied on a 'per passenger' basis, this will bring BDA's passenger fee schedule more in line regional airports. The forecast also includes assumptions of one-time increases to commercial revenue drivers following the construction period. These factors enhance the stand-alone cash flow profile of the project and create a more commercially sustainable project for a private concessionaire to fund improvements at the airport.



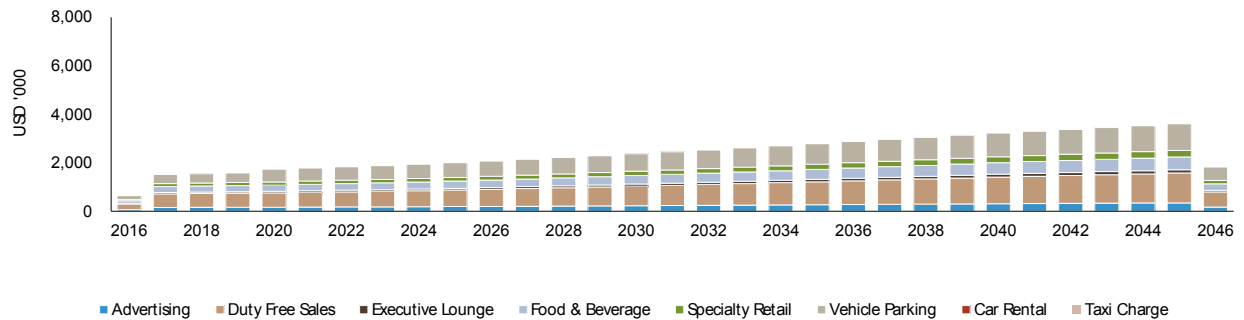
Total Revenue Side-by-Side Comparison



II. Commercial Revenue Comparison – Status Quo vs. Base Case

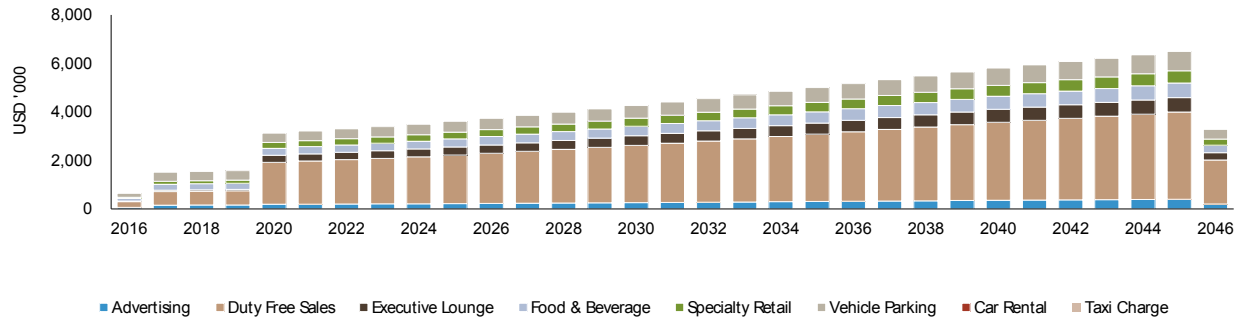
Status Quo

Commercial revenue segments are driven by a gross sales per passenger multiple and a margin on sales remitted to the airport operator. Under the current operating environment at BDA, no step-ups were assumed in revenue per passenger, nor margin expansion for commercial revenue segments. Although commercial revenue benefits from inflation growth and traffic growth over the forecast period, overall contribution to the bottom line remains marginal.

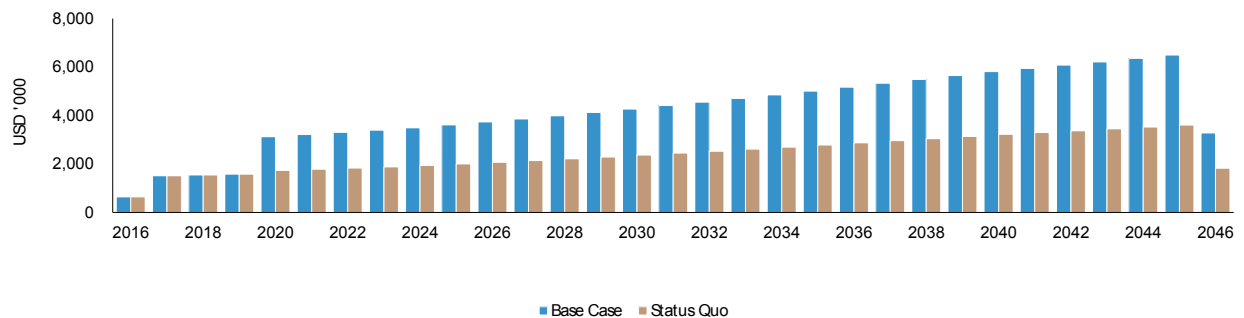


Base Case

The Base Case assumes that the previously discussed revenue-enhancing mechanisms are implemented successfully to further improve airport financial performance. The commercial segment is positioned to benefit the most from the newly renovated facilities and subsequent new concession tenants. This is forecasted to add significant upside to cash flow over the life of the concession, creating a meaningful source of cash to finance construction and a dramatically improved travel experience for BDA passengers.



Commercial Revenue Side-by-Side Comparison



III. Operating Expenses Comparison – Status Quo vs. Base Case

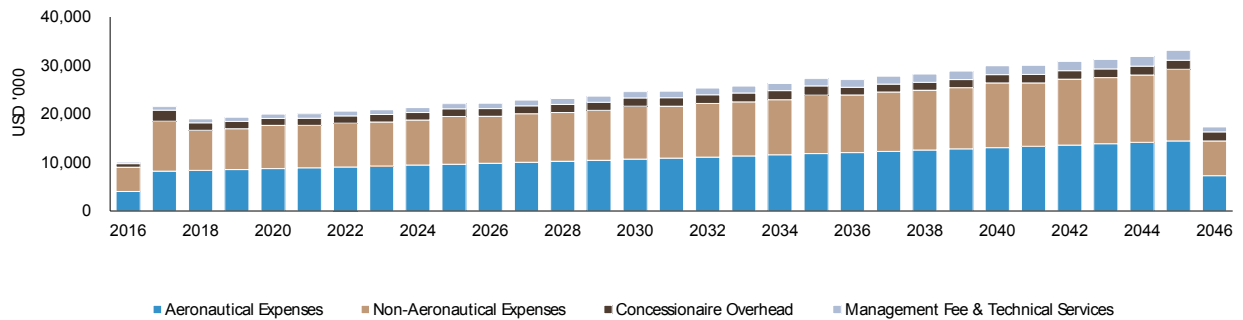
Status Quo

The largest expense items at the airport are salaries & wages and energy expense. Under the status quo, salaries and wages are expected to grow in line with inflation in addition to some elasticity to passenger traffic. Energy expense is expected to grow as a function of fuel costs on the island.

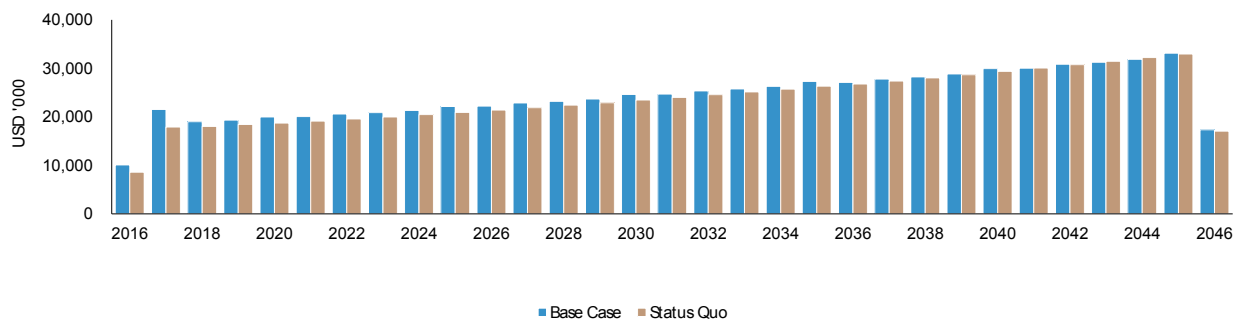


Base Case

Key items taken into consideration between the status quo and Base Case are the implementation of a new staffing structure and additional costs for standalone operations at the airport (considered Concessionaire overhead). The team has incorporated Mott MacDonald's analysis of the staffing structure at BDA going forward, however the methodology employed is discussed elsewhere in the proposal. Additionally the ATC, Ground Electronics, Meteorological Expense and ARFF Expense portion of the BAS / SERCO contracts are assumed to be paid by the Government, while the Maintenance Expense portion of the contract will remain with the Concessionaire. The Concessionaire overhead component includes several standalone costs that are not included in the status quo, including project management fees, lenders' advisor fees, engineering fees, legal fees and other expenses. Finally, energy expense associated with operating the airport is assumed to be provided free of charge to the Concessionaire. These additional expenses result in higher total operating expenses over the forecasted period compared to the status quo case.



Operating Expenses Side-by-Side Comparison



IV. Salaries & Wages Comparison – Status Quo vs. Base Case

Status Quo

Under the status quo, salaries and wages expense are forecasted to increase in line with inflation from historical levels. This scenario assumes that staffing levels remain constant and the airport continues to receive shared resources with other government entities. This scenario would not be possible if the airport were to operate on a standalone basis but is shown for illustrative purposes.

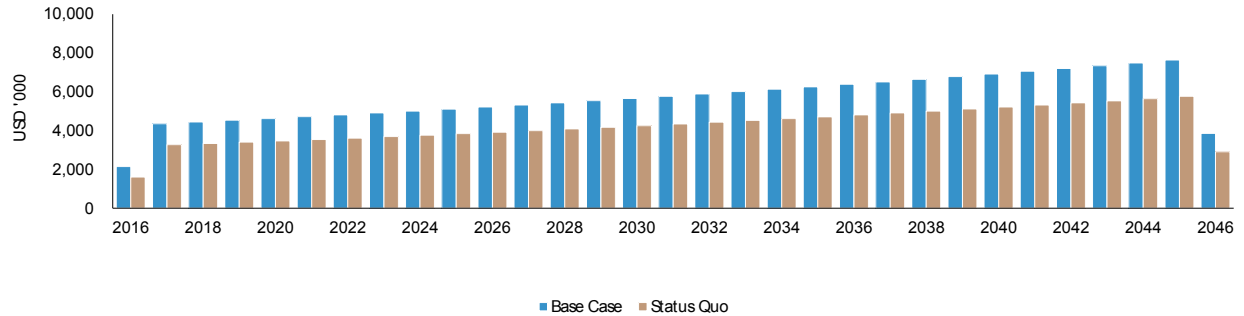


Base Case

The Base Case incorporates Mott MacDonald's detailed analysis of the BDA staffing structure going forward. There is a step up in expenses due to the transition away from shared government resources as well as the expanded facilities at the airport. After arriving at an initial breakdown of full-time employees, the team incorporated further staffing efficiencies by streamlining FTE headcount in the Technical Department. Some of these jobs can be contracted out locally on an as-needed basis due to the relatively small size of the airport.



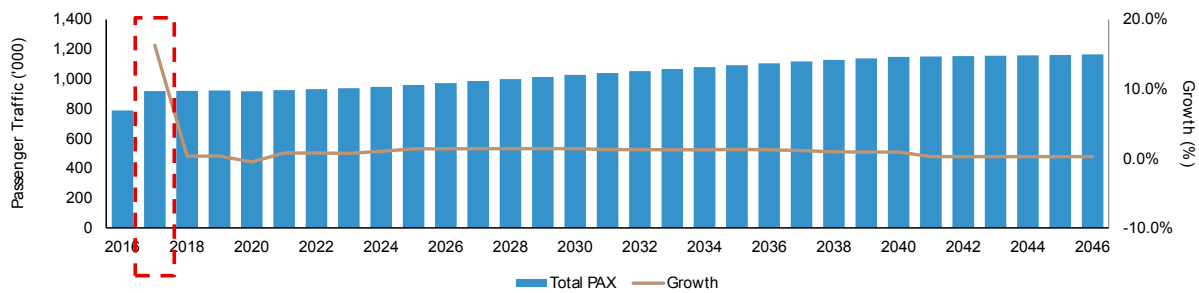
Salaries & Wages Expense Side-by-Side Comparison



V. Base Case Outputs

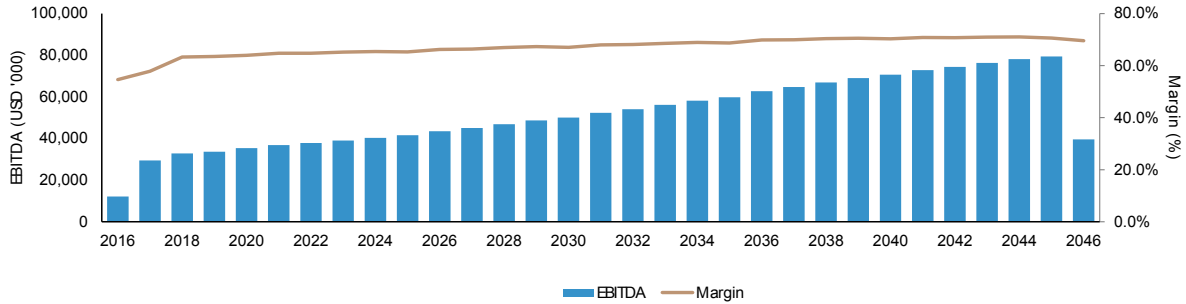
Passengers & Growth (%)

Mott MacDonald performed a rigorous analysis of passenger traffic forecasts at BDA, which is determined primarily through outbound Bermudian traffic and inbound traffic from visiting friends/relatives, business/conferences and vacationers. The drivers of these traffic segments are discussed in detail elsewhere in the Project Concept document. Traffic is projected to grow at a 2016 – 2050 CAGR of 1.18% in the Base Case forecast, with the impact from the Americas Cup highlighted in a red-dotted box below:



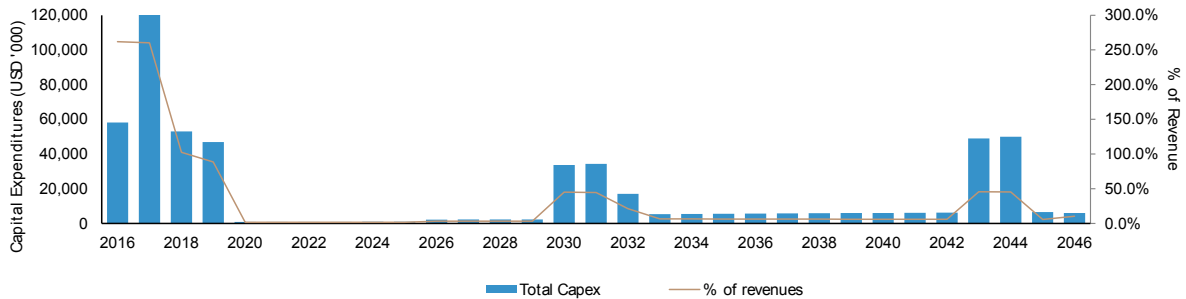
EBITDA & Margin (%)

EBITDA margin expansion is expected following the completion of construction at BDA, largely due to commercial revenue upside. The long-term post-construction margins are in line with airport concessions globally (EBITDA margins for Caribbean airports tend to be in the region of 45-55% with best performers operating above 60%). Following construction, the team expects margins to modestly improve over time.



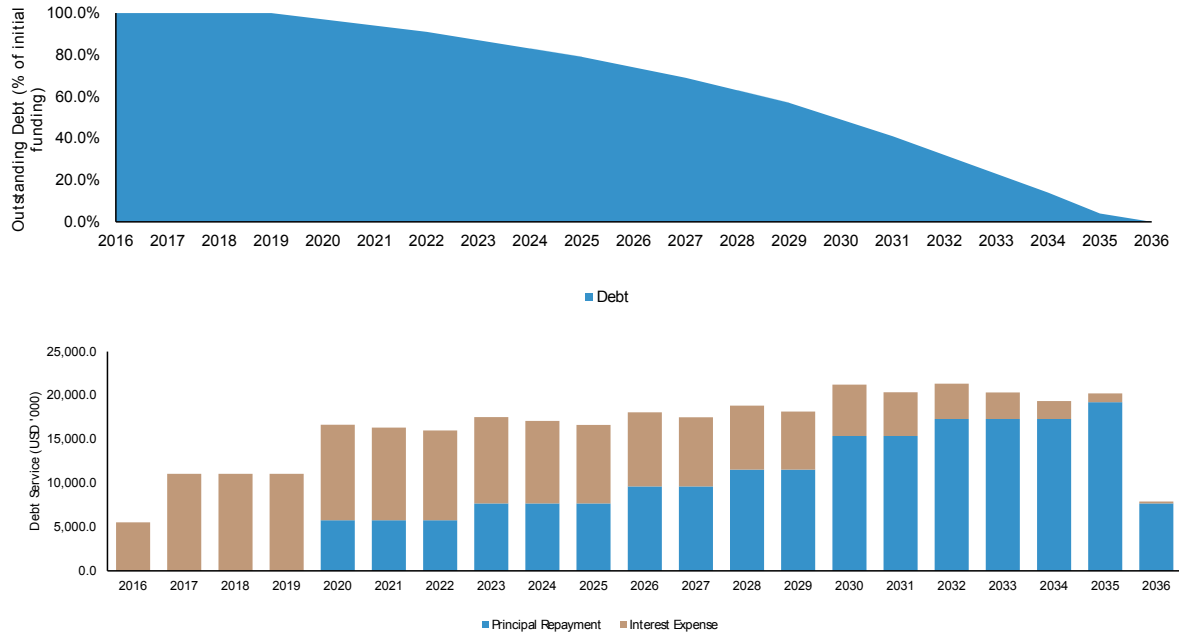
Capital Expenditure Profile

We have assumed a Phase 1 capex profile over the first four years of operation based on the current estimates of the construction schedule. Additionally, consideration has been given to future major maintenance and repairs.



Debt Profile

The team has assumed an initial debt facility with a 20-year tenor and 15-year average life. There are assumed to be no mandatory principal repayments assumed during the construction period – this is typical for construction-related loans and project bonds.



Section 9.4: Airport Financing Considerations

The concession model contemplated for the project requires a number of assumptions regarding the availability, cost and terms of a financing package that may change at the time of financial close. Changes in the global capital markets, investor risk sentiment, or market perceptions of the Bermudian economy or tourism industry could significantly impact the conclusions of the financial analysis for the project.

There is currently a robust market for airport debt among banks and bond investors, and it is expected that this market will continue to provide attractive financing to strong credits. In particular, the US private placement market has shown a strong track record of financing airports globally as highlighted by recent issuances including:

- US\$288 million – Delhi Int'l Airport, February 2015
- US\$250 million – Auckland Int'l Airport, July 2014
- US\$250 million – Brisbane Airport, October 2014
- A\$380 million – Sydney Airport, August 2014
- US\$250 million – Auckland Int'l Airport, July 2014
- A\$400 million – Perth Airport, March 2014
- US\$720 million – Copenhagen Airport, January 2014
- £75 million – Birmingham Airport, November 2013
- €155 million – Brussels Airport, October 2013
- **US\$350 million – LMM Airport San Juan Puerto Rico, February 2013**

In some respects, the LMM Airport transaction is particularly comparable to Bermuda due to several similarities between the two airports:

- Caribbean islands with strong reliance on US markets and air carriers
- Resilient, demonstrated track record of O&D traffic without alternative competing airports
- Financings for initial concessions and transition from a period of government ownership
- Expected commercial revenue step up following construction

There are some key differences however that should also be considered:

- Non-US location of Bermuda
- Significantly smaller scale of BDA traffic (8.6 million passengers at LMM vs. 763 thousand passengers at BDA in 2014)
- Historical declining traffic profile
- Scope of terminal redevelopment is much larger and more complex than LMM transaction

The LMM Airport private placement was sold to a mix of life insurance and pension fund investors seeking to invest their capital in high quality, low risk, long-dated debt products.

In financing airport transactions, finding local debt providers with familiarity with the airport and local travel market can result in more attractive financing as these lenders can become more comfortable with the asset. Insurance companies, which form a large portion of the private placement market, could be natural lenders to the project in Bermuda. In addition, HSBC's strong presence in Bermuda will make

them a strong candidate to participate in a project bank loan, though the full debt quantum would likely be too large for any single bank.

Whichever path is chosen, the project team will engage rating agencies and request preliminary rating analysis early in the process to properly refine views on likely pricing and terms for the debt financing.

A summary of key financing considerations is shown below:

Project Bank Loans

- Project bank loan market failed to offer compelling bids for Midway and LMM Airport financings
- Important fall back market in the event that IG rating is not achievable at financial close
- High GDP per capita will preclude Bermuda from many traditional multilateral funding sources
- Few banks with significant local presence in Bermuda and familiarity with local economy
- Likely pricing of L+200-300bps, with potential for margin step ups and higher upfront fees than bond market
- Likely to be shorter dated than Private Placement Bonds

Private Placement Bonds

- Private placement allows for access to deep pool of low-cost, long-dated financing
- Requires at least one investment grade rating
- Relatively short and simple issuance process with direct investor conversation
- Ideal size for private placement market with many investors taking small pieces of total issuances
- Limited covenants and ongoing oversight allows greater management flexibility
- Likely pricing of a 15-year average life bond of UST+300-350bps for BBB ratings, or UST+350-450bps for BB rating

A combination of private placements bonds and bank debt could also be reviewed in the development phase.

Select Precedent Airport Financings

Deal	Delhi International Airport	Auckland International Airport	Perth Airport	Copenhagen Airport	Birmingham Airport	Brussels Airport	Copenhagen Airport	Brussels Airport
Date	February 2015	July 2014	March 2014	January 2014	November 2013	October 2013	June 2013	June 2013
Country	India	New Zealand	Australia	Denmark	United Kingdom	Belgium	Denmark	Belgium
Amount/ Tenor	<ul style="list-style-type: none"> \$288.75 million Senior Secured Notes 7-year bullet 	<ul style="list-style-type: none"> \$250 million Senior Unsecured USPP 12-yr bullet 	<ul style="list-style-type: none"> AUD400 million Senior Unsecured USPP 7-yr bullet 	<ul style="list-style-type: none"> \$360mm Senior Unsecured USPP done at the HoldCo across 3 bullet tenors and currencies: \$100mm 9-yr (incl. \$50mm in DKK) \$160mm 10-yr (incl. \$50mm in DKK, \$40mm in EUR) \$100mm 12-yr (all DKK) 	<ul style="list-style-type: none"> GBP75 million Senior Unsecured USPP split between two tranches 10-yr and 15-yr bullets 	<ul style="list-style-type: none"> EUR155 million Senior Secured USPP 9-yr bullet 	<ul style="list-style-type: none"> \$160 million Senior Unsecured USPP 10-yr bullet 	<ul style="list-style-type: none"> EUR350 million Term Loan/5 yrs EUR500 million Term Loan/3 yrs EUR250 million Revolver/5 yrs EUR50 million Working Capital/5 yrs EUR500 million bond/7 yrs
Pricing	<ul style="list-style-type: none"> 6.125% coupon 10yr UST + 432.5bps 	<ul style="list-style-type: none"> 3.61% coupon 10-yr UST + 110 bps 	<ul style="list-style-type: none"> 5.50% coupon / 5.697% yield ASW + 165 bps 	<ul style="list-style-type: none"> 9-yr: ICUR + 240 bps 10-yr: UST + 245 bps 12-yr ICUR + 255 bps Investors indicated spreads included a premium for non-US\$ components 	<ul style="list-style-type: none"> 10-yr: UST + 215 bps 15-yr: ICUR + 215 bps 	<ul style="list-style-type: none"> UST + 170 bps +15 bps for the cost of the swap to EUR 	<ul style="list-style-type: none"> 4.01% coupon UST + 190 bps 	<ul style="list-style-type: none"> Euribor + 200bps 3.25% Coupon (on bond), Issue price of 99.903
Debt (x)/ EBITDA (x)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5.4
Rating	Moody's—Baa1 S&P—BB	NAIC-1	NAIC-2	NAIC-2	NAIC-2	NAIC-2	NAIC-2	Baa1

Deal	London City Airport	LMM Airport	Latin American Airport Holdings (LAH)	Edinburgh Airport Acquisition	Nassau Airport	Copenhagen Refinancing	Brisbane Airport	Auckland Airport
Date	April 2013	February 2013	December 2012	April 2012	March 2012	June 2011	March 2011	November 2010
Country	United Kingdom	Puerto Rico	Dominican Republic/Mexico	United Kingdom	Bahamas	Denmark	Australia	New Zealand
Amount/ Tenor	<ul style="list-style-type: none"> £400 million Term Loan/5 yrs £50 million Capex Facility/5 yrs £15 million Revolving Credit Facility/5 yrs 	<ul style="list-style-type: none"> \$350 million/22 years US Private Placement \$50 million Capex Facility/3 years \$10 million Working Capital Facility/3 years 	<ul style="list-style-type: none"> \$550 million 7-year senior secured notes 	<ul style="list-style-type: none"> £340 million Term Loan/5 yrs £50 million Capex Facility/5 yrs £10 million Revolving Credit Facility/5 yrs 	<ul style="list-style-type: none"> \$225 million Senior Secured Notes/23yrs 	<ul style="list-style-type: none"> DKK2,550 million Term Loan/5 yrs DKK2,550 million Term Loan/7 yrs DKK100 million Term Loan/5 yrs DKK100 million Term Loan/7 yrs 	<ul style="list-style-type: none"> \$150 million Senior Secured Notes/10 yrs \$150 million Senior Secured Notes/12 yrs A\$150 million Senior Secured Notes/15 yrs 	<ul style="list-style-type: none"> N\$100 million Senior Secured Notes/10 yrs N\$50 million Senior Secured Notes/12 yrs
Pricing	<ul style="list-style-type: none"> LIBOR + 210bps 	<ul style="list-style-type: none"> 5.75% UST + 337bps 	<ul style="list-style-type: none"> 9.25% coupon 10.77% YTM¹ 	<ul style="list-style-type: none"> LIBOR + 210–300bps 	<ul style="list-style-type: none"> UST + 400–425bps 	<ul style="list-style-type: none"> LIBOR + 225–275bps (5 yrs Term Loan) LIBOR + 250–350bps (7 yrs Term Loan) 	<ul style="list-style-type: none"> UST + 190bps (10 yrs) UST + 200bps (12 yrs) BBSW + 220bps (15 yrs) 	<ul style="list-style-type: none"> UST + 150–175bp
Debt (x)/ EBITDA ² (x)	7.0	6.0–7.0	~4.0	7.25	7.6	4.9-1	5.7	3.7
Rating	nr	NAIC-2	Moody's ² —B1 S&P ² —B	nr	nr	S&P—BBB-	Moody's—Baa2 S&P—BBB	S&P—A-

LMM Airport Financing Case Study

Pre-Bid Financing Structuring

- UBS acted as sole financial advisor to Aerostar (a 50/50 joint-venture between Highstar and ASUR) on its acquisition of LMM Airport in San Juan, Puerto Rico
- As part of the LMM financing process, UBS ran a multi-pronged financing process including bank loans, bridge loans, tax-exempt and taxable bonds
- The project finance bank loan market was open for airport transactions of this type, but the terms being offered and uncertainty of reaching a successful close introduced unnecessary risk to the bid

Post-Bid Financing Announcements

- On September 19, 2012, Aerostar verified that they intended to issue a US\$350 million investment grade private placement, with a tenor of 15-20 years to attract institutional investors
 - Moody's assigned an investment grade rating of Baa3 to the planned issue
- The consortium contributed US\$265 million in equity to cover the rest of the upfront payment, split evenly between ASUR and Highstar

Private Placement Results

- UBS acted as joint placement agent on the private placement financing in support of the acquisition
- The UBS team marketed the financing to a wide group of US private placement investors and led investor education regarding the business and regulatory environment for the project
- The transaction priced on February 13, 2013 with an order book that was over 3x oversubscribed
 - due to the strong demand for the offering, pricing was pushed in from original price talk around 6% to a final coupon of 5.75%

22-year Senior Secured Notes

Issue Size	US\$350,000,000
Ratings	Baa3 (Moody's)
Pricing Date	February 11, 2013
Settlement Date	March 22, 2013
Maturity Dates	March 22, 2035
Average Life	15.7 years (fully amortizing)
Rank	Senior Secured
Issue Price	100.00
Spreads	+337bps/16yr interp. UST
Coupon	5.75%

Latin America Airport Holdings (LAAH) USPP Case Study

Acquisition Financing

- On September 9, 2008, Advent International, a global private equity firm, announced the leveraged buyout of Aeropuertos Dominicanos Siglo XXI (Aerodom) for an undisclosed price
- The acquisition was financed by Bank of Nova Scotia and ING Group; the terms of the funding were undisclosed

Refinancing

- In November 2012, Aerodom refinanced its existing debt with a seven-year senior secured US private placement for up to US\$550 million
- Notes were priced at a coupon of 9.25% and closed in December 2012
- Proceeds allowed the issuer to pay down the outstanding balance on the US\$350 million of debt that Advent International closed in 2008 to support its acquisition of Aerodom, in addition to paying itself a special one-time dividend in excess of US\$325 million
- At the time, S&P rated the bonds 'BB-' and Moody's assigned a 'Ba3' rating

7-year Senior Secured Notes

Issue Size	US\$550,000,000
Ratings	Baa3 (Moody's) / BB- (S&P)
Pricing Date	October 11, 2012
Settlement Date	November 13, 2012
Maturity Dates	November 13, 2019
Average Life	7 years
Rank	Senior Secured
Issue Price	100.00
Spreads	+817bps/7yr UST
Coupon	9.25%

Current Trading Performance

- Notes are currently trading above par value at a 9.005% yield
- Since Aerodom's refinancing, S&P has downgraded LAAH to 'B', while Moody's has downgraded the entity to 'B1' citing a "highly leveraged financial risk profile"

Cost of Debt Analysis

The deal team has conducted an initial analysis to determine an indicative cost of debt for the project. Historically low interest rates, lower upfront fees, longer-term maturities and fewer operating covenants have made bond financing highly attractive relative to bank loans. For the purposes of the Base Case analysis we have assumed a US dollar-denominated, long-term bond style financing priced at a spread to US treasuries.

As a Base Case structure, the team assumed a fixed-rate bond issuance with a 20-year final maturity (15-year average life) as the debt funding source at closing.

The interest rate on bonds is typically a fixed coupon, quoted as the relevant benchmark rate plus a margin or spread. The benchmark treasury rate used in this analysis is the US 15-year Treasury yield of 2.68% as of July 13, 2015 (this was interpolated on a straight line basis from the spread between the 10-year US treasury and the 20-year US Treasury).

There are many factors that will impact the ultimate cost of debt for a project. These include market conditions, terms of the concession, size of the issuance, operational outlook, pro forma credit metrics, etc. However, debt investors will primarily look to the airport's credit rating to assess the risks relative to other opportunities and determine pricing. Based on current market conditions, the team has summarized a preliminary estimate of the likely spread above US treasuries associated with various potential ratings outcomes:

Rating	Spread to Treasury	Regional Airport Comps
BBB	UST + 300-350 bps	LMM Airport, initial issuance
BB	UST + 350-450 bps	LMM Airport, post rating downgrade
B	UST + 500-600 bps	LAAH, original issuance

Additional factors will further impact the expected cost of financing including the length of the construction period and the project's inability to repay significant debt principal during this time. This extended period without repayment may result in a further yield premium beyond similarly rated financings.

The financing analysis is in the preliminary stages and is subject to further change and refinement. A more accurate and detailed cost of debt will be achievable once the credit rating agencies have been engaged and there is greater understanding around the final project structure.

Cost of Equity Analysis

In addition to evaluating the cost of debt, the team has evaluated the cost of equity associated with undertaking the project. There a variety of methods the team explored to assess the risk borne by the Concessionaire in constructing a new airport terminal and operating the airport. Two methods that were evaluated include the Capital Asset Pricing Model and the Country Risk Premium method, though the risk borne by the Concessionaire will largely be determined by the legal framework of the concession, and therefore project returns may vary.

Capital Asset Pricing Model (CAPM)

The CAPM method of determining cost of equity entails a market-based approach that draws on comparable airports to derive a metric of relative risk (Beta), while also factoring in operational and financing considerations unique to the project. The Unlevered Beta that is derived from comparable airports is then levered to reflect the expected capitalization for Bermuda Airport at financial close. Using the Levered Beta to determine comparable airport market risk, estimates are applied to quantify the risks associated with the size, operational nature and location of the airport. The CAPM results in a cost of equity around 16-18% for the project when considering the small size, greenfield development, asset / lease agreement risk considerations and country risk premia, per the below.

Beta Calculation							
Company	Country	Levered Beta ¹ (x)	Net Debt (USDmm)	Market Cap (USDmm)	Income Tax Rate (%)	Net Debt/Market Cap (%)	Unlevered Beta (x)
ADP	France	0.720	3,273	11,599	33.3%	28.2%	0.606
Fraport	Germany	0.805	4,172	6,043	29.6%	69.0%	0.542
Zurich	Switzerland	0.771	608	4,885	17.9%	12.4%	0.700
TAV Airports	Turkey	0.827	1,422	3,082	20.0%	46.1%	0.604
ASUR	Mexico	0.896	(26)	4,409	30.0%	-0.6%	0.900
GAP	Mexico	0.821	24	4,123	30.0%	0.6%	0.818
OMA	Mexico	0.819	103	2,067	30.0%	5.0%	0.791
Unlevered Beta—Median (x) 0.700							
Source: FactSet and Bloomberg as of July 13, 2015							

Implied Bermuda Airport Cost of Equity

Cost of Equity Calculation		Levered Beta Calculation	
Equity Risk Premium ²	6.29%	Unlevered Beta - Median	0.70x
(x) Levered Beta	1.53x	Assumed Net Debt to Total Capitalization ³	54.4%
(=) Market Risk Premium of Comparable Airports	9.65%	Assumed Net Debt to Equity	119%
(+) Size Premium ⁴	0.75% - 1.25%	Bermuda Corporate Tax Rate	0%
(+) Asset-Specific Risk Premium ⁵	1.50% - 3.00%	Levered Beta	1.53x
(+) Bermuda Risk Free Rate ⁶	3.80%		
(=) Implied Cost of Equity	15.70% - 17.70%		

Cost of Equity Sensitivity				
Size Premium	Asset-Specific Risk Premium			
	1.50%	2.00%	2.50%	3.00%
	0.75%	15.7%	16.2%	16.7%
	1.00%	15.9%	16.4%	16.9%
1.25%	16.2%	16.7%	17.2%	17.7%

Note:
 1 2-year adjusted unlevered beta from Bloomberg as of 7/13/2015
 2 U.S. ERP per UBS research
 3 Assumption based on projected capital structure at financial close
 4 Assumption based on historical passenger traffic levels below 1mm
 5 Based on greenfield development risk and recent declining hotel development and passenger traffic trends
 6 YTM on Bermudian 2024 Government Bond

Other Country Risk Premium Approaches

The deal team also explored non-CAPM approaches to calculating equity risk as a check on the CAPM results. These approaches focus on the incremental risk unique to airport projects in Bermuda when compared to US Treasury Bonds as well as countries with a similar risk profile to Bermuda. These methods result in an equity return in the range of 13-16%, as per the below.

1) Equity Return based on US Risk-Free Rate

- At 3.80%, the 2024 Bermuda bond implies that investors should require a 1.12% premium in their returns vs. a similar asset in the US market
 - this would imply a likely target equity return of 13-16%
 - this approach does not directly consider size of the asset or asset-specific characteristics

Risk Free Rate Calculation ¹		Cost of Equity Calculation (%)		Low	High
	(%)				
Bermuda Risk Free Rate– 2024 Bond	3.80	U.S. Greenfield Airport IRR Expectations		12.00	15.00
US Risk Free Rate– 15-Year Treasury Note	2.68	Bermuda Risk Premium		1.12	1.12
Bermuda Country Risk Premium	1.12	Bermuda Airport Cost of Equity		13.12	16.12

Note:

1 As of July 13, 2015

2) Equity Return based on Bermuda-Like Sovereign Risk

- Some academics believe that a more appropriate methodology is to use the average bond spread across similar rated countries and apply a 1.5x factor to this reflecting the additional risk of equity vs. debt
 - default spread premium for A1-rated countries is on average about 0.70%¹
 - 0.70% x 1.5 factor = 1.05% equity country risk premium
 - this would imply a likely target equity return of 13-16%

Equity Country Risk Premium Calculation ¹		Cost of Equity Calculation (%)		Low	High
	(%)				
Default Spread Premium for A1-rated Countries	0.70	U.S. Greenfield Airport IRR Expectations		12.00	15.00
Equity Risk Factor (x)	1.5	Bermuda Equity Risk Premium		1.05	1.05
Equity Country Risk Premium	1.05	Bermuda Airport Cost of Equity		13.05	16.05

Note:

1 Sourced from Aswath Damodaran's *Country Default Spreads and Risk Premiums*, updated January 1, 2015

Project equity return will ultimately be driven by the Concessionaire's performance operating the airport over the life of the concession and the legal framework of the deal. Depending on the risks assumed by the Concessionaire, equity return requirements may vary.

Section 10: The CCC Value Proposition

How CCC Works With Other Governments

CCC understands the challenges inherent in international procurement for infrastructure projects: knowing where to find the products and services required; determining a supplier's capability; and ensuring that projects are delivered on time and on budget. Collaboration with CCC, through the mechanism of a Government-to-Government contract, will provide the Bermuda Government with a timely, efficient and trustworthy alternative to a lengthy bidding process.

CCC as Prime Contractor

With CCC acting as prime contractor, Bermuda will benefit from the Government-to-Government arrangement. Even though the performance obligations are flowed through to the Canadian company, CCC retains the legal responsibility for the completion of the construction contract according to its terms and conditions. As prime contractor, CCC will:

- Undertake an internal due diligence conducted to assure CCC that the Canadian company that will be the CCC subcontractor (Aecon) has capability to complete the contract successfully;
- Deliver a proposal for the project with the qualified Canadian company;
- Negotiate the international contract with the Government and issue the sub-contract to the preferred Canadian company;
- On instruction from the Government, hold in trust any advance payments received from the Government and disperse against progress on the contract;
- Manage the contract and monitor Canadian company performance; and
- Guarantee that the contract will be performed according to the terms and conditions agreed to by CCC and the Government.

Quality Assurance

Collaboration with CCC offers access to an impressive roster of Canadian companies who offer high quality products and services and who have passed CCC's rigorous internal due diligence review. CCC assures cost effective and tailored procurement solutions, secures access to Canada's export capabilities while promoting socially responsible business practices, and well established expertise in contract structuring.

Internal Due Diligence by the Government of Canada

CCC has a proven due-diligence process and in-depth knowledge of Canadian companies. Prior to contracting with the preferred Canadian company, CCC has already assured itself that the Canadian company proposed to undertake the work for the Bermuda Government has the technical, managerial and financial capacity to deliver the project.

Responsible End-to-End Management of the Project

As the contractor of record, the CCC has the responsibility of overseeing the financial administration of the construction contract over its entire duration-employing audited financial practices, ensuring milestones are met, and will ensure that the progress reporting requirements the Bermuda Government identifies in the contract are fulfilled in a timely manner. Importantly, a Government can count on CCC to stay involved in the project right through to completion and closeout of the contract.

Risk Mitigation

CCC actively monitors the quality and progress of the work and the administration of funds through the life of the contract.

Competitive Financing to Ensure Value for Money

Once the project has been structured, and in order to ensure that the contract is based upon the most cost effective package of debt financing, CCC will assist with the search for financing from both international banks and domestic financial institutions.

Contract Performance

First and foremost, CCC guarantees, through the Government of Canada, that a project will be completed in accordance with the terms and conditions of the contract. The CCC approach carries with it the reputation and integrity of the Government of Canada in addition to the Canadian company whereas in a competitive process the buyer is limited to the reputation and credit risks associated with the winning company.

Section 11: Value for Money and Adherence to Green Book Principles

Section 11.1: Assuring Value for Money

In the context of the airport having traffic volumes of less than 1 million passengers per annum and combined with a declining annual traffic profile, it is very likely that traditional procurement routes will either prove to be too costly to be feasible with regards to this transaction, or due to the falling traffic volumes be difficult to invest in without the risk premium limiting the value that Bermuda would get from a pure commercial concession deal.

It is important to note that in recent years there has been a shift in international procurement to overtly recognize routes to procuring projects that don't conform to traditional guidance but can demonstrate real value to the local community. On this basis we believe that there are a number of similarities between the CCC offering and the emergent legislation in countries across the world where Governments want to take advantage of projects which have a broader socio-economic benefit to the country.

Following is a list of recent cases where there have been changes or exceptions to procurement legislation:

- In 2005 the State of Virginia, USA issued a PPP for the I-495 and I-95 highways following an unsolicited proposal.
- In 2012 the State of Victoria, Australia issuing procurement guidance for the management of unsolicited proposals
- An Asian Development Bank publication on PPP projects in Korea (2011) [#18, pages 61-72] includes a detailed description of the PPP implementation process for different types of PPP, including unsolicited projects
- In 2004 the State of Sao Paulo sets out the rules and the institutional framework for the State's PPP Program, including defining the process for dealing with unsolicited proposals
- Mexico including provisions within their PPP legislation to cater for the management of unsolicited proposals

Whilst the World Bank guidance on unsolicited proposals does state that expert advice is needed to assess an unsolicited proposal (something that the CCC Team is recommending), it does recognize that this type of procurement does have benefit where:

"Experienced private companies can also be well-placed to identify infrastructure needs, and come up with innovative ideas to meet them. Accepting unsolicited proposals for PPP projects from private companies can be a way to capitalize on these ideas¹"

¹ Pg. 26, World Bank, Public-Private Partnerships Reference Guide, version 1.0

And they again recognize the benefits of an unsolicited proposal with respect to the dynamics of this transaction:

“...good reasons (for direct negotiation) can include, Small projects, where the costs of a competitive process would be prohibitively high given level of expected returns”²

In response to this “Some governments have introduced specific requirements and processes to ensure that these unsolicited proposals are subject to the same assessment, and developed following the same principles, as government-originated PPPs.”³

World Bank - PPP Project Appraisal Criteria⁴

In deciding whether to pursue a project as a PPP, governments need to assess whether the PPP is a good use of resources. This typically involves assessing the project and proposed PPP against three key criteria:

Feasibility and economic viability of the project—whether the underlying project makes sense, irrespective of implementation as a PPP or through traditional public sector procurement. This usually involves feasibility studies to check the project is possible, demonstrating it is in line with sector and overall policy priorities and plans, and economic appraisal to check the project is cost-benefit justified, and the least-cost approach to delivering the benefits

Value for money of the PPP—whether developing the project as the proposed PPP can be expected to best achieve value for money, compared to the other options. This can include comparing against the alternative of public procurement (where that would be an option). It can also include comparing against other possible PPP structures, to check that the proposed structure provides the best value (for example that risks have been allocated optimally)

Affordability—whether the project’s overall revenue requirements are within the capacity of users, the public authority, or both, to pay for the infrastructure service. This involves checking the fiscal cost of the project—both in terms of regular payments, and fiscal risk—and establishing whether this can be accommodated within budget and other fiscal constraints.

When identifying and developing potential PPP projects, governments also need to consider their **commercial viability**—that is, whether the project is likely to be able to attract good-quality sponsors and lenders by providing robust and reasonable financial returns. This is confirmed through the tender process.

In this context we believe that the CCC Team proposal provides a unique combination of project guarantees, expert aviation knowledge and construction expertise to de-risk the deal whilst making it bankable and at the same time almost halving the cost and time associated with a traditional procurement process.

² World Bank water sector PPP toolkit [#4, page 170] sections on direct negotiation

³ Pg 79, World Bank, Public-Private Partnerships Reference Guide, version 1.0

⁴ Pg 80, World Bank, Public-Private Partnerships Reference Guide, version 1.0

Having researched the various forms of international procurement guidance, we believe that the CCC Team proposition mirrors the process set out in the Australian Government, Department of Treasury and Finance guidance. With Australia being both a member of the G20, a leading Commonwealth nation and a country at the forefront of development of PPP procurement practice this gives us additional confidence in this procurement route.

We are however aware that throughout the process there will remain a need to demonstrate the process within this proposal retains the core principle of being demonstrably value for money and that procurement controls are put in place.

Section 11.2: Green Book Principles

In the context of Bermuda being a UK overseas territory one of these controls that we have paid special attention to in the creation of this proposal are the principles of UK Treasury Green Book guidance.

The UK Government has already recognized through their economic evaluation processes the importance of air transport to an island community. This can be seen through the important precedent that St. Helena created, where the UK Government not only approved the plans to redevelop St. Helena airport as a catalyst to making the island community more sustainable off the back of tourism development. This is an important read-across for Bermuda on a number of fronts.

In the accompanying economic impact document to this proposal we also set out the strategic case for development of L.F Wade International Airport on the basis that it is an aging but critical part of the island's infrastructure. The Strategic rationale for development of the airport is a strong one in that:

- As an island economy, Bermuda is utterly dependent geographically on its airport and it must have an airport that can operate efficiently and effectively;
- The age and condition of the existing terminal will, as a minimum, impede the expansion of tourism and international business and could, conceivably, lead to reductions in their scale. As the first and last impressions of Bermuda it is important that the airport projects that the island is open for business – this is especially true in both the Tourism and Financial services sectors where there is a need to present an appropriate image to the world.
- The redevelopment of the airport unlocks significant parcels of land which hold potential for a number of sub-concessions. These will both seek to maximize the catalytic benefits of redevelopment of the airport but also achieve a number of other strategic objectives set by the Bermuda Government such as renewable power generation and energy security.

In line with UK Government guidance, the economic impact assessment looks at the relative merits of the various options for operation and development of the airport site. This starts from a baseline 'do nothing' and 'do minimum' options as well as a number of different options looking at the best size and

form of the redevelopment of the site, including the size recommended in 2006 as part of the masterplan. The output of this evaluation is to demonstrate the wider economic value that the redevelopment of the airport will bring to Bermuda, both in terms of the direct and indirect benefits but also importantly the wider catalytic impacts as well. This options appraisal is an important first step in confirming that the proposed development represents the best value for Bermuda.

The base case that forms this proposal has been put together in consultation with the airport management team with the strict mandate that what is proposed is both affordable and that it offers the people of Bermuda value for the money both from a financial and qualitative perspective.

Section 11.3: Benefits of a Government-to-Government Approach

Inherent in the CCC Government approach is a collaborative and transparent process with constant feedback and expert government advisors in place so that value for money can be assured in the delivery of this project. This is an important part of the Appraisal and Evaluation cycle set out in the HM UK Treasury: ROAMEF (Rationale, Objectives, Appraisal, Monitoring, Evaluation and Feedback) and will be a key constituent of the optimization and negotiation process which will ensure that, as the Client, the BDA will have a facility that can fully demonstrate value for money, while at the same time enhancing the bilateral political relationship between our two countries.

Governments of many nations have recognized that value does not necessarily mean securing the lowest possible price, and that a number of factors have to be balanced for value to be delivered within an infrastructure project. The CCC acquisition model mirrors a number of similar recent developments within the public sector procurement domain.

CCC believes that this model can deliver a project more quickly and more efficiently.

Delivering Value in Cost and Time Savings

Traditionally, a project delivers value for money in three basic ways: delivering to cost, delivering on time and delivering the quality required. In recent years however, and often through painful learning experiences, the success criteria in terms of value for money have evolved significantly. CCC's value proposition can also deliver on a broader range of criteria such as partnership, economic development, environmental sustainability, community relations and local job creation.

Cost Savings through Collaboration

The cost and time expense to the Bermuda Government in the full competitive tendering of an infrastructure project should not be underestimated. The costs of packaging a project for market, engaging advisors to prepare extensive documentation required for competitive tendering and the time required to prepare for, solicit and evaluate multiple proposals- with no assurance of a desirable or successful outcome- are significant. Additionally, an unsuccessful process poses the risk that the Bermuda Government will be required to invest further in a new procurement process at a time of extreme fiscal prudence on the parts of governments world-wide.

Section 11.4: Delivering Value through Risk Transfer

An essential component of the value for money analysis is the optimal allocation of risk between the procuring authority and the service provider. There are a large number of risks associated with delivering infrastructure projects and one of the key advantages of the concession model is the possible transfer of such risks. The transfer of risks from the procuring authority to the service provider inherently creates value by eliminating those risks for the procuring authority.

Under the proposed model, the Bermuda Government will be able to transfer the design and construction risk, the financing risk, the maintenance and operational risk and the life cycle risk to the CCC Team and thereby inherently deliver value.

Section 11.5: Delivering Value in World Class Expertise and Standards of Quality

The Best Canada has to Offer the World

Canada is recognized as a world leader in the development and delivery of public infrastructure by way of public-private partnerships (P3). Canada's development and delivery of public infrastructure by way of P3 has become a benchmark model used by many governments around the globe to gain insights on best practices. Over the past few years, Canada has delivered over 220 P3 projects across a variety of sectors including transportation, energy, defense, education, healthcare, justice and others. Simply put, today Canada is a leader in the P3 market. Canadian developers, contractors, financiers and service providers have developed world class expertise in the delivery of privately financed and managed public infrastructure and CCC provides a platform for accessing this proven expertise.

Specified Quality of Service Levels Based on International Standards

There are well recognized construction and service standards for infrastructure projects in a range of domains. CCC can work with Bermuda to ensure these are written into the construction agreement and concession agreement, as appropriate, and monitor this as part of the contract performance.

Corporate Social Responsibility

With a contract on a Government-to-Government basis, there are a number of economic development and ethical commitments that are not common to a standard commercial contract.

A Commitment to Environmental Best Practice

Major infrastructure projects today require investing in a robust environmental risk assessment and in a risk mitigation plan and monitoring activities. CCC requires that environmental impact assessments are carried out for its capital projects, following proven international practices. There are many opportunities for creative, locally-led initiatives to be incorporated into projects, providing wider benefits from the project.

Practical Community Engagement

The best projects embrace the need to build links with communities, schools and institutions of higher education. They establish education projects and work experience placements and seek out opportunities for benefits for the communities in which they operate. CCC encourages its Canadian companies to follow best practices, transferring knowledge and building skills locally, and would seek to explore delivering these additional wider benefits in conjunction with a project.

Section 11.6: Benefits of a “Government-to Government” approach in procurement

The CCC, acting entirely in a commercial capacity, provides assurance of market based pricing, competitive tendering of the supply chain, openness to local sourcing, and better value in financing.

Assurance from Independent Auditors

Evidence of market-based pricing can be introduced through an independent third-party audit of key aspects of the capital budget. This can be accomplished by a government-commissioned third-party independent review of pricing and terms proposed by CCC.

Competitive tendering of the supply chain

Whilst the CCC framework provides a Prime Contractor and Concessionaire structure on which to build the Project, the CCC team anticipates 80% of the construction works will remain competitively tendered. This will provide commercial tension throughout the supply chain during construction.

Once the construction is complete we will make a commitment to ensure that there will be a greater level of opportunity for stakeholders to grow their business at the airport. This will be done through:

- Expansion of the commercial offerings that will be available to bid on
- Running a number of market-soundings and competitions for additional sub-concessions on and around the airport site
- Tendering of operational contracts that will reflect the enhanced and larger airport operations itself.

Openness to Local Sourcing

The structure of general contracting offered by CCC will provide an opportunity to local companies in sourcing products and services, within acceptable limits, ensuring that the maximum benefit of the project is captured by local companies and the wider local economy.

Local contractors and suppliers will have opportunities to participate in the project. In projects of this type, local contractors and suppliers are invited to submit their qualifications and be pre-qualified to provide goods and services to the project. Once pre-qualified, they can be invited to submit tenders for those portions of the work for which they qualify.

Similarly, for Bermuda's workers, those who are qualified, available and willing to work, there will be work. There will be a need for almost every imaginable trade; carpenters to electricians; masons to mechanics; sheet-metal workers to IT specialists, and the list goes on.

Of course, it is recognized that there will be competition for the Bermuda work-force; the America's Cup and its related projects; new hotels and other competing projects will need the same qualified workers.

Delivering better value when seeking sources of Finance

We anticipate there being an open and competitive competition to provide debt finance for the project. The advantage of running a debt finance competition within the framework provided by CCC however is that the project comes with one of the parties being an agency of the Government of Canada, which carries with it a Sovereign AAA rating. This enhances the bankability of the project to commercial lenders, lowering the cost of borrowing – this is an offering that a commercially-let project would not benefit from and is a unique benefit only the Government of Canada offers.

The Government of Canada offer could potentially be further enhanced through our FDI, Export Development Canada (EDC) which will be asked to review the project and provide debt finance. The presence of an FDI is likely to further enhance the rating for Commercial Lenders making the debt competition even more competitive

Section 11.7: Next Steps in Assuring Value for Money

Appointment of Independent Government Advisors to the Deal

The open-book basis of negotiation of the deal means that the Government of Bermuda has a much greater degree of control in the process.

To validate our plans, the CCC Team recommends that independent expert advisory firms are engaged by the Government of Bermuda to advise on the quality, deliverability and value of the proposal submitted by CCC. CCC expects nothing less and believes that this approach provides significant further assurances of value, increasing public defensibility of the mutually developed solution.

We would envisage that these companies will include Technical, Financial and Legal representatives which can interact with the CCC Team and provide independent advice and assurance to the Government of Bermuda that the proposal represents value for money. We would anticipate that they would:

- Review plans to make sure that they are the most effective and efficient
- Validate the price of the capital development
- Validate the traffic forecasts are realistic and achievable

Engaging these representatives will also mean that the process will run quickly and informed decisions can be made in order that the proposal is optimised to represent the best value for the Government of Bermuda.

Section 12: Next Steps

We believe that the Project Concept for the redevelopment of L.F. Wade International Airport has evolved through a collaborative process to the point at which it encapsulates a technically sound and financially viable project that all stakeholders can be proud to be associated with and to advance.

On completion of the Project Concept, the Letter of Agreement (as amended), contemplates a period of time for the parties to determine how they wish to proceed; if there is a mutual ‘Go’ decision, the parties will enter into a further agreement (Development Agreement) to which the Project Concept will be appended and “set out the agreed plan by which the Project will be advanced from Project Concept to full implementation and performance.”

Once the Development Agreement is signed, we expect the remainder of the Project’s development lifecycle to unfold as contemplated in the Letter Agreement.



SCHEDULE C

L.F. WADE INTERNATIONAL AIRPORT DEVELOPMENT PROJECT PROJECT AGREEMENT HEADS OF TERMS

These Heads of Terms are provided exclusively to Bermuda and its advisors for use in connection with the Project. These Heads of Terms are confidential and may not be shared with third parties without the prior written consent of CCC and Bermuda (save as required by the financing process to be conducted in accordance with the Airport Development Agreement). The Parties acknowledge that the definitive Project Agreement shall incorporate the terms and conditions of the Airport Development Agreement (including this Schedule C) that are applicable to the Project Agreement (including without limitation, the relevant and applicable parts of Section 6.3 thereof), which shall also contain such additional terms and conditions that are generally consistent with, and comparable to, similar infrastructure transactions, including international airport concession transactions, including terms regarding operating service scope, standard, quality and processes to ensure that each of Bermuda and the members of the CCC Team have all of the usual rights and remedies respectively available to a comparable party in similar international infrastructure transactions. Unless otherwise defined herein, all capitalized terms shall have the meanings set out in the Airport Development Agreement between Canadian Commercial Corporation and the Bermuda Government made as of the Effective Date.

A. PROJECT AND PARTIES

1. **Project:** Project Co is to enter into the Project Agreement with the Airport Quango for the redevelopment of the L.F. Wade International Airport, which shall include the financing, design, construction, operation and maintenance of the Airport and all other Works and ancillary services in accordance with the Project Agreement.
2. **Project Co:** [PROJECT CO], is a [●] established to undertake the Project.
[NTD: Structure to be finalized]
3. **Project Co Members:** With regard to Project Co's final capitalization, Aecon Concessions shall own a minimum of 35% of Project Co.
[●]
[●]

B. GENERAL PROJECT TERMS

1. **Term:** 30 years from Financial Close

2. **Project Agreement Effective Date:** Upon Financial Close, Project Co will:
- (a) except as it relates to Retained Government Services and liabilities retained by Bermuda/Airport Quango, obtain all rights and assume all obligations and liabilities for performance of all of Bermuda/Airport Quango's existing Airport obligations under the agreements, contracts, leases, employee obligations and other commitments as agreed by the parties; and
 - (b) commence the provision of Airport Operations and oversight and management of Construction.
3. **Exclusivity:** Project Co will have the exclusive right to operate a commercial airport with fixed-wing aircraft in Bermuda for the term of the Project Agreement and the sole right and obligation, at its own cost and expense, to design, construct, finance, operate, maintain and provide lifecycle replacement of all parts of the Airport in accordance with the terms of the Project Agreement.
4. **Construction and Airport Operations:** Project Co shall ensure the Contractor performs the Works in accordance with the Construction Specifications (an outline for the subject matter of which is attached hereto as Appendix C) and, subject to the Retained Government Services, for operating the Airport safely and efficiently, and in accordance with the standards and performance criteria set forth in the Airport Operations Scope and Specifications (attached hereto as Appendix B). Without limiting the foregoing, Project Co shall undertake and complete the Phase 1 Construction Works in accordance with the terms and conditions of the Construction Contract and the Project Agreement, and Project Co shall pay to Airport Quango liquidated damages equal to the amount set out, and in the circumstances described, in Section J.2 of this Schedule C of the Airport Development Agreement.
5. **Expense Acknowledgement:** Except to the limited extent expressly set out herein or in the Project Agreement, Project Co shall be subject to, and shall fully comply with, all applicable Laws in Bermuda.

C. AIRPORT QUANGO'S GENERAL RIGHTS AND OBLIGATIONS

1. **General Rights and Obligations Regarding Project** Subject to and in accordance with the provisions of the Project Agreement, the Airport Quango shall:

- (a) satisfy the conditions precedent to Financial Close in favour of Project Co set out in Appendix A;
- (b) at its own cost and risk provide the Retained Government Services to the normative international standards for such services, as further specified in the Project Agreement, and maintain, replace, or otherwise be responsible for the funding of any physical infrastructure reasonably required for the Retained Government Services;
- (c) transfer to Project Co on Financial Close, for a nominal sum, all Transferred Airport Assets and assign all previously identified Airport-related contracts and commitments;
- (d) take required action to fulfil Bermuda's obligations under the Airport Personnel Transition Plan and Transition Plan;
- (e) retain responsibility for any and all Airport-related liabilities arising prior to Financial Close, including liabilities related to pre-existing environmental contamination and archaeological remains, pre-existing airline minimum revenue guarantees and all employment-related liabilities;
- (f) retain responsibility throughout the term of the Project Agreement for any and all liabilities arising in relation to the Bermuda Controlled Airport Lands, including liabilities related to environmental contamination;
- (g) take required action to establish and adjust all Regulated Fees and Charges, at the times and in the amounts agreed in the Regulated Fees and Charges Schedule and pursuant to Section F.6 below, and to provide for their increase in accordance with the mechanisms set forth in Section F.6, with the revenue to be generated therefrom to be collected and used exclusively by Project Co;
- (h) ensure that any and all sources of revenue generated by the Airport post-Financial Close are directed into the Project;
- (i) implement and provide the Concessioned Taxes that are expressly set out in the Airport Development

Agreement and that are enacted in the Enabling Legislation;

- (j) provide the Limited Government Support;
- (k) process and provide all required Permits in a timely manner;
- (l) lease the Leased Lands to Project Co for a nominal sum and otherwise on the terms and conditions agreed in a Lease scheduled to the Project Agreement and ensure Project Co's quiet enjoyment of the Leased Lands for the term of the Project Agreement;
- (m) maintain and ensure availability of offsite infrastructure (including communications, power, transportation, such as roads, bridges and sidewalks, and other utilities) and Airport access for both Construction and Airport Operations;
- (n) actively participate in the Airport-BDA Joint Development Committee that will meet at least on a quarterly basis to drive tourism, hotel promotion and other development initiatives to positively influence those factors that may influence and improve passenger and airline traffic and increase the likelihood of achieving and exceeding the Base Case Traffic Forecast;
- (o) assume all specified Supervening Events costs and risks;
- (p) permit Project Co continued use of existing access to the Leased Lands and facilities located on the Airport at no charge;
- (q) as between itself and Project Co, be responsible for the acts, omissions, breaches, defaults, non-compliance, negligence and wilful misconduct of each Bermuda Person;
- (r) ensure that any developments or business which the Airport Quango permits to be carried out on the Bermuda Controlled Airport Lands shall not in any way interfere with or adversely affect Airport Operations;

- (s) not, on the Bermuda Controlled Airport Lands, participate in or permit a Competing Business;
- (t) make available, without charge, any vacant portions of the Bermuda Controlled Airport Lands to Project Co during Construction at Project Co's risk for use as temporary storage or staging areas;
- (u) take no action or actions the effect of such action or actions, individually or in the aggregate, would reasonably be expected (i) to be principally borne by Project Co or (ii) to have a material adverse effect on the fair market value of Project Co; and
- (v) perform all other actions and provide all other deliverables within its control in form and substance consistent with those set out above as otherwise may be necessary to implement the Project.

2. The Airport Quango's Representations and Warranties:

The Airport Quango shall make such representations and warranties as are usually and customarily made by government sponsors of comparable international infrastructure transactions in order to obtain investment grade credit ratings and complete financings in the U.S. and/or Canadian private placement markets as may be reasonably required by Project Co and the rating agencies prior to Financial Close. Without limiting the foregoing, the Airport Quango shall also provide the representations, warranties and covenants that Bermuda provides in the Airport Development Agreement, *mutatis mutandis*.

3. PA Bermuda Guarantee

As security for the due payment and performance of all obligations of the Airport Quango to Project Co under the Project Documents, the Airport Quango will deliver the PA Bermuda Guarantee on the date of execution of the Project Agreement and ensure that the PA Bermuda Guarantee remains in full force and effect until the end of the term of the Project Agreement.

The Airport Quango acknowledges that pursuant to an assignment by way of security of the PA Bermuda Guarantee in favour of the Senior Lenders, the rights of Project Co under the PA Bermuda Guarantee will be assigned to the Senior Lenders as security for the obligations of Project Co under the Financing Documents.

D. PROJECT CO'S GENERAL RIGHTS AND OBLIGATIONS

1. General Rights and Obligations Regarding Project:

Subject to and in accordance with the provisions of the Project Agreement, Project Co shall:

- (a) satisfy the conditions precedent to Financial Close in favour of the Airport Quango as set out in Appendix A;
- (b) operate the Airport to meet the Airport Operations Scope and Specifications attached to the Project Agreement, an outline of which is attached hereto as Appendix B;
- (c) construct all of the improvements required pursuant to the Construction Specifications, or, subject to Section F.5, as may be necessary to meet the Airport Operations Scope and Specifications;
- (d) complete the Construction of the Phase 1 Construction Works by a specified date and pay to Airport Quango liquidated damages equal to the amount specified, and as set out, in Section J.2 of this Schedule C of the Airport Development Agreement;
- (e) monitor and report on conformity with the Airport Operations Scope and Specifications (Appendix B);
- (f) comply with the safety and security requirements of the Civil Aviation Authority and agreed minimum performance levels of Airport Operations based on agreed service levels;
- (g) perform the Security Services;
- (h) collect and retain the Regulated Fees and Charges (including the AIC) for the purposes of the Project;
- (i) manage both the airport development process and committed capital expenditure programme, including the tendering and awarding of contracts;
- (j) have the exclusive right to manage and develop the Airport and Leased Lands, including the discretion to establish all non-regulated fees and charges and

- the rates payable for all Commercial Services;
- (k) receive all revenues from Airport Operations;
 - (l) have the exclusive right and responsibility to operate a commercial airport with fixed-wing aircraft in Bermuda for the term of the Project Agreement;
 - (m) in consultation with the Airport Quango, develop a business plan for the Airport for short term, medium term and long term business goals, monitor performance against the business plan and provide updated business plans at regular intervals;
 - (n) provide office space reasonably required for the Retained Government Services at no cost to the Airport Quango;
 - (o) undertake airport marketing and route development/support activities, including the development of incentive programmes;
 - (p) comply with environmental Laws, as well as environmental and social obligations as required under the Financing Documents, in all material respects;
 - (q) not engage in any business or activity other than the business or activities conducted for the purpose of the Project or otherwise expressly permitted hereunder;
 - (r) as between itself and the Airport Quango, be responsible for the acts, omissions, breaches, defaults, non-compliance, negligence and wilful misconduct of each Project Co Person;
 - (s) take no action or actions, the effect of which individually or in the aggregate, would reasonably be expected to be principally borne by the Airport Quango;
 - (t) liaise with all statutory bodies including the Department of Civil Aviation, the Department of Airport Operations, Airport Quango and the provider of Air Traffic Services;

- (u) pay the Bermuda Participation, if required;
- (v) five (5) years prior to the end of the term of the Project Agreement, commission an independent third party report regarding (i) the condition of the Airport, (ii) the work required to ensure that at the end of the term of the Project Agreement the Airport is in a condition to be agreed by the parties and described in a schedule to the Project Agreement (the “**Handback Condition**”), and (iii) recommendations with respect to appropriate inspections and reserves;
- (w) subject to Section F.5, repair or replace all components of the Airport as may be reasonably necessary to hand back to the Airport Quango the Airport at the end of the term in the Handback Condition with no commitments that must be assumed by the Airport Quango in respect of periods after expiry other than those described in a schedule to the Project Agreement (the “**Handback Assigned Obligations**”) and in accordance with the Handback protocol to be set out in the Project Agreement;
- (x) agree to reasonable terms and conditions that are generally commensurate and consistent with long term facility management and operations service agreements concerning Project Co’s provision to Bermuda of reasonable termination transition services, support, cooperation and assistance, including the disclosure and provision of reasonable information and records concerning the operations, processes, systems, personnel, suppliers, financial affairs, administration, and other material management aspects of the Airport Operations; and
- (y) perform all other actions and provide all other deliverables within its control in form and substance consistent with those set out above as otherwise may be necessary to implement the Project.

2. Project Co’s Representations and Warranties:

Project Co shall make such representations, warranties and covenants as are usually and customarily required in comparable infrastructure transactions, including international airport concession transactions, in the U.S. and/or Canadian private placement markets as may be reasonably required by Airport Quango and the Senior Lenders prior to Financial

Close. Without limiting the foregoing, Project Co shall represent, warrant and covenant that: the matters that are addressed in Section 16.1(a), (b) and (c) of the Airport Development Agreement apply to Project Co as applicable, *mutatis mutandis*; and, that neither Aecon Construction nor Project Co shall, during the term of the Project Agreement, be convicted by a Court or tribunal of competent jurisdiction of a criminal offence concerning unethical business practices, including bid rigging, criminal fraud, money laundering, tax evasion, secret commissions, bribery, and corruption of foreign officials.

Without limiting the foregoing, Project Co shall represent, warrant and covenant: (a) the matters addressed in Section 6.1 of the Airport Development Agreement, *mutatis mutandis*; and, (b) that it has (and will have during the term of the Project Agreement) the expertise, experience and resources to perform its obligations to the standards set out in the Airport Development Agreement, and in accordance with the standards of major international infrastructure organizations carrying out comparable projects throughout the world, including specifically international airport construction and operations expertise, and each of the Project Co Members shall represent and warrant that they have sufficient financial resources to fund equity contributions as contemplated herein.

E. MONITORING AND CONTROL

1. General

In order to permit the Airport Quango to observe, monitor and oversee Project Co's operations to ensure compliance with the terms of the Project Agreement, in addition to those obligations otherwise described in these Heads of Terms, Project Co will:

- (a) retain and maintain certain agreed to records and reports in relation to the Project and make such records and reports available to the Airport Quango or its designee for inspection during business hours at any time upon reasonable notice;
- (b) keep the Airport Quango aware of all material events affecting the Project; and
- (c) within a reasonable time period, submit to the Airport Quango all quarterly and annual operations reports in a form to be agreed.

- 2. Joint Airport Committee**

The Airport Quango and Project Co shall establish a joint airport committee (“**Joint Airport Committee**”) to provide regular consultation on Airport operations matters, to monitor Project Co reporting on key performance indicators, and to address all Project Agreement and Airport Operations disputes and other performance and relationship matters between the parties.
- 3. Annual Report**

Project Co will provide to the Airport Quango audited annual financial statements within one hundred and twenty (120) days of each fiscal year end.

F. FINANCING OF THE PROJECT

- 1. Acknowledgement**

The parties acknowledge the Financing Objective, and confirm that a combination of Project Co equity capital, the cash from operations post Financial Close, Senior Debt and Limited Government Support will be required to support the Project financing.
- 2. Equity Commitment**

The Project Co Members will, or will cause certain of their Affiliates to, enter into an equity commitment agreement with Project Co pursuant to which the Project Co Members or their Affiliates will commit to make, directly or indirectly, the Required Equity Commitment.
- 3. Cooperation**

The parties shall cooperate with each other and other stakeholders, including the Bermuda Tourism Authority and the Bermuda Business Development Agency, to promote and develop tourism, hotel promotion and other development initiatives to positively influence those factors that may influence and improve passenger and airline traffic and increase the likelihood of achieving and exceeding the Base Case Traffic Forecast.
- 4. Limited Government Support**

Subject to the PA Bermuda Guarantee, Airport Quango shall be solely responsible for the provision of the Limited Government Support.
- 5. Funding of Major Capital Works and Expansions; Late Term Capital Works**

Project Co shall have no obligation to execute major capital works or expansions beyond the Phase I Construction Works if the requisite Regulated Fee and Charges increase contemplated by Section F.6(b) below has not been approved and implemented to fund such works or the investment associated with such works cannot be fully amortized within the term of

the Project Agreement.

Nothing herein shall limit Project Co's obligations to execute major maintenance and lifecycle work necessary to comply with the Project.

6. Regulated Fees and Charges

The Regulated Fees and Charges will be as set out in the final Regulated Fees and Charges Schedule to be agreed as of Financial Close (on the basis of Section 8 and Schedule E of the Airport Development Agreement).

Regulated Fees and Charges will be adjusted to Financial Close and thereafter in accordance with the following principles:

- (a) all Regulated Fees and Charges established at Financial Close will be escalated annually by an agreed inflation formula which will be composed of a combination of both Bermudian and US inflation indices and in any event no lower than US CPI and not resulting in a negative development of Regulated Fees and Charges;
- (b) Regulated Fees and Charges shall be adjusted to fund major capital works or expansions, said increases to be proposed by Project Co and approved by the Airport Quango acting reasonably;
- (c) any other adjustment to Regulated Fees and Charges proposed by Project Co shall be subject to the approval of the Airport Quango; and
- (d) Bermuda or the Airport Quango shall not be entitled to modify the Regulated Fees and Charges or introduce any new fees, Taxes, levies or Regulated Fees and Charges in connection with the Airport other than as contemplated above or as otherwise mutually agreed by Bermuda and Project Co in writing. Project Co shall promptly provide Bermuda with complete, accurate and current financial information related to such matters and proposed agreements upon Bermuda's request.

All disputes that cannot be settled amicably in relation to the Regulated Fees and Charges shall be resolved in accordance with the dispute resolution procedure set out in Section L.2 below.

7. **Financing Documents** Project Co will keep the Financing Documents in good standing and will ensure that none of the terms and conditions of the Financing Documents will prevent Project Co from performing its obligations under the Construction Contract.
8. **Operating Waterfall** All Project Co revenue shall be applied in the order of priority approved by the Senior Lenders.

G. INDEMNITY

1. **The Airport Quango Indemnity** The Airport Quango shall indemnify and hold harmless Project Co and/or its respective shareholders, directors, officers, employees and agents from or against all Direct Losses to the extent any part of same results from Bermuda's or the Airport Quango's breach of any representation or warranty under the Project Agreement, or from Airport Quango or Bermuda's use, occupancy or operation of the Airport or Existing Airport Lands prior to the date of Financial Close or from the Retained Government Services and risks retained by the Airport Quango post-Financial Close, all pursuant to the terms of the Project Agreement.
2. **Project Co Indemnity** Project Co shall indemnify and hold harmless Bermuda and the Airport Quango, their elected officials, officers, employees and agents from or against all Direct Losses to the extent any part of same results from Project Co's breach of any representation or warranty under the Project Agreement, or Project Co's use, occupancy or operation of the Airport or Leased Lands after the date of Financial Close, all pursuant to the terms of the Project Agreement.

H. INSURANCE

1. **Insurance Coverage** Each of Project Co and the Airport Quango will take out, maintain in force, pay for and renew, or cause to be taken out, maintained in force, paid for and renewed, insurance for the Project of the types and in the amounts to be agreed by the parties.

I. SUPERVENING EVENTS

1. **Supervening Events** The occurrence of a Supervening Event may allow either party to claim (i) relief from its obligations, (ii) extensions of time, (iii) compensation, or (iv) a right to terminate the Project

Agreement, as the foregoing are specified herein and in the Project Agreement.

Specific Supervening Events and the consequences thereof will be agreed and set out in the Project Agreement, including more particular provisions that will reflect the following terms and conditions concerning Change in Law.

Except as otherwise expressly set out in this Section I “Supervening Events”, and as further specified in the Project Agreement, Bermuda shall not have any risk, liability or responsibility (financial or otherwise) concerning any detrimental impact on Project Co, or adverse impact on Project Co’s performance of the Project Agreement or otherwise, due to any Change in Law during the term of the Core Project Documents, except with respect to the following circumstances:

- (i) the occurrence of a Discriminatory Change in Law;
- (ii) the occurrence of any Law that breaches Bermuda’s Concessioned Taxes obligations or any Change in Law concerning any Concessioned Taxes related Enabling Legislation;
- (iii) the occurrence of a Change in Law that is specifically targeted at, or that primarily has a detrimental impact on, Project Co, or the ability of Project Co to perform the Project Agreement, or Airport Operations; or
- (iv) the occurrence of a Change in Law that adversely impacts the Phase I Capital Works.

With respect to any of the exceptions set out in (i), (ii), (iii) or (iv) above, inclusive, Bermuda shall fairly and reasonably financially compensate Project Co for the detrimental impact that is directly and proximately caused to Project Co by such excepted circumstances. However, without prejudice to Project Co’s right to receive compensation, Project Co shall have the right to propose to Bermuda alternate remedies, mitigation strategies and solutions concerning such detrimental impact in lieu of, or in addition to, any financial compensation, that may include consideration of possible remedial solutions related to an adjustment in Regulated Fees and Charges, set offs, an extension to the term of the Project Agreement, an extension of the Construction completion date, or a reduction in amounts that may otherwise be payable by Project Co to the Airport Quango

under the Project Agreement (“**Mitigation Options**”), which Bermuda shall, in good faith, reasonably and expeditiously consider but shall be subject to Project Co’s and Bermuda’s mutual agreement.

For greater certainty, in the event of a Change in Law addressed in subsections (i) through (iv) above, Bermuda’s remedial obligations shall be assessed to reasonably and fairly re-establish the economic equilibrium of the Parties, including the Airport Quango, and Bermuda shall compensate Project Co for any capital expenditure, disbenefit, deterioration in economic circumstances, loss or damages that result therefrom.

Furthermore, in the event of either: (a) a change in Airport Operations is required by any change in the directives, rules, authorizations, guidelines, requirements or policies of any supervising international airline or airport organization with jurisdiction over Bermuda (such as the FAA, IATA or the ICAO) that detrimentally affects in any way the provision of Airport Operations (including the cost thereof); or, (b) the enactment of a Change in Law other than the four aforementioned exceptions, and the circumstances in (a) or (b) have a material detrimental impact on Project Co, the Parties shall rely upon the Project Agreement’s change management provisions (which shall include the Mitigation Options listed above) to discuss, formulate and mutually agree upon strategies and undertakings to remedy, mitigate and resolve such detrimental impact, which may include amendments to the Project Agreement, and failing satisfactory resolution, may lead to the termination of the Project Agreement and compensation in accordance with market practice and under such circumstances as may be required by the Senior Lenders.

2. Stabilization

For greater certainty, the rights and interests accruing to Project Co under the Project Agreement, including Regulated Fees and Charges, shall not be amended, modified or reduced without the prior written consent of Project Co.

3. Termination for Convenience

Bermuda may terminate the Project Agreement at any time for convenience. On termination for convenience Project Co shall transfer to Bermuda all of Project Co’s Airport operating assets used in the performance of the Project (including in association with the Construction Contract, Lease, and Project Agreement), and Bermuda shall pay to Project Co an amount equal to the sum of:

- (a) amounts payable to employees terminated by Project Co on such termination; plus
- (b) all amounts properly due and payable under any contracts entered into by Project Co in connection with the Project prior to the date of termination; plus
- (c) any accrued but unpaid amounts owing and payable by Bermuda to Project Co under the Project Agreement; plus
- (d) all amounts owing in respect of the Senior Debt and other Project related debt (other than Subordinated Debt) including costs of early termination of any interest rate hedging arrangements entered into in respect of these costs, and any other Project related costs; plus
- (e) any outstanding Project Co non-Bermuda Subordinated Debt (including accrued interest to date of payment); plus
- (f) the Equity Amount.

J. EVENTS OF DEFAULT

- 1. Events of Default:** Certain events and circumstances, the occurrence of which will result in either a Project Co event of default or an Airport Quango event of default under the Project Agreement, will be agreed between the parties.

The Project Agreement shall include a regime permitting the Airport Quango to terminate for persistent breaches of the Airport Operations Specifications on terms and conditions to be agreed in the Project Agreement.

- 2. Liquidated Damages** If Project Co fails to achieve Substantial Completion of the Works by the Guaranteed Substantial Completion Date (as adjusted pursuant to the terms of the Project Agreement), Project Co shall pay to Airport Quango as a genuine pre-estimate of the damages suffered by Airport Quango as a result of the delay by Project Co in achieving Substantial Completion of the Works, liquidated damages for every day or part of a day which has elapsed between the Guaranteed Substantial

Completion Date (as adjusted pursuant to the Project Agreement) and the date of Substantial Completion of the Works as set forth in the Substantial Completion certificate. The daily quantum of liquidated damages shall be USD\$15,000 per day; provided that if the amount of liquidated damages payable by Project Co to persons other than Airport Quango as a result of the delay (the “**Project Co Non-Bermuda LD Amount**”) (excluding any portion of such amount payable by Project Co to persons that do not deal at arms' length with each of Project Co and the Project Co Members) is greater than USD\$20,000 per day, then such USD \$15,000 amount will be reduced on a dollar for dollar basis for each dollar by which the Project Co Non-Bermuda LD Amount exceeds USD\$20,000 to a minimum of USD\$5,000 per day (the “**Project Co Quango LD Amount**”).

The aggregate amount of liquidated damages payable by Project Co to any person in all circumstances associated with the construction of the Airport shall not exceed 10% of the Construction Contract price (the “**Total LD Cap**”).

Notwithstanding the preceding sentence, if at the time when the aggregate accrued liquidated damages payable by Project Co reaches the Total LD Cap, the aggregate Project Co Quango LD Amount then accrued is less than USD\$5,000,000, Project Co shall continue to pay the prevailing Project Co Quango LD Amount until the earlier of: (A) the date of Substantial Completion of the Works as set forth in the Substantial Completion certificate; and (B) the aggregate Project Co Quango LD Amount accrued shall equal USD\$5,000,000.

The aggregate Project Co Quango LD Amount shall be due and payable by Project Co on or before the date of any payment due to the Contractor on Substantial Completion of the Works. The Project Co Quango LD Amount shall be applied by Airport Quango to the purchase of Participation Equity Certificates of equal value to be issued to Airport Quango. The proceeds of such Participation Equity Certificates shall be contributed by Project Co directly into the Guaranteed Revenue Reserve Account.

K. ASSIGNMENT/CHANGE IN CONTROL

- 1. Assignment by Bermuda**

The Airport Quango will not assign, transfer or otherwise dispose of any interest in the Project Agreement except to Bermuda, and unless, prior to such assignment Bermuda assumes all the obligations of the Airport Quango under the Project Agreement.

- 2. Assignment/Transfer of Project Assets** Project Co will not assign, transfer or otherwise dispose of any interest in the Project Agreement or any interest in any of the Transferred Airport Assets except:

- (a) as security, prior to its grant for any loan made to Project Co under any Financing Documents;
- (b) in connection with the exercise of rights of the Senior Lenders under the Documents;
- (c) to an Affiliate;
- (d) in relation to the Transferred Assets, in the regular course of business; or
- (e) otherwise with the written consent of the Airport Quango, which may be given or withheld in Bermuda's sole discretion:

provided that any assignment must be in compliance with applicable Law and in the case of an assignment, transfer or disposal permitted by (b), (c) or (e) above the assignee or transferee assumes all the obligations of Project Co under the Project Agreement.

- 3. Transfer of Equity Interest or other Change in Control** Nothing contained in Section K.2 shall be deemed to prohibit or limit, whether accomplished through a single transaction or a series of related transactions and whether accomplished directly or indirectly, a transfer of direct or indirect ownership interest in Project Co, provided that such transfer does not result in a change of control of Project Co.

No change in control of Project Co will be permitted to occur except:

- (a) in connection with the exercise of rights of the Senior Lenders under the Financing Documents;
- (b) arising from any bona fide open market transaction in any shares or other securities of Project Co or of any Project Co Member or of any holding company of a member of Project Co effected on a recognized public stock exchange; or
- (c) otherwise, after the Terminal Opening Date, with the written consent of the Minister of Tourism and Transportation, such consent not to be withheld in the event such potential transferee has the financial

resources, expertise and experience required to step into the position of the proposed transferor.

L. DISPUTE RESOLUTION

1. General

If a dispute of any kind whatsoever arises between the parties in connection with, or arising out of the Project Agreement, any Party may notify the other Party of the existence of such dispute, and the parties will use their best efforts to settle amicably such dispute. To that end, the Joint Airport Committee (Section E.2 above) will meet and endeavour to resolve such dispute for a period of thirty (30) days from the date of receipt of notification of the dispute. If the Joint Airport Committee does not meet or is unable to agree to the resolution of the dispute within the thirty (30) day period referenced above, then the dispute may be referred to an independent expert or arbitration pursuant to Section L.2 or Section L.3, as applicable, below.

2. Independent Expert

Any dispute that cannot be settled amicably in accordance with Section L.1 arising out of or in connection with the Regulated Fees and Charges, including any question regarding the appropriate amount, level, or duration of any such Regulated Fee or Charge shall be referred to and finally resolved by an independent expert, whose sole mandate shall be to determine the required amount, level and/or duration of such Regulated Fees and Charge. Such independent expert shall have the requisite experience in the airport concession sector and be appointed by the mutual agreement of the parties, or otherwise appointed by the International Centre for Expertise in accordance with the provision for the appointment of experts under the Rules for Expertise of the International Chamber of Commerce. Unless all parties to the dispute agree otherwise, no independent expert appointed pursuant to this provision shall be a citizen or resident of the British Overseas Territory of Bermuda or an employee or agent or former employee or agent of any of the parties. The decision of the independent expert with respect to the dispute shall be final and binding on the parties.

3. Arbitration

With the exception of a dispute in relation to Regulated Fees and Charges, any dispute arising out of or in connection with the Project Agreement that cannot be settled amicably pursuant to Section L.1, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration under the London Court of International Arbitration (LCIA) rules, which rules are deemed to be

incorporated by reference into this clause. Such arbitration shall be before a single arbitrator recommended to the LCIA either by the mutual agreement of the parties, or otherwise appointed pursuant to the LCIA rules applicable at the time of commencement of the arbitration. The seat, or legal place, of arbitration shall be London, United Kingdom or such other place as may be agreed upon by the parties. The language to be used in the arbitral proceedings shall be English. Unless all parties to the dispute agree otherwise, no arbitrator appointed pursuant to this provision shall be a citizen or resident of the British Overseas Territory of Bermuda or an employee or agent or former employee or agent of any of the parties. The decision of the arbitrator with respect to the dispute shall be final and binding on the parties.

4. Choice of Law

The Project Agreement shall be exclusively governed by and in accordance with the laws of the British Overseas Territory of Bermuda.

APPENDIX A

CONDITIONS PRECEDENT

The conditions precedent to Financial Close will include the following and all such other conditions precedent as are usual and customary in the US and/or Canadian Private Placement markets as required by the parties and Senior Lenders, acting reasonably, all in form and substance satisfactory to the parties and Senior Lenders:

1. Conditions Precedent in Favour of Project Co:

- 1.1 Delivery of Bermuda completion documents, including the PA Bermuda Guarantee.
- 1.2 Enactment of Enabling Legislation in form and content satisfactory to Project Co.
- 1.3 Making the Leased Lands available for the Project, ensuring quiet enjoyment of the Leased Lands for the term of the Project Agreement and granting the Lease to Project Co.
- 1.4 Provision of all necessary Permits required for Financial Close and Construction mobilization.
- 1.5 Delivery of evidence of required insurance.
- 1.6 Transfer of existing airport operating certificate to Project Co.

2. Conditions Precedent in Favour of Bermuda:

- 2.1 Delivery of Project Co completion documents.
- 2.2 Delivery of evidence of commitments in relation to Required Equity Commitment.
- 2.3 Delivery of initial business plan for development of Airport business.
- 2.4 Delivery of capital expenditure plan and lifecycle replacement for the maintenance of Airport and all Project assets, including periodic repaving of all airside and landside surfaces for the full term of the Project Agreement
- 2.5 Delivery of reasonable operating plans including each of the following:
 - (a) safety plan;
 - (b) quality assurance plan;
 - (c) environmental stewardship; and
 - (d) communications.

- 2.6 Delivery of Project Co structure, including organization and establishment, identification of officers and directors, organizational structure, reporting structure and robust reporting systems.
- 2.7 Delivery to Bermuda of the final Financial Model in a format that can be utilized by Bermuda.
- 2.8 Delivery of evidence of insurance.

APPENDIX B

AIRPORT OPERATIONS SCOPE AND SPECIFICATIONS

A. INTRODUCTION

This document provides a high level summary of the Airport Operations Scope and Specifications for the Project.

B. AIRPORT OPERATIONS SCOPE

1. AIRPORT SERVICES

1.1 Subject to the terms and conditions of the Project Agreement, Project Co shall be responsible to provide (or to cause its subcontractors and/or sub-concessionaires to provide) all facilities and services necessary or appropriate for the management, operation and maintenance of the Airport in accordance with reasonably applicable industry practices and international standards and requirements and as otherwise more particularly set out in the Project Agreement, including, without limitation, the following (collectively “**Airport Services**”):

- (a) the safe and secure operation of the Airport;
- (b) the provision of Security Services;
- (c) the management and coordination of the movement and parking of aircraft;
- (d) the management and coordination of all ground-handling personnel and services (including the supply of fuel, catering, Aircraft interior and exterior cleaning and cabin conditioning and supply of duty free supplies and provisions);
- (e) the management and coordination of all maintenance and hangarage of aircraft;
- (f) the handling of passengers and their baggage or of cargo at all stages while on land, including the transfer of passengers, their baggage or cargo to and from Aircraft;
- (g) the handling of parking for staff and passengers at the Airports and for other persons visiting the Airport in the ordinary course of business;
- (h) the oversight and management of general aviation;
- (i) car parking for staff and passengers at the Airports and other persons visiting the Airports in the ordinary course of business;
- (j) the management, administration and training of Project Co’s personnel employed at the Airport;
- (k) the movement of staff and passengers and their interchange between all modes of transport at the Airport;

- (l) the management and coordination of the operation and maintenance of passenger boarding and disembarking systems, including vehicles to perform remote boarding;
- (m) the general maintenance and upkeep of the Airport (excluding facilities and equipment designated for the provision of Retained Government Services);
- (n) the supply of flight information display screens and common use terminal equipment;
- (o) the planning and implementation of all matters relating to the transition from the existing terminal to the New Terminal;
- (p) the management and supervision of all subcontracts;
- (q) coordination with the Airport Quango, Civil Aviation and other relevant authorities in respect of the provision of the Retained Government Services;
- (r) implementation of accounting and reporting systems, policies and procedures;
- (s) the development and implementation of a marketing plan to increase the volume of air traffic, passengers and cargo and to maximize Airport revenues;
- (t) coordination and liaison with Civil Aviation, ICAO, International Air Transportation Association, Federal Aviation Authority, United Kingdom Department for Transport and Air Safety Support International (as applicable) and all other relevant authorities in all matters related to the operation and maintenance of the Airport and to ensure that aeronautic certification requirements are met;
- (u) the preparation of any enhancement plan and the development and implementation thereof;
- (v) the provision of training programmes for Project Co personnel;
- (w) the development and monitoring of a safety management system in accordance with applicable industry standards;
- (x) the development and maintenance of a quality assurance system in accordance with applicable industry standards;
- (y) the performance of routine, preventative and major maintenance for the Airport so as to keep the Airport in good working order in accordance with the requirements of the Project Agreement;
- (z) the submission of Airport operating manuals, plans, programmes and procedures to the relevant authorities for approval;

- (aa) the establishment of a direct communications link and operating procedures to coordinate between the apron and control tower the movement, positioning, and parking of Aircraft on the apron;
- (bb) the delivery of parking plans to air traffic control for scheduled and non-scheduled aircraft arriving at the Airport;
- (cc) the co-ordination of regular scheduled emergency exercises as required by Civil Aviation and all emergency response patterns to optimize Airport security;
- (dd) the management and regulation of all aircraft arrivals and departures at the different platforms;
- (ee) supporting the investigation of accidents and incidents at the Airport;
- (ff) the inspection of paved surfaces, short and long term repair or maintenance and resurfacing of paved surfaces as required;
- (gg) the maintenance of all necessary international certifications and approvals at no less than the current levels;
- (hh) the provision of facilities for operations and infrastructure requirements of Bermuda's customs and immigration services operations;
- (ii) the provision of facilities for operations and infrastructure requirements of U.S. customs preclearance inspection services;
- (jj) the operation, maintenance and provision of lifecycle replacement of all parts of the Airport other than those parts associated with the Retained Government Services for the term of the Project Agreement in accordance with the standards required by the Project Agreement;
- (kk) the procurement of the development of a new integrated cargo, mail and courier facility by a specified date, in the event it is agreed by Bermuda and Project Co that that is a strong business case for same; and that such facility will not require financing be provided by Project Co;
- (ll) the handover of the Airport, together with all Airport operating assets, to Bermuda at the end of the term in compliance with the requirements of the Handback Condition; and
- (mm) any and all facilities and services necessary or appropriate for the provision of the above, excluding in all cases the Retained Government Services;

2. COMMERCIAL SERVICES

- 2.1 Subject to Project Co obtaining and maintaining all necessary consents and approvals under applicable Law, Project Co shall have the exclusive right to provide (or to cause its

subcontractors and/or sub-concessionaires to provide), and to the extent that such are provided at comparable airports, the obligation to provide, commercial services on the Airport Leased Lands, which may include, without limitation, the following activities and businesses:

- (a) any activity or business in connection with or related to the arrival, departure and/or handling of aircraft, passengers, baggage, cargo and/or mail at the Airport;
- (b) any activity or business in connection with or related to the development of the Leased Lands to generate revenues including but not limited to:
 - (i) **Duty Free Retail**, including liquor and tobacco, perfume, cosmetics, luxury goods, watches, jewellery, eyewear, electronic equipment, media, games, computers, cameras, mobile telephony and accessories, fashion and apparel, luggage, travel accessories, toys, toiletries, personal care items, gifts, artwork, crafts, gourmet foods, chocolate, and confectionary;
 - (ii) **Specialty Retail**, including magazines, books, newspapers, tobacco, gifts, souvenirs, travel accessories, personal care items, cosmetics, digital media and accessories, games, toys, confectionary, chocolate, greeting cards, packaged food and beverage items (sandwiches, soft drinks, water); retail services, including baggage storage, dry cleaning, laundry, shoe repair, key cutting, ecommerce, parcel pickup and delivery;
 - (iii) **Food and Beverage**, including restaurants, bars, cafes, branded fast food, canteens (for Airport employees), catering, and vending machines;
 - (iv) **Advertising**, including static media, video screens, projections, holography, promotions, corporate sponsorship, product launches, brand placement, naming rights, pop-up showrooms and website/internet;
 - (v) **Landside Transportation Services**, including curb side management and parking facilities for vehicles of passengers, visitors and Airport employees, taxis, rental cars, shuttle buses, tour buses, service and delivery vehicles of any kind; transportation support services, including car wash, auto detailing, vehicle maintenance and repair, gas station, electronic vehicle charging, limousine service, VIP parking, concierge services, vehicle storage and shipping; and vehicle control, including vehicle access to areas where restricted access is required, and towing/removal of improperly parked vehicles as required for safety and security;
 - (vi) **Financial Services**, including banking, ATMs, foreign exchange, money transfer, travel insurance, safe deposit boxes and precious metal storage;
 - (vii) **Telecommunications Services**, including facilitation and provision of access to wired or wireless telecommunication for passengers, airlines, and Airport users, for data, voice, video, mobile and applications; linkage

to fibre optic backbone for Airport retail and services systems, offices, airline check-in counters and gates, common use terminal equipment (CUTE), common use self-service (CUSS) and related passenger processing systems; space for placement of systems equipment and antennae, wifi hotspots, internet access, payphones, video conferencing, rental and sale of mobile phones and accessories;

- (viii) **VIP and Business Services**, including operation of VIP and business lounges, VIP facilitation, fast track security processing, business centres, meeting facilities, teleconferencing, videoconferencing, temporary offices, showrooms, concierge service, guides, translators, printing, photocopying, data transfer, data storage, press room, catering for meetings and events and event management;
- (ix) **Personal Care and Wellness Services**, including operation or subleasing of a medical clinic, dental clinic, optician, pharmacy, gymnasium, spas, change rooms, showers, hair salon, manicure, pedicure, massage, nursery and day care for children of Airport employees;
- (x) **Media Services**, including provision/facilitation of video, film production, sound recording or broadcasting, for television, radio, internet, podcasts, press conferences, or any other media or media event requiring access to public or restricted areas of the Airport;
- (xi) **Education and Training Services**, including the facilitation of sponsored education and training programmes, including tutoring and mentoring of students enrolled in online high school and university programmes, including Massive Online Open Courses;
- (xii) **Bermuda Concierge Services**, including visitor information and promotion of Bermuda attractions, arrangement of itineraries for transportation and accommodation, reservations and ticket sales for events, excursions, concerts and festivals, and the distribution of promotional materials for island attractions;
- (xiii) **Property Management**, including the exclusive right within the Leased Lands to administer, manage, lease, sublease, subconcession, or develop any part of the Airport terminals, buildings, paved or unpaved land, for commercial use and exploitation, including:
 - (A) *Within the passenger terminals*: areas for shops, restaurants, bars, lounges, airline offices, check-in counters, ramp offices, commercial offices, ticketing, storage and any other commercial functions relating to the provision of services for passengers, visitors, employees and businesses operating within the Airport;
 - (B) *Other Airport buildings and land*: office, storage and other space for warehousing, cargo handling, courier, mail, freight forwarding,

cargo agents, equipment storage, hangars, fixed-based operator (FBO), aircraft maintenance, flight kitchen, equipment storage, aircraft parking, general aviation, telecom equipment and antennae, and vehicle parking necessary or desirable to the operation of the Airport; and

- (C) the right to fix rent/lease rates in accordance with fair market principles and to collect as appropriate: security deposits; monthly rent, lease, sub-concession fees and/or sales percentage fees as appropriate for retail and service sub-concessions; to impose administration fees for the provision of utilities, including potable water, electricity and gas and common area management fees to cover cost of lighting, air conditioning, cleaning and maintenance of common areas adjacent to the leased facilities, and to escalate such rates and utilities fees in accordance with CPI;
- (xiv) **Airport Developments:** subject to prior written agreement with Bermuda, not to be unreasonably withheld if the proposed development falls within pre-agreed criteria, but subject to then current Bermuda public policy, the exclusive right to develop, within the Leased Lands, undeveloped land for commercial use related or complementary to the operation of the Airport, which may include, without limitation, hotels, restaurants, meeting facilities, business centres, exhibition centres, convention centres, conference venues, casinos, marinas, sports and recreational facilities, trade fairs, miniature golf facilities, driving ranges, theme parks, supermarkets, malls, educational and training facilities, sports and/or entertainment facilities, art galleries, museums, cinemas, planetariums, space ports, real estate developments, energy generation, banks and exchanges, shopping malls, or any other commercial property development or ancillary activity or business consistent with the safe, secure and efficient operation of the Airport;
- (xv) **Security and Access Fees:** the provision of supplies, services, materials and products, including escorts, security passes, credentials and other items issued for occasional access of persons and/or vehicles to the restricted areas of the Airport; and
- (xvi) **Airside Services:** Ground handling, including baggage handling, marshalling, aircraft parking, loading and unloading, interior and exterior cleaning, lavatory service, potable water, waste removal, cabin material, catering handling, cargo and mail handling, customs control, document handling, ULD control, fuelling/defuelling operations, surface transport, passenger and baggage screening and reconciliation, aircraft maintenance, push back, hangaring; aircraft hangars; aircraft maintenance and service; cargo operations; fixed base operations (FBO), aircraft leasing and sales, flight school; flight kitchens; fuel farm and fuelling of aircraft;

together with any and all other revenue producing commercial activities on the Leased Lands (collectively, the “**Commercial Services**”).

C. AIRPORT OPERATIONS SPECIFICATIONS

1. Without limiting any other provisions of the Airport Development Agreement, Project Co shall operate and maintain the Airport in accordance with industry practices and international standards specified in the Project Agreement, including as incorporated from ICAO and IATA and, other such applicable international organizations and standards bodies in a manner calculated to optimize availability, capacity and efficiency of the Airport, including flow of passengers and allocation of space.

Specific performance standards for Airport Operations will be specified in the Project Agreement and will be monitored by Airport Quango during the term of the Project Agreement.

Without limiting the Airport Development Agreement, the performance standards regime of the Project Agreement will have the following three elements:

- (a) Minimum facility spatial standards will remain compliant with the latest published versions of the ADRM IATA Level of Service C design guidelines;
- (b) Minimum service standards will remain compliant with the latest published versions of the ADRM IATA Level of Service C design guidelines, and specific processing rates, queue time and infrastructure availability targets will be identified for key airport processing facilities; and,
- (c) Project Co shall implement reasonable so-called "continuous improvement" and quality assurance programme.

Project Co will provide information to Airport Quango so that it can inspect, verify, and audit Airport Operations performance through the:

- (a) Preparation of a an Operational and Strategic Plan every five years covering the planning for the operation, maintenance and development of the Airport over the following 5 year period.
- (b) Preparation of an annual Services Quality Plan (SQP) to show how the Airport is performing against the defined standards and the Operational and Strategic Plan, and the suggested action plan to mitigate against any deviations in operational performance, including deviations from ICAO Level of Service C.

2. OPERATIONAL AND STRATEGIC PLAN

On or before 90 days prior to Financial Close, Project Co shall submit for consideration and approval to Airport Quango a draft operational and strategic plan covering the planning for the operation, maintenance and development of the Airport.

The operational and strategic plan will be updated every five years and will include:

- (a) the development programme, including (i) the assessment of the future infrastructure needs of airlines; and (ii) proposals for the use and development of the landside, surface access, Airport and Leased Lands planning / zoning and airside usage and corresponding enhancements;
- (b) the maintenance programme;
- (c) a services quality plan;
- (d) the environmental and social management plan;
- (e) an airport emergency plan including written procedures, duties and responsibilities to be employed by Project Co in the event of an emergency;
- (f) a stakeholder engagement plan outlining the engagement strategies with stakeholders, including affected communities, and providing for an ongoing grievance mechanism for affected communities that will be in force during the concession period; and
- (g) a safety plan and safety management systems plan.

3. SERVICES QUALITY PLAN

At least sixty (60) days prior to the opening of the new terminal, and every year after that, Project Co will submit for consideration and approval to Airport Quango an Airport Services quality plan (SQP).

The SQP must demonstrate that Project Co has planned and will implement the proper measures to ensure the quality of the services provided to the users, complying, at least, with the parameters required under the Project Agreement. The SQP will also include the Project Co's plan for operational resilience, setting out the systems and processes in place to minimize the risk of a major operational disruption and to recover operations safely and efficiently after any such disruption. This plan shall include the arrangements to be made, in the event of major disruption, to assure the comfort of passengers and to keep them informed about the status of their travel arrangements.

The SQP will be binding on Project Co and must identify and comply with all the Applicable Laws, as well as be compatible with the Airport Operations Manual.

The objective of the SQP is to define the service quality responsibilities of Project Co, and the related procedures and minimum service requirements. Additionally, it must define a system to identify the Users' needs, prepare the respective documents and monitor them, in order to propose a plan of actions to mitigate and correct problems.

The SQP must include as a minimum the following topics:

- (a) Summary of the prior year's service quality reports (SQRs), action plans, and the results of the Airport Council International (ACI) Airport service quality (ASQ) survey, if appropriate;
- (b) assessment of the Airport personnel and initiatives including training, hiring, and restructuring;
- (c) protocols of assistance to the passenger;
- (d) information services;
- (e) Airport website;
- (f) minimum facility standards; and
- (g) Measurement of Facility Standards for which Project Co is responsible.

4. SERVICE LEVEL MONITORING

Project Co shall implement a system of regular monitoring of the Airport Services either through the use of passenger satisfaction surveys, or by another method, to develop an annual service quality report (SQR).

Project Co will additionally commission every two (2) years, an independent survey of service quality conducted according to Airports Council International (ACI) Airport service quality (ASQ) standard methodology. Project Co will present in the SQP each year a comparison between the results of two most recent year's SQR and the results of the ACI Airport service quality survey.

In the event that the ACI Airport service quality results show a decline in performance, Project Co will prepare, agree with Airport Quango and implement an action plan with the aim of improving the service areas which show a declining performance according to the ACI and or SQR measures.

If the level of service at the Airport falls below IATA Level C or any of the defined minimum standards, Project Co shall develop, agree with Airport Quango and implement an action and investment plan ("Enhancement Plan") to return the Airport to the agreed performance standards.

Appropriate penalties, set out in the Project Agreement, will apply should Project Co fail to restore service levels in accordance with the Enhancement Plan.

APPENDIX C

CONSTRUCTION SPECIFICATIONS

Bermuda Airport Preliminary Owner's Requirements

Bermuda Airport Preliminary Owner's Requirements (Project Agreement Heads of Terms - Appendix C – Outline of Functional Specifications for New Terminal)

1. Introduction

This document outlines the minimum requirements, herein referred to as the "Owner's Requirements", of the Government of Bermuda for the initial redevelopment of the L. F. Wade International Airport. It reflects the technical status of the airport redevelopment project at this stage of the proceedings. It should be noted that this is still a preliminary stage from the design point of view and only the high level functional and design decisions have been developed.

Design solutions presented are derived from varied inputs, including:

- Traffic projections prepared to date
- Preliminary business plan
- Existing documents and data (reference to HNTB 2006, 2008 and 2014 Master Plans)
- Workshops held in Bermuda during 2014 with Airport staff
- Discussions with CCC team members, Bermuda Department of Tourism, etc.

The Owner's Requirements listed herein have been derived from the documents already presented to the Government of Bermuda as the Airport Project Concept document, specifically Annexes 4 and 5 to that document. Sketches 1b, 2, 3 and 5 extracted from Annex 5 are included as a part of this document.

2. Outstanding

Functional scope of the project will be further refined in the subsequent phases of project development.

Additional activities will also be undertaken which will include but not be limited to: full assessment of the existing site, facilities and equipment; testing; engineering design, etc.

A detailed space program will be developed which will be based on discussions and interviews with various stakeholders, including airport staff, various Bermuda and US government agencies, airlines, tourism authority, potential concessionaires, etc.

3. Assumptions

The following are the preliminary assumptions on which the scope has been based. These will need to be further tested and refined during the next phase of project development.

- Passenger facilities and processes will be based on IATA ADRM Level of Service "C"
- The PTB will be built approximately level with taxiway Bravo (+4m above sea level).
- Concession period will be from 2016 – 2046
- Construction of the new Passenger Terminal will commence in 2017
- New PTB will be operational in 2020

July 2015

- The entire project of airport development will be implemented in 3 phases:
 - Phase 1 (2020 – 2028)
 - Phase 2 (2028 – 2038)
 - Phase 3 (post 2038)
 - Design Year for Phase 1 – 2028

Forecasted Peak Passenger Traffic Loads

Traffic sectors	INT and US Preclearance
Combined two way peak hour (departures + arrivals)	987 pax
Combined peak hour departures (US + international)	845 pax
Peak hour US arrivals	790 pax
Peak hour US departures	790 pax
Peak hour international departures	356 pax
Peak hour arrivals (US + international)	845 pax

4. New Passenger Terminal Building

International and US Pre-Clearance Passenger Terminal Building served by a land-side road, and parking lot network, an airside apron and service road network.

The terminal layout is comprised of a main level area of approximately 17,765 m² and a second level floor area of approximately 6,905 m² for a total of approximately 24,670 m². Refer to sketches SK-2 and SK-3.

- Consists of a one-level building landside and a two-level back-split building airside.
- The second level supports departure hold rooms and concession with ready access to the aircraft provided through apron drive passenger boarding bridges.
- The main level supports Customs and Immigration processing space as well as baggage handling services and security screening.
- The main level also supports passenger check-in, well-wisher and meeter/greeter spaces along with airline and airport office spaces.
- Commercial spaces are located both airside and landside on both levels.

Program of Operational Requirements

Minimum area and functional requirements for the new terminal building will be designed to support the following:

- Combined two-way peak hour passenger volumes for 2028 Design year of 987 passengers;
- One-way peak hour passenger volumes for international arrivals for 2028 Design year of 845 passengers;
- One-way peak hour passenger volumes for international departures for 2028 Design year of 356 passengers;

- One-way peak hour passenger volumes for US origin/destination flights for 2028 Design year of 790 passengers;
- The new PTB shall have the capacity to maintain a minimum 'C' Level of Service during peak hour periods as per IATA standards;
- The new Passenger Terminal shall service both US pre-cleared and international commercial aviation traffic using Code C, D, and E aircraft;
- Functional operating area requirements and associated requirements as detailed in Section 5 below;
- Incorporation of additional functional spaces including such facilities as: terminal operations offices, information counters, first aid, washrooms, baggage handling / sorting / security screening, material delivery and storage, mechanical, electrical and related back-of-house spaces etc.;
- Inclusion of commercial retail and concession spaces in strategic locations within the building to best serve the needs of the travelling public and capitalize on the associated revenue opportunities.

Combined with these individual functional requirements, the configuration will take into consideration the following:

- Modular expansion of the facilities to quickly and cost effectively address growth without major impact on the existing operations;
- Requirement for specific equipment, facilities and processes as detailed below.

Design Standards and Criteria

The new Passenger Terminal Building is based on the design and development of a modern and efficient facility that will significantly improve upon the existing terminal building standards. A high standard of design will be applied to the development of the new terminal to ensure that the modern conveniences and security that the travelling public demands are met.

Annex 4 of the Airport Project Concept document, Design Brief lists relevant design codes, standards and criteria.

Building Materials and Finishes

The quality of all systems, materials and construction of the PTB shall assure an uninterrupted operation, durability, simple and economic maintenance, protection and noise attenuation, health, and safety. The architectural design of the PTB and its landscaping shall present a uniform theme, taking into account the architectural, cultural and tropical surroundings, as well as to provide passengers with an attractive and positive impression of Bermuda.

Terminal Fit-Out and Equipment

Supply of building equipment is limited to built-in operational systems including:

- Baggage handling system, including claim devices, make-up devices, take away belts, conveyors, pushers and all control elements and MCP's;
- Passenger boarding bridges including 400 Hz together with bridge connectors over the head-of-stand road
- The IT Infrastructure components will include: Common Network Infrastructure (CNI); IP Telephone Communications (IPTC); Station Distribution Cabling (SDC); Common Use

Passenger Processing (CUPPS); Multi User Flight Information Displays (MUFIDS); Public Address

- Terminal security systems would be provisioned with the interoperability necessary to automate the most critical security response actions, consisting of Access Control System (ACS); Closed Circuit TV (CCTV) Surveillance; Intercom System, and; Master Time System (MTS)
- Public Address system including emergency alarms is provided
- The passenger pre-board screening process (PBS) checks passengers and their carry-on luggage for prohibited weapons and/or materials.
- Clear and precise signage devices within the Passenger Terminal pursuant to international standards will provide the highest orientation to the passengers and their comfort inside the Passenger Terminal.
- Commercial and airline areas shall be constructed as 'shell facilities only', with fit-out by future tenants: All fit outs will be subject to compliance with "tenant fit-out criteria & standards"
- Counters and furnishings to serve the passengers, such as at check-in, passport control, immigration secondary, arrival customs etc., shall be provided with power and data connectors as required. The design of millwork shall match the Passenger Terminal thematic.
- Processing areas will contain counters and kiosks for check-in, Immigration and Customs. All counters will be provided with data and power conduits; check-in counters will be provided with common use equipment for airline use.
- General office furniture will be provided by the government agencies. Dedicated Bermudian government & USCBP equipment, including computers, systems etc. is also to be provided & installed by the respective agencies.
- Hold lounge seating and public seating will be provided in accordance with IATA LOS 'C' standards to meet the identified traffic loads
- Security screening equipment including X-Rays, etc. will be made up of a combination of new equipment & reused/refurbished equipment from the existing terminal.

Area Summary

As per Program of Requirements and preliminary terminal layout the following is a summary of the key functional and support areas in the building:

Departures Hall + Arrivals Hall	3,930 m ²
Security Screening	1,015 m ²
US Preclearance	1,330 m ²
BHS/HBS	4,400 m ²
Hold Lounges	5,785 m ²
Immigration	1,260 m ²

Bag Claim	2,000 m ²
Office Space	1,220 m ²
Support Space	3,730m ²
Total ¹	24,670 m ²
¹ Airport operations and certain government offices will be allocated to the existing PTB. ² Includes commercial, circulation, mechanical, electrical, etc.	

5. Existing Passenger Terminal

During the construction phase of the new PTB, it is anticipated that minor modifications will be made to the existing PTB to accommodate interim traffic growth and potential modifications to commercial spaces.

During 2020, the existing newer west passenger terminal building will be repurposed. Its primary functional uses will include: government offices, airport offices, staff facilities, and storage - all generally supporting the new passenger terminal operations. The remaining area will be segregated and combined with the commercial development.

During transfer of operations from old to new PTB, areas of the old PTB will be used as swing space. It is currently anticipated that the older portion of the existing terminal will be demolished due to the operational and conversion costs associated with re-purposing of such an old facility.

6. Aircraft Gating

The 2028 terminal gate configuration will accommodate the following combined aircraft positions:

- 4 Code C positions (B737, A320, CRJ)
- 1 Code D position (B757, B767, A300)
- 1 Code E positions (A330, B777, B747) or 2 Code C positions
- Staging for future PBB installations

Note: Code E position(s) to be configured as MARS stands providing alternate gating for two (2) Code C aircraft. Under the MARS configuration, gating combinations would be either:

- 6 Code C + 1 Code D
- 1 Code E + 4 Code C + 1 Code D

Terminal Apron Criteria

- Sized to support 2028/2030 aircraft demand
- Provides Head-of-Stand (HOS) and Tail-line service roads
- Layout creates minimal impact on existing airfield operations during construction
- Approximate area 46,020 m²

7. Landside Development and Infrastructure

The following vehicle parking facilities are proposed:

• Public short term parking opposite the new PTB:	140 spaces
• Long term parking (located at the existing PTB)* ¹ :	135 spaces
• Overflow parking (located at existing PTB) * ¹ :	100 spaces
• Taxi/limousine staging:	70 spaces
• Bus/mini bus/shuttle parking opp. PTB:	±7 positions
• Car rental parking (immediate slots)	TBD
• Car rental return (located at existing terminal)* ¹ :	TBD
• Staff car park (located at existing terminal)* ¹ :	145 spaces
• Terminal operations parking (adjacent to PTB):	25 spaces
• Cycle/scooter spaces:	125 positions

*¹ Remote parking shuttle service required.

8. Airside

The following airside components are included:

- An in-ground hydrant fueling system shall be provided at each aircraft stand. It is anticipated that one (1) pit will be provided per Code C stand, two (2) per Code D and up to four (4) pits at MARS configured Code E stands.
- The fueling consortium (SOL) shall be responsible for coordinating their installation of the hydrant fueling system with the terminal/apron constructor.
- The apron and new taxiway shall be supplied with all appropriate signage including but not limited to illuminated gate numbers; aircraft lead-in-lines; PBB parking limits; equipment exclusion markings; regulatory signage, and; taxiway hold markings
- The site plan, SK-1 identifies interconnections to existing taxiways. Elevations and blends with the new apron shall be effected in accordance with ICAO recommendations.
- The apron will be illuminated from masts mounted on the airside perimeter of the new terminal. In addition, lower level supplemental lighting at the working face of the terminal, head of stand roadway and the bridge areas shall be provided in accordance with good practice. All lighting will take into account cut off levels to avoid interference with pilot's line of sight.
- Prior to initiation of construction of the new terminal and apron, existing taxiway Sierra will be relocated as identified on SK-1.

9. Utilities

New and modified utilities will serve the new terminal facilities as follows:

- The new terminal will recover and store rainwater. It will have two supply lines. Untreated filtered (grey) water will service WC's urinals, fire hydrants, sprinklers, etc.
- Potable water to lavatory basins, food and beverage outlets etc. will be purified via an onsite water treatment plant.
- Under the ground handling agreement, all international garbage from aircraft will be separated and disposed of in accordance with local regulations.

- The new terminal will be supported by the installation of a packaged sewerage treatment plant sized to support the 2028 loads. The plant shall be modularly expandable to process loads beyond 2028.
- The existing communications duct bank to the existing terminal will be relocated prior to construction of the new terminal.
- The existing electrical duct bank, (which follows a similar alignment to the existing communications duct bank) will be relocated prior to construction of the new terminal.
- Storm water from the terminal shall be captured and stored in above grade storage tanks located north of the new terminal.

10. Exclusions

(Insert list of exclusions as applicable)

SCHEDULE D

L.F. WADE INTERNATIONAL AIRPORT REDEVELOPMENT PROJECT CONSTRUCTION CONTRACT HEADS OF TERMS

As of the Effective Date

These heads of terms (the “**Heads of Terms**”) are provided exclusively to Bermuda and its advisors for use in connection with the Project. These Heads of Terms are intended to serve as a basis for the preparation of a definitive construction contract (the “**Construction Contract**”). The Construction Contract will expand on the terms and provisions contained herein and will contain additional terms and provisions to fully describe the obligations of the Contractor. The Construction Contract will be satisfactory to Project Co and will be subject to conform (subject to the principles outlined herein) to the definitive Project Agreement. All terms and conditions that remain unsettled herein shall be addressed in, and subject to the mutual agreement of the Parties as expressed in, the Construction Contract. These Heads of Terms are confidential and may not be shared with third parties without the prior written consent of Bermuda and CCC (save as required by the financing process to be conducted in accordance with the Airport Development Agreement between Canadian Commercial Corporation and the Bermuda Government made as of the Effective Date (the “**Airport Development Agreement**”)).

A. PROJECT AND PARTIES

Parties	The Bermuda Government (“ Bermuda ”) Canadian Commercial Corporation (“ CCC ” or the “ Contractor ”)
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[Note to Schedule D: Concurrent with Financial Close, Bermuda will assign its rights and obligations under the Construction Contract to Project Co and the Contractor will release Bermuda from all its obligations to the Contractor by way of the Master Assignment and Consent Agreement and CCC will subcontract its obligations under the Construction Contract to the Principal Subcontractor. See Section T, Assignment and Subcontracting, below.]

Governing Law	The Laws of the British Overseas Territory of Bermuda
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Parties	The Bermuda Government (“ Bermuda ”) Canadian Commercial Corporation (“ CCC ” or the “ Contractor ”)
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Governing Law	The Laws of the British Overseas Territory of Bermuda
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B. INTERPRETATION AND INTERACTION WITH PROJECT AGREEMENT

Definitions	Unless otherwise defined herein, all capitalized terms shall have the meanings set out in the Airport Development Agreement, or, if not so defined therein, in Appendix A to these Heads of Terms.
Interaction with Project Agreement / Equivalent Project Relief	<p>The obligations of the Contractor shall be, consistent with the terms hereof and subject to the terms hereof, “back-to-back” with Project Co’s obligations relating to the Work under the Project Agreement other than as modified herein.</p> <p>Similarly, the Contractor will be entitled to benefit from all rights, remedies and relief available to Project Co under the Project Agreement in respect of the Works (whether or not referenced herein) on terms and conditions to be agreed by the parties.</p>

C. GENERAL TERMS

Conditions Precedent to Construction Contract Effective Date	The rights and obligations of the parties under the Construction Contract shall be effective upon the date on which each of the conditions precedent set out in Appendix B shall have been fulfilled to the satisfaction of, or waived by, the party to whose benefit such condition accrues (the “ Construction Contract Effective Date ”).
Conditions Precedent to Construction Commencement Date	<p>The Contractor shall commence and proceed diligently with the Works beginning on the date on which each of the conditions set forth below shall have been fulfilled to the satisfaction of, or waived by, the party or parties to whose benefit such condition accrues (the “Construction Commencement Date”):</p> <ul style="list-style-type: none">(a) the Construction Contract Effective Date shall have occurred;(b) Project Co shall have issued to the Contractor the Notice to Proceed and provided sufficient rights and interest in and to the Project Site to perform the Works;(c) the Contractor shall have received the agreed Mobilization Payment due on the Construction Commencement Date as set forth in the Payment Schedule and the [Advance Payment Bond] corresponding to such Mobilization Payment shall have been issued and shall be in full force and effect [NTD: Form and quantum of performance security to be

agreed by the parties in consultation with Senior Lenders];

- (d) the Contractor, Project Co and the Lenders' Engineer shall have documented in writing the date which, as of the Construction Commencement Date, shall be the Guaranteed Substantial Completion Date;
[NTD: Additional conditions precedent to be considered.]
- (e) the performance guarantee in the form set forth in Appendix C (the "**CCC Performance Guarantee**") shall be delivered; and
- (f) the performance bond substantially in the form of Appendix D, issued by an acceptable financial institution on behalf of the Principal Subcontractor or its Affiliate, as the case may be, naming **[Project Co]** and the Senior Lenders' representative as beneficiaries with individual drawing rights in an amount equal to **[●]** (**●%**) of the construction contract price (the "**Performance Bond**") **[[NTD: Form and quantum of performance security to be agreed by the parties in consultation with Senior Lenders]** shall be delivered;

D. GENERAL OBLIGATIONS

Contractor's Responsibilities	The Contractor shall design, engineer, procure, construct and complete the Works and rectify any defects in the Works in accordance with the Construction Contract, including in compliance with all applicable Laws, Permits, the Environmental Impact Assessment, the Standards, Good Engineering Practice and Good Construction Practice and shall provide all superintendence, labour, materials and all other goods, facilities and things required in and for such design, engineering, procurement, construction, completion and rectification.
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Contractor's Specific Responsibilities	<p>Among other obligations, the Contractor shall be responsible for:</p> <ul style="list-style-type: none">(a) [TBD](b) the adequacy, stability and safety of all Project Site operations and methods of construction in respect of the Works;
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Project Co's Responsibilities	<p>Among other obligations, Project Co shall be responsible for:</p> <ul style="list-style-type: none">(a) no later than the Construction Contract Effective Date, providing evidence to the Contractor that sufficient funding is available to Project Co to meet its payment obligations under the Construction Contract;(b) providing sufficient rights and interest in and to the Project Site to perform the Works;(c) [TBD];(d) ensuring that the Tax-related concessions, allowances and benefits afforded the Contractor, the Principal Subcontractor and its Affiliates and Subcontractors in the Project Agreement are passed on to such Persons; and(e) meeting its payment obligations under the Construction Contract.
Specified Consents	<p>The Contractor shall be responsible for obtaining and maintaining those Permits specifically listed as being the responsibility of the Contractor (the "Specified Consents").</p>
Cooperation	<p>The Contractor and Project Co shall use reasonable efforts to coordinate with each other to achieve consistency between the Work and Project Co's on-going Airport Operations. In particular, the Contractor shall manage the Works within the confines of the designated Project Site with a primary focus on safety. Contractor will at all times coordinate and cooperate with Project Co in starting up and otherwise bringing on-line completed segments of the Works in a manner that minimizes disruption of Airport Operations and interference with the use of the Airport by patrons thereof. Any necessary interruptions to Airport Operations shall be planned and coordinated in advance. Contractor shall comply with all safety protocols of the Airport.</p>

E. THE PROJECT SITE

Vacant Enjoyment	<p>Project Co shall ensure that the Contractor has a licence of use and access to the Project Site to the extent required by the Contractor to perform the Works until the completion of the Works and the remedy of any defects in the Works in accordance with the Construction Contract, subject to ongoing</p>
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Airport Operations by Project Co and providing Bermuda sufficient access to carry out the Retained Government Services.

Rights of Way

Project Co shall maintain the Rights of Way and Utility Rights of Way until the completion of the Works and the remedy of any defects in the Works in accordance with the Construction Contract.

F. DESIGN AND ENGINEERING OBLIGATIONS

Contractor's Responsibilities

The Contractor will be responsible, *inter alia*,:

- (a) for the design and engineering of the Works and for any mistake, inaccuracy, inconsistency, inadequacy, discrepancy or omission contained in such design or engineering and any failure of the Works to meet the Construction Specifications;
- (b) for ensuring that the design and engineering of the Works comply with Good Engineering Practice and all applicable Laws and Standards;
- (c) for preparing the design documents in conformity with certain documents, including, without limitation, the Construction Specifications, the Environmental Impact Assessment, Good Engineering Practice, the Standards and in compliance with all applicable Laws and all applicable requirements of the Specified Consents and otherwise in accordance with the Construction Contract;
- (d) for, as soon as possible and in any event no later than ● days prior to the Construction Commencement Date, furnishing to Project Co a definitive design submission schedule;
- (e) for submitting copies of the **[Design Documents]** to each of Project Co, Project Co's engineer and the Lenders' Engineer for approval in accordance with the **[Design Submission Schedule]** and for implementing any relevant comments of such recipients in respect of the **[Design Documents]** in accordance with the Construction Contract (without prejudice to the right of the Contractor to refer the matter for resolution in accordance with agreed to dispute resolution procedures);

- (f) within [●] month(s) after Substantial Completion of the Works, for submitting to Project Co **[As-Built Drawings]** and such other technical information reasonably requested;

[NTD: Contractor to consider utilization of Building Information Modelling for this Project.]

- (g) for making its own arrangements for the engagement of all staff and labour, local or other, and for their adequate training, payment, housing, feeding and transport, all in accordance with Good Construction Practice;
- (h) for performing the Works diligently so as to meet the schedule set forth in the Works programme and so as to achieve Substantial Completion of each Milestone on or prior to the corresponding Milestone Date and Substantial Completion on or before the Substantial Completion Date;
- (i) for ensuring that it and all of its Subcontractors shall at all times comply with all applicable Laws and Standards relating to the design, construction, engineering and testing of the Works;
- (j) for, at all reasonable times, affording reasonable access to Bermuda and Project Co, their engineers, representatives of the Senior Lenders and any Governmental Authority to view or inspect any part of the Project Site or the Works in accordance with the Construction Contract or the Financing Documents;
- (k) for providing to Project Co in writing the name and description of the qualifications of each person the Contractor proposes to appoint as its project manager, the appointment of whom will be subject to the approval of Project Co, acting reasonably;
- (l) for keeping at all times the Works and the materials for incorporation therein free and clear of any lien, charge or other encumbrance of any Subcontractor;
- (m) for ensuring that all operations necessary for the execution and completion of the Works and the remedying of any defects therein shall, so far as compliance with the requirements of the Construction Contract permits, be carried on so as not to interfere unnecessarily or improperly with the convenience of the

public or the access to, use and occupation of the properties of third persons; and

- (n) for providing a full time health & safety manager on the Works site until completion of the Works and facilitating Health & Safety training of all workers, whether directly employed or employed by Subcontractors.

DESIGN REVIEW AND APPROVAL PROTOCOL

The parties shall agree to a Design Review and Approval Protocol that will set out, *inter alia*, the steps and procedures to be followed in connection with the review and approval of the progressive design of the Works, which protocol shall be appended to the Construction Contract.

G. ENVIRONMENT AND SAFETY

Protection of the Environment

The Contractor shall, throughout the execution and until Substantial Completion of the Works, at the Contractor's cost, except as provided for under the Construction Contract (including risks relating to Pre-Existing Environmental Condition, pre-existing environmental contamination and archaeological remains which shall reside with Bermuda), *inter alia*, to the extent within its control, take all necessary steps:

- (a) to comply with all applicable Law relating to the preservation of the Environment and all of the requirements of the Senior Lenders to protect the Environment during the performance of the Works,
- (b) to ensure that air emissions, surface and effluent discharges and the handling or disposal of any waste arising from the Project Site or otherwise from the Works shall be in accordance with applicable Laws and Permits,
- (c) to ensure that appropriate pollution control and other environmental protection measures are taken in accordance with any Environmental Impact Assessment or environmental management and monitoring plan for the Project, and
- (d) to avoid releasing into the Environment any potentially hazardous materials or otherwise causing any contamination of the Environment, and in the event of any such release or other contamination, to remediate the same without delay and in accordance with all

applicable Laws and Permits.

Safety

The Works shall be constructed, and the Contractor shall conduct its operations, in compliance with all safety requirements:

- (a) under applicable Laws and Permits of the Airport; and
- (b) as otherwise set out in a Project Safety Management Protocol to be agreed by the parties and appended to the Construction Contract (the “**Project Safety Management Protocol**”).

H. SUPERVENING EVENTS

Supervening Events

The Contractor shall only be entitled to relief from any obligation under the Construction Contract to the extent that Project Co is entitled to relief under the Project Agreement.

I. SUBSTANTIAL COMPLETION

Time for Substantial Completion

The Contractor shall achieve Substantial Completion of the Works by the date which is [●] (●) months after the Construction Commencement Date (or such other date as may be agreed by the parties) (the “**Guaranteed Substantial Completion Date**”).

Conditions to Substantial Completion

Substantial Completion of the Works shall occur on the date on which (the “**Substantial Completion Date**”):

- (a) the Works are functionally complete and useable or actually being used for their intended purposes;
- (b) the Contractor has completed all of the Works in accordance with the requirements of the Construction Contract (except for any Punch List Items that can be completed for an aggregate expenditure of 1% or less of the Construction Contract price; and
- (c) the Contractor has met such other conditions as the parties may agree in the Construction Contract, which shall include, *inter alia*, the issuance of the relevant occupancy Permits (“**Substantial Completion**”).

Acceptance Testing

The parties shall agree to an Acceptance Tests Review and Approval Protocol that will set out, *inter alia*, the steps and procedures to be followed in connection with the review and

approval of the Works, which protocol shall be appended to the Construction Contract.

J. LIQUIDATED DAMAGES FOR DELAY

Liquidated Damages for Delay

If the Contractor fails to achieve Substantial Completion of the Works by the Guaranteed Substantial Completion Date (as adjusted pursuant to the terms of the Construction Contract), the Contractor shall pay to Project Co as a genuine pre-estimate of the damages suffered by Project Co as a result of the delay by the Contractor in achieving Substantial Completion of the Works, liquidated damages for every day or part of a day which has elapsed between the Guaranteed Substantial Completion Date (as adjusted pursuant to the Construction Contract) and the date of Substantial Completion of the Works as set forth in the Substantial Completion certificate. The daily quantum of liquidated damages shall be determined as the sum of:

- (i) an amount to be specified in the Construction Contract sufficient to compensate Project Co for foregone revenues and costs associated with the delay (the “**Non-Bermuda LD Amount**”); and
- (ii) the amount to be paid by Project Co to Airport Quango of USD\$15,000 per day; provided that if the Non-Bermuda LD Amount (excluding any portion of such amount payable by Project Co to persons that do not deal at arms' length with each of Project Co and the Project Co Members) is greater than \$20,000 per day, then such USD \$15,000 amount will be reduced on a dollar for dollar basis for each dollar by which the Non-Bermuda LD Amount exceeds USD\$20,000 to a minimum of USD\$5,000 per day (the “**Quango LD Amount**”).

The aggregate amount of liquidated damages payable by the Contractor to any person in all circumstances associated with the construction of the Airport shall not exceed 10% of the Construction Contract price (the “**Total LD Cap**”). Notwithstanding the preceding sentence, if at the time when the aggregate accrued liquidated damages reaches the Total LD Cap, the aggregate Quango LD Amount then accrued is less than USD\$5,000,000, the Contractor shall continue to pay the prevailing Quango LD Amount until the earlier of: (A) the date of Substantial Completion of the Works as set forth in the Substantial Completion certificate; and (B) the aggregate

Quango LD Amount accrued shall equal USD\$5,000,000.

The aggregate Quango LD Amount shall be due and payable by Contractor on or before the date of any payment due to the Contractor on Substantial Completion of the Works.

K. CONTRACT PRICE

Lump Sum Turn Key Price	The lump sum turnkey price for the Construction shall be as set out, and agreed to between the parties, in the Construction Contract.
Payment Schedule	Project Co will pay the Contractor on such terms as are agreed between the parties and set out in a Payment Schedule to the Construction Contract, which will set out both payments of the regular contract price on a monthly basis according to the progress of the Works and the Mobilization Payments. [NTD: Provisions concerning holdback amounts (if any) and any retention security associated therewith may be agreed to by the parties in the Construction Contract.]

L. WARRANTIES OF WORKS

Warranties	<p>The Contractor will provide the following representations, warranties and covenants to Project Co, <i>inter alia</i>:</p> <ul style="list-style-type: none">(a) the Permanent Works shall have good and marketable title, shall be free and clear of all third party liens, claims and encumbrances, shall be new (other than as specifically provided for in the Construction Contract) and shall conform in all material respects with the Construction Contract and all applicable Laws and Standards;(b) the design, engineering, procurement, construction and completion of the Permanent Works shall conform in all material respects with the Construction Contract and all applicable Laws and Standards;(c) the Permanent Works shall be free from substantial defects and deficiencies of any kind, shall be designed and engineered in accordance with Good Engineering Practice and shall be constructed in accordance with Good Construction Practice; and
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- (d) each of the representations, warranties and covenants set out in Section 16.1 of the Airport Development Agreement as may be applicable to the Construction Contract, *mutatis mutandis*.

Project Co shall not, during the term of the Construction Contract, be charged with nor convicted by a Court or tribunal of competent jurisdiction of a criminal offence concerning unethical business practices, including bid rigging, criminal fraud, money laundering, tax evasion and corruption of foreign officials.

M. DEFECTS LIABILITY

Defects Liability Period

- (a) The defects liability period (the “**Defects Liability Period**”) applicable to the Works shall expire twenty-four (24) months after the date of Substantial Completion of the Works. During the Defects Liability Period, the Contractor shall generally be responsible for making good by repair or replacement any defect to any part of the Permanent Works (and any physical damage to any part of the Works caused thereby) which may appear during the Defects Liability Period, provided that the Contractor shall not be responsible for repair or replacement work needed as a result of regular wear and tear, [etc.].
- (b) Any plant, materials or other portions of the Works which are repaired or replaced during the Defects Liability Period shall be warranted by the Contractor until the later of the expiration of the Defects Liability Period and the expiration of a single extension period ending two (2) years after the date on which such repair or replacement was completed.

N. VARIATIONS IN WORKS

Variations

Variation (“**Variation**”) shall mean a variation in the cost, schedule, scope, design, quality, form, character, kind, position, dimension, level or line of the Work as a result of any omissions, modifications, additions, substitutions or alterations to the Construction Specifications or the [**Design Documents**]

or any amendment to the Environmental Impact Assessment requested as by Project Co or the Contractor (as the case may be). The Construction Contract shall provide for a regime for the management of Variations as agreed between the parties.

O. CLAIMS

Supervening Events

The Project Agreement will include, *inter alia*, a list of Supervening Events, including Change in Law and Discriminatory Change in Law, the occurrence of which will entitle Project Co to an extension of the guaranteed Substantial Completion Date, and/or compensation for impacts resulting therefrom. To the extent that Project Co is entitled to relief, the Contractor may be entitled to equivalent Project relief. No other relief will be available to the Contractor.

P. INDEMNITIES AND LIMITATION OF LIABILITY

General

The Construction Contract shall include provisions outlining the parties' indemnity obligations and procedures to be followed to claim such indemnification.

Limitation of Liability

The Construction Contract shall include a limitation of the Contractor's aggregate liability under the Construction Contract equal to [50]% of the construction contract price **[NTD: Amount of limitation of liability to be agreed by the parties in consultation with the Senior Lenders]**

Q. TERMINATION FOR DEFAULT

Termination for Default of Contractor

The Construction Contract will include a list of events of default of the Contractor and provisions for termination upon such events on terms to be agreed between the parties.

Termination for Default of Bermuda

The Construction Contract will include a list of events of default of Project Co and provisions for termination upon such events on terms to be agreed between the parties.

R. REPRESENTATIONS AND WARRANTIES

Representations and Warranties

The Construction Contract shall provide for such representations and warranties of the Contractor and Project Co as are usual and customary in international design-build

contracts.

S. SETTLEMENT OF DISPUTES

Dispute Resolution Any dispute which cannot be settled amicably by the parties after elevation to senior representatives of each party may be submitted by either party to arbitration in accordance with a Dispute Resolution Agreement to be agreed by the parties. The Principal Subcontractor will be a required party in all dispute resolution proceedings or processes.

T. ASSIGNMENT AND SUBCONTRACTING

Assignment

- (a) Subject to Section T(b), below, neither party shall, without the prior written consent of the other party, assign the Construction Contract or any part thereof, or any benefit, interest, right or obligation therein or thereunder.
- (b) The consent of the Contractor shall not be required for any such assignment (i) by Bermuda to Airport Quango, (ii) by Bermuda or Airport Quango to Project Co, or (iii) by Project Co to the Senior Lenders or any Senior Lenders' representative(s) as security for the obligations of Project Co under the Financing Documents.

Subcontracting Without the prior consent of Bermuda, the Contractor shall not have the right to subcontract the whole or any material part of the Works to any Person; provided that:

- (a) the Contractor shall be permitted to subcontract the whole or any part of the Works to the Principal Subcontractor;
- (b) the Principal Subcontractor shall be permitted to subcontract the whole or any part of the Works in its discretion.

Notwithstanding any such subcontracting, CCC shall remain liable and responsible to Bermuda for the execution of the Works in accordance with the Construction Contract.

Local Sourcing In keeping with Bermuda's objective to use the Project as a vehicle to maintain and create sustainable long term employment for Bermudians, the Contractor will procure that

the Principal Subcontractor implement a programme whereby:

- (a) except where the qualifications, skills, experience, availability and capacity (financial or otherwise) for labour and/or subcontracting requirements cannot be satisfied by Bermuda Labour or Bermudians in a manner which will permit the Contractor and Principal Subcontractor to satisfy their obligations under the Project Documents and meet the construction budget and schedule, the Principal Subcontractor will, provide priority opportunities for Bermudians and Bermuda Labour to benefit from the Project through increased retainer and employment opportunities; and
- (b) the Principal Subcontractor will enter into discussions with Project Co with respect to potential mentoring and work shadowing programmes, to establish job fairs and undertake employment recruiting events and requests for proposals to identify, recruit and retain Bermudian employees, independent contractors and service providers.

APPENDIX A DEFINITIONS

“Acceptance Tests Review and Approval Protocol”	has the meaning set out in Section I.3;
“CCC Performance Guarantee”	has the meaning set out in Section C.2(e);
“Construction Commencement Date”	has the meaning set out in Section C.2;
“Construction Contract Effective Date”	has the meaning set out in Section C.1;
“Construction Specification”	means the technical specifications governing the design and construction of the Works including, inter alia, the Owner’s Requirements, Design Brief, applicable design and construction standards and preliminary schematic design.
“Defects Liability Period”	has the meaning set out in Section M.1(a);
“Design Review and Approval Protocol”	has the meaning set out in Section F.2;
“Dispute Resolution Agreement”	means the agreement to be entered into among Project Co and the Contractor for, among other things, the resolution of Disputes through international arbitration;
“Environment”	means any air (including air within natural or man-made structures above or below ground), water (including territorial, coastal and inland waters and ground water and water in drains and sewers), land (including the sea bed or river bed under any water), surface land and sub-surface land;
“Environmental Impact Assessment”	means [●], as the same may be amended, updated or otherwise modified from time to time;
“Good Construction Practice”	means those practices, methods, techniques, standards and procedures prevailing during the term of the Construction Contract which are generally accepted and followed by prudent, diligent, skilled and experienced contractors in the international aviation industry with respect to the turn key construction, procurement and installation of equipment at airports of a similar nature and magnitude as the New Terminal and which take into account the provisions of the Construction Contract;

“Good Engineering Practice”	means those practices, methods, techniques, standards and procedures prevailing during the execution of the Works for the design and engineering of the New Terminal in a lawful manner and which are generally accepted in the international aviation industry for use in the turn key design and engineering of airports of a similar nature and magnitude as the New Terminal;
“Guaranteed Substantial Completion Date”	has the meaning set out in Section I.1;
“Lenders’ Engineer”	means the consulting engineer or expert or firm of consulting engineers to be appointed from time to time by the Senior Lenders;
“Milestone”	means each of the milestones identified as such in the Works programme;
“Milestone Date”	means a date for the achievement of substantial completion of a Milestone as set forth in the Works programme;
“Mobilization Payments”	means certain payments identified as advances in the Payment Schedule;
“Non-Resident Subcontractor”	means a subcontractor not resident in Bermuda;
“Notice to Proceed”	means the notice issued by Project Co to the Contractor specifying the date for commencement of the Works, which date shall be no earlier than the date of Contractor’s receipt of such notice;
“Payment Schedule”	means the schedule of monthly payments and Mobilization Payments to be attached to the Construction Contract, as adjusted from time to time pursuant to the Construction Contract;
“Performance Bond”	has the meaning set out in Section C.2(f);
“Permanent Works”	means all permanent Works (including plant and utilities but excluding real property);
“Pre-Existing Environmental Condition”	means any condition of the Environment at any of the Project Sites existing prior to and on the Effective Date and relating to or arising from the presence, handling, use, transport, storage, release or disposal of any potentially hazardous materials, it being understood that any continuation, exacerbation

tion or aggravation of any such condition after the Construction Contract Effective Date shall be considered to be part of any “Pre-Existing Environmental Condition” unless, and to the extent, any such continuation, exacerbation or aggravation was caused by the negligence or wilful misconduct of the Contractor or any of its contractors, Subcontractors, suppliers or vendors;

“Principal Subcontract”

means the subcontract for the whole of the Works between the Contractor and the Principal Subcontractor;

“Principal Subcontractor”

means Aecon Constructors or its Affiliate;

“Project Safety Management Protocol”

has the meaning set out in Section G.2.(b);

“Project Site”

means the land, spaces and surfaces to be made available to the Contractor for the Works pursuant to the Construction Contract;

“Punch List Items”

means those items which are outstanding as of Substantial Completion and which are certified by Project Co’s engineer and the Lenders’ Engineer as being of a minor nature and the non-completion of which does not affect the complete, safe and reliable operation of the Works;

“Rights of Way”

means all necessary rights of passage over or under, and of access and egress to and from, on foot and in vehicles, over land or by water, the New Airport and the Project Sites and any part or parts thereof for the purpose of carrying out the Works;

“Standards”

means the agreed local and international standards applicable to the design and construction of the Works to form part of the Construction Specifications;

“Subcontractor”

means any Person (other than the Contractor) who performs any portion of the Works, whether hired by the Contractor or by a Person hired by the Contractor and including each tier of contractor, subcontractor, sub-subcontractor and so forth, and any Person providing all or a portion of the materials required by any Person to perform any portion of the Works, whether or not incorporated into the Works;

“Substantial Completion”	means the date on which each of the requirements set forth in Section I.2 has been met or otherwise satisfied;
“Substantial Completion Date”	has the meaning set out in Section I.2;
“Substantial Completion of the Works”	means the date on which each of the requirements set forth in Section I.2 (Conditions to Substantial Completion) has been met or otherwise satisfied, as certified by Project Co in the Substantial Completion certificate;
“Utility Rights of Way”	means all necessary rights of way, for the provision, without unauthorized interruption, of the utilities at and to the Project Site;
“Vacant Enjoyment”	means the right to use the Project Site for purposes of carrying out the Works without unauthorized interruption;
“Variation”	has the meaning set out in Section N.1;

APPENDIX B

CONDITIONS PRECEDENT

The Conditions precedent to the Effective Date will include the following and all such other conditions precedent as are usual and customary for agreements of this nature as required by the parties, acting reasonably, all in form and substance satisfactory to the parties, acting reasonably:

1. due execution and delivery of the Construction Contract;
2. delivery of Vacant Enjoyment, Rights of Way and Utility Rights of Way by Project Co to the Contractor as evidenced by delivery of a certificate to such effect, and Project Co shall have permitted the Contractor to have access to the Project Site;
3. delivery of all Specified Consents required to be obtained prior to the Effective Date with respect to the commencement of the Works;
4. the Project Agreement shall have been entered into and shall be in full force and effect, with all conditions precedent to the effectiveness thereof having been fulfilled or waived, as the case may be, except any condition precedent regarding the effectiveness of the Construction Contract;
5. the Construction Contract and the CCC Performance Guarantee shall have been approved by the Minister of Finance and the Minister for International Trade of Canada;
6. the Financing Documents shall have been entered into and shall be in full force and effect, with all conditions precedent to the effectiveness thereof having been fulfilled or waived, as the case may be, except any condition precedent regarding the effectiveness of the Project Agreement;
7. the Master Assignment and Consent Agreement shall have been entered into and shall be in full force and effect, with all conditions precedent to the effectiveness thereof having been fulfilled or waived, as the case may be, except any condition precedent regarding the effectiveness of the Project Agreement;
8. the CCC Performance Guarantee shall have been entered into and shall be in full force and effect and the Performance Bond shall have been issued and shall be in full force and effect;
9. [etc.]

APPENDIX C
CCC PERFORMANCE GUARANTEE
[TO BE INSERTED]

APPENDIX D
PERFORMANCE BOND
[TO BE INSERTED]

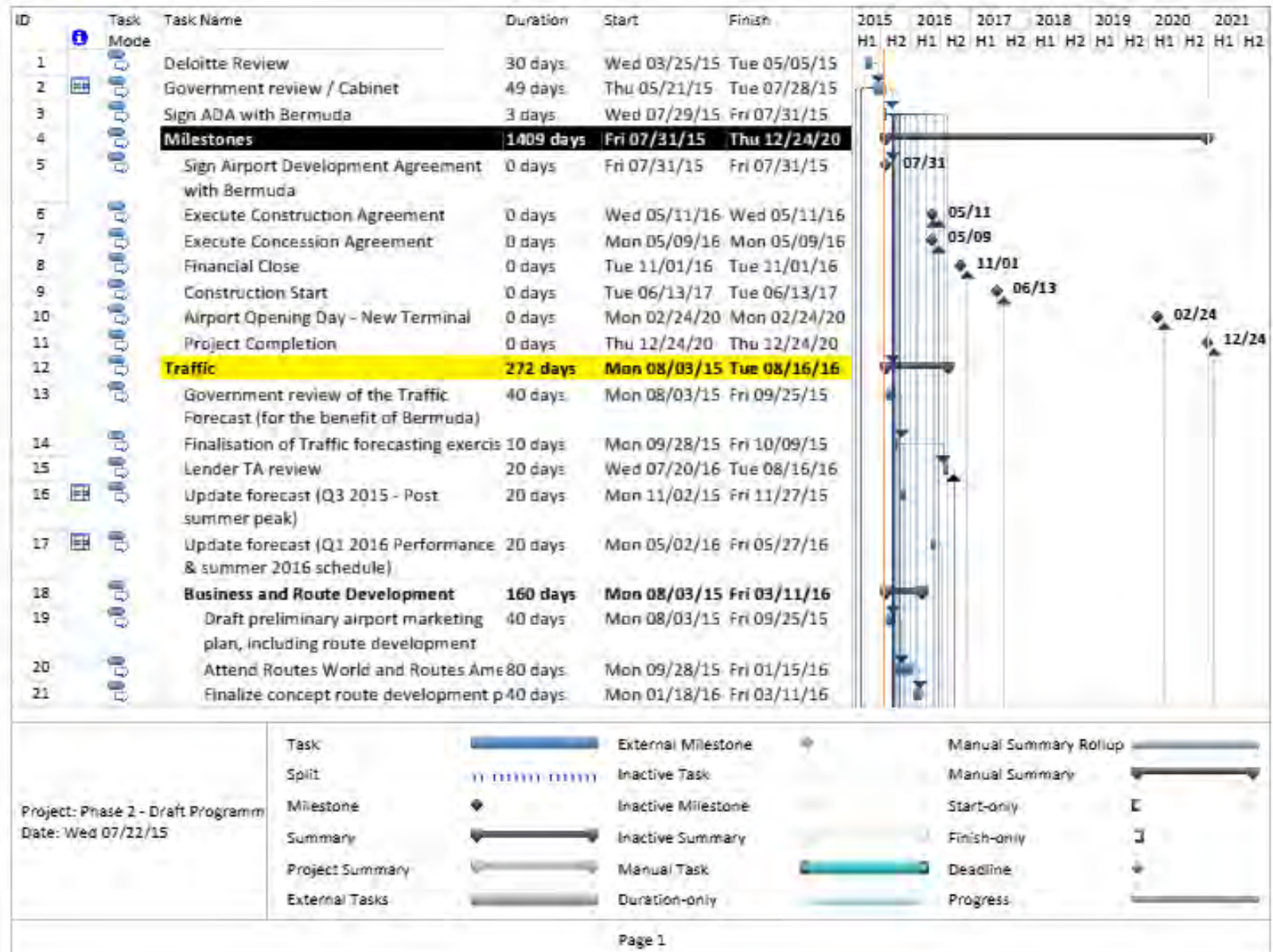
SCHEDULE E REGULATED FEES AND CHARGES

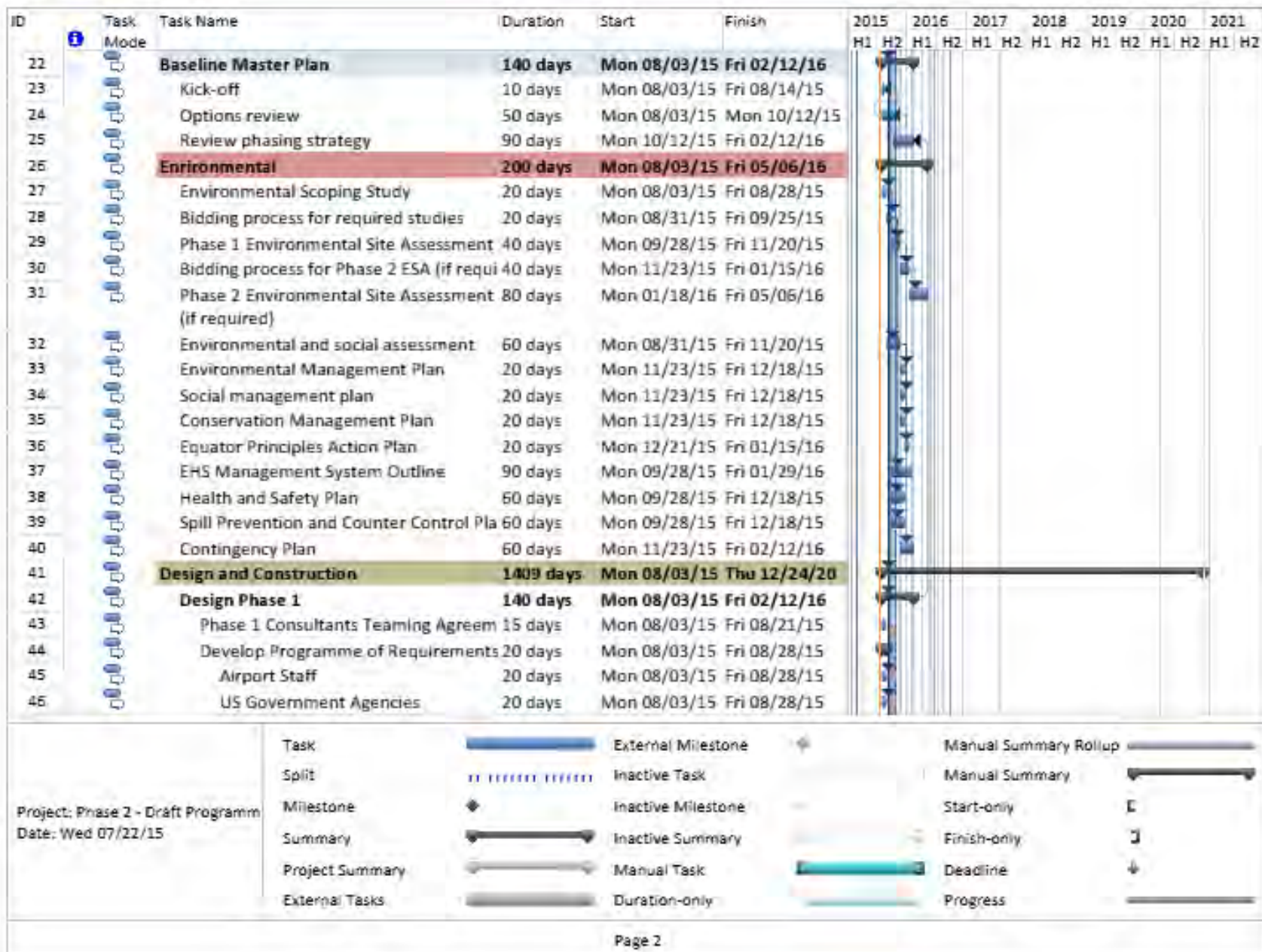
L.F. WADE INTERNATIONAL AIRPORT DEPARTMENT OF AIRPORT OPERATIONS FEES AND CHARGES

REGULATED AIRPORT FEES AND CHARGES			
REGULATED AIRPORT CHARGES (BASED ON CURRENT PUBLISHED BDA FEES AND CHARGES)			
DESCRIPTION	CURRENT RATE	INTERIM RATE	FINANCIAL CLOSE
LANDING FEES SIGNATORY AIRLINES - PER AIRCRAFT			
COMMERCIAL	\$3.25/1000 LBS	\$3.25/1000 LBS	\$3.45/1000 LBS
GENERAL AVIATION	\$3.25/1000 LBS	\$3.25/1000 LBS	\$3.45/1000 LBS
CARGO ONLY	\$3.25/1000 LBS	\$3.25/1000 LBS	\$3.45/1000 LBS
COMBINED	\$3.25/1000 LBS	\$3.25/1000 LBS	\$3.45/1000 LBS
NON SIGNATORY AIRLINES - PER AIRCRAFT	\$6.00/1000 LBS	\$6.00/1000 LBS	\$6.37/1000 LBS
TERMINAL FEES - COMMERCIAL - PER AIRCRAFT			
1 - 150,000 LBS)	\$72.25	\$72.25	\$76.67
NEXT 150,000 - 300,000 LBS) CUMULATIVE	\$0.1597/1000 LBS	\$0.1597/1000 LBS	\$0.1695/1000 LBS
NEXT 300,001 - 700,000 LBS)	\$0.2707/1000 LBS	\$0.2707/1000 LBS	\$0.2873/1000 LBS
OVER 700,000 LBS)	\$204.45	\$204.45	\$216.96
TERMINAL FEES GENERAL AV - PER AIRCRAFT			
1 - 150,000 LBS)	\$72.25	\$72.25	\$76.67
NEXT 150,000 - 300,000 LBS) CUMULATIVE	\$0.1597/1000 LBS	\$0.1597/1000 LBS	\$0.17/1000 LBS
NEXT 300,001 - 700,000 LBS)	\$0.2707/1000 LBS	\$0.2707/1000 LBS	\$0.29/1000 LBS
OVER 700,000 LBS)	\$204.45	\$204.45	\$216.96
TERMINAL FEES - COMMERCIAL - PER PAX			
IN-TRANSIT PAX	\$0.4498	\$0.4498	TBD
ARRIVING PAX	\$1.20	\$1.20	TBD
TERMINAL FEES - GENERAL AV - PER PAX			
IN-TRANSIT PAX	\$0.75	\$0.75	\$0.80
AIRCRAFT PARKING - COMMERCIAL/GENERAL AV			
1 - 150,000 LBS)	Over 3 Hours \$25.00	\$25.00	\$26.53
NEXT 150,000 - 300,000 LBS) CUMULATIVE	\$0.1675/1000 LBS	\$0.1675/1000 LBS	\$0.1778/1000 LBS
OVER 300,000 LBS	\$0.1900/1000 LBS	\$0.1900/1000 LBS	\$0.2016/1000 LBS
AIR CARGO PER KILO	\$0.025		\$0.027
AVIATION SECURITY FEE PER DEPARTING PASSENGER*	\$4.25	\$8.25	[\$11.77]*
Shown as a separate item on the ticket		\$7.25	
PASSENGER FACILITY CHARGE PER DEPARTING PASSENGER			
Shown as a separate item on the ticket			
UNITED STATES PASSENGERS	\$4.00	\$4.00	\$4.24
OTHER INTERNATIONAL PASSENGERS	\$3.00	\$3.00	\$3.18
DEPARTURE TAX Shown as a separate item on the ticket	\$50.00	\$50.00	\$50.75
Security Charge for manpower at Hold Baggage Screening at Passenger Screening	Actual cost divided amongst airlines		
2. ADDITIONAL REGULATED AIRPORT CHARGES: SERVICES PROVIDED BY PROJECTCO			
	CURRENT RATE	INTERIM RATE	FINANCIAL CLOSE
AIRPORT IMPROVEMENT FEE (AIF)**	NA	\$16.00	
Shown as a separate item on the ticket			
AIRPORT INFRASTRUCTURE CHARGE (AIC)***			[\$20.00]
Shown as a separate item on the ticket			
AIR BRIDGE RENTAL CHARGE****	NA		Not In Model****
Paid by Airline			
COMMON USE TERMINAL EQUIPMENT (CUTE/CUSS)	NA		\$1.86
Shown as a separate item on the ticket			
PASSENGERS WITH RESTRICTED MOBILITY (PRM)	NA		Not In Model
Shown as a separate item on the ticket			
AVIATION FUEL THROUGHPUT FEE	0.06/gallon	0.06/gallon	0.1/gallon
Paid by Airline			
*NOTE: The \$11.77 Aviation Security Fee Per Departing Passenger is provisional and must be settled and updated in accordance with ICAO 9082 policy as at Financial Close.			
**NOTE: AIF to be discontinued on Financial Close			
***NOTE: AIC to be introduced on Financial Close and to be further adjusted as required for project financing, target IRR, Bermuda subdebt, etc			
****NOTE: Air Bridge Rental Charge of \$125 is proposed, effective on opening of new terminal			
CURRENT RATES: All Current Rates are in 2013 dollars except Departure Tax which is in 2015 dollars			
FINANCIAL CLOSE: All Financial Close rates are in estimated 2016 dollars			
AIRPORT IMPROVEMENT FEE: To terminate on Financial Close and be replaced by Airport Infrastructure Charge			
POST FINANCIAL CLOSE: All regulated airport charges will be increased annually by agreed inflation formula			
REGULATED FEES AND CHARGES: The Regulated Charges reflected here are based on the assumptions and projections in the Project Concept; the final set of Regulated Charges will be determined based on final figures as they evolve during the Term			

SCHEDULE F
PRELIMINARY DEVELOPMENT PLAN AND BUDGET

PART A: PRELIMINARY DEVELOPMENT PLAN





ID	Task Mode	Task Name	Duration	Start	Finish	2015	2016	2017	2018	2019	2020	2021			
						H1	H2	H1	H2	H1	H2	H1	H2	H1	H2
47		Airlines	20 days	Mon 08/03/15	Fri 08/28/15										
48		Potential Concessionaires	20 days	Mon 08/03/15	Fri 08/28/15										
49		Tourism Authority	20 days	Mon 08/03/15	Fri 08/28/15										
50		Program of requirements review and sign-off	5 days	Mon 08/24/15	Fri 08/28/15										
51		Schematic Design	140 days	Mon 08/03/15	Fri 02/12/16										
52		Schematic Design	140 days	Mon 08/03/15	Fri 02/12/16										
53		Outline Specs	140 days	Mon 08/03/15	Fri 02/12/16										
54		Design progress review	5 days	Thu 12/10/15	Wed 12/16/15										
55		Design final review	5 days	Mon 02/08/16	Fri 02/12/16										
56		Completing site surveys, investigations	63 days	Mon 08/03/15	Wed 10/28/15										
57		Geotechnical investigations	60 days	Mon 08/03/15	Fri 10/23/15										
58		Topographical surveys	3 days	Mon 08/03/15	Wed 08/05/15										
59		Condition surveys of all assets and facilities	40 days	Thu 09/03/15	Wed 10/28/15										
60		Develop Maximum Upset Price	178 days	Mon 08/03/15	Wed 04/06/16										
61		VE workshop (Design)	5 days	Mon 08/31/15	Fri 09/04/15										
62		VE workshop (Site & Asset conditions)	5 days	Thu 10/29/15	Wed 11/04/15										
63		VE workshop (Supply chain)	5 days	Thu 10/15/15	Wed 10/21/15										
64		Develop a detailed construction schedule and execution plan	48 days	Mon 08/03/15	Wed 10/07/15										
65		Consultation with the department of employment	5 days	Mon 08/03/15	Fri 08/07/15										
66		Develop a robust local procurement strategy	48 days	Mon 08/10/15	Wed 10/14/15										

Project: Phase 2 - Draft Program
Date: Wed 07/22/15

Task

Split

Milestone

Summary

Project Summary

External Tasks

External Milestone

Inactive Task

Inactive Milestone

Inactive Summary

Manual Task

Duration-only

Manual Summary Rollup

Manual Summary

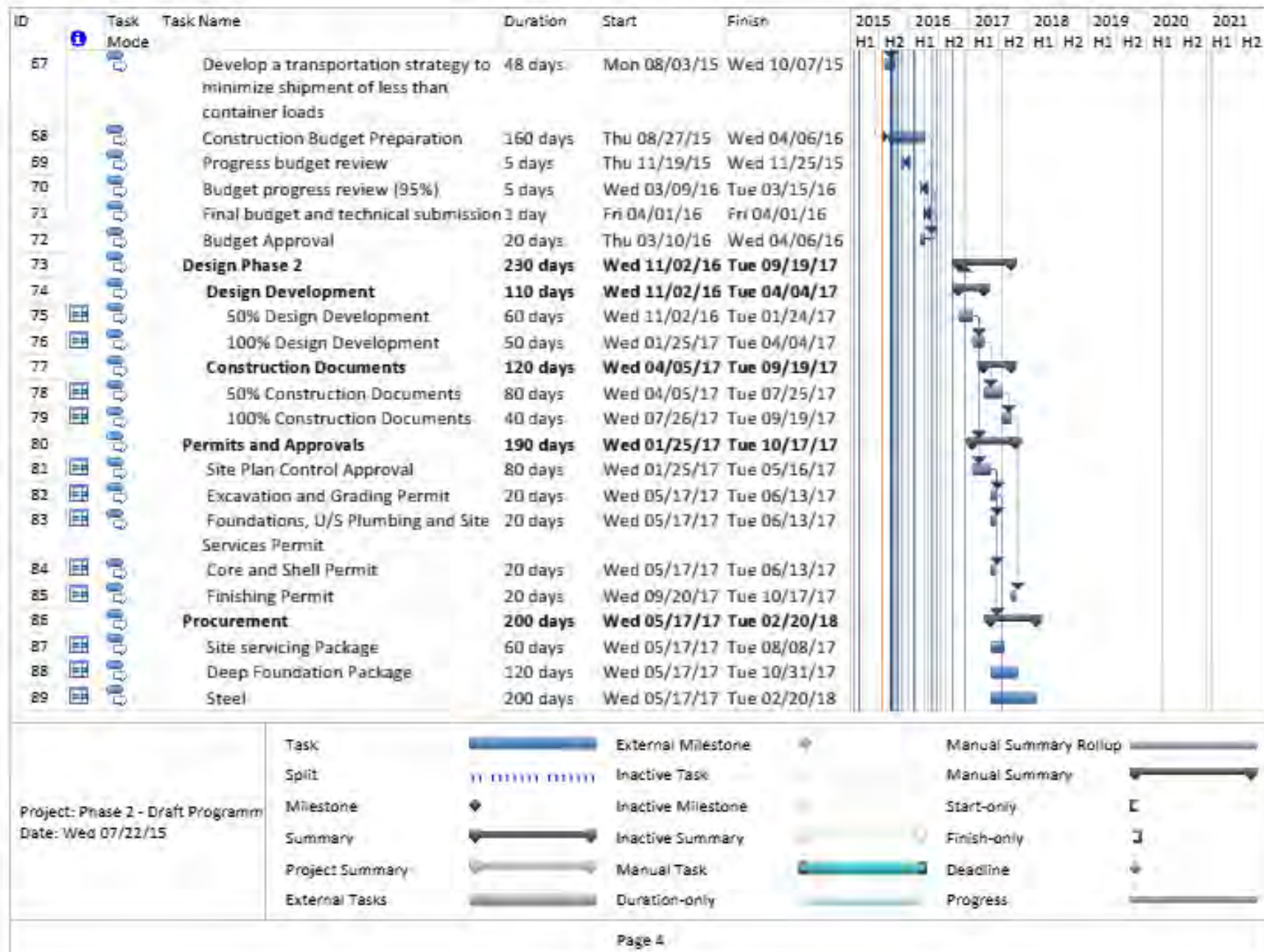
Start-only

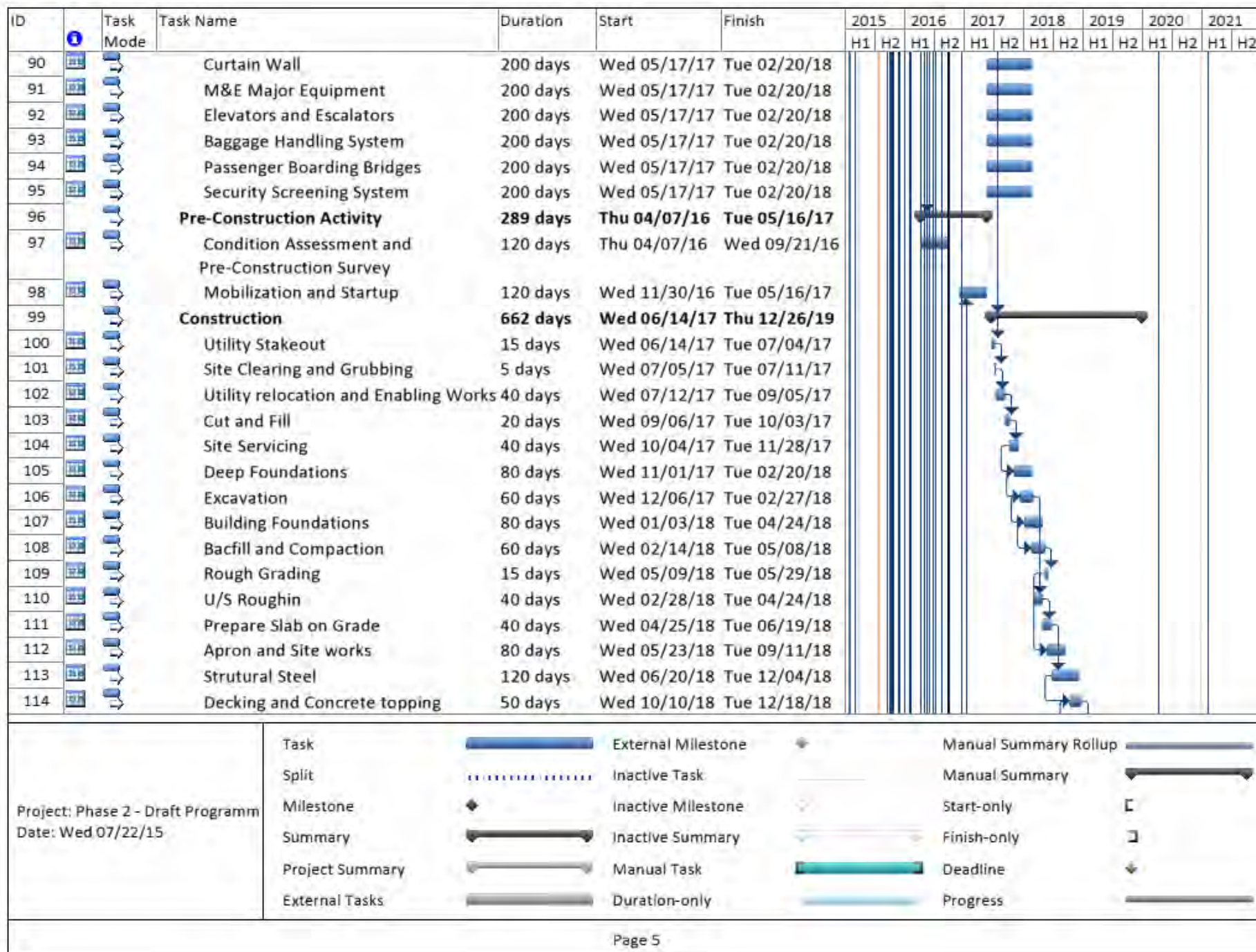
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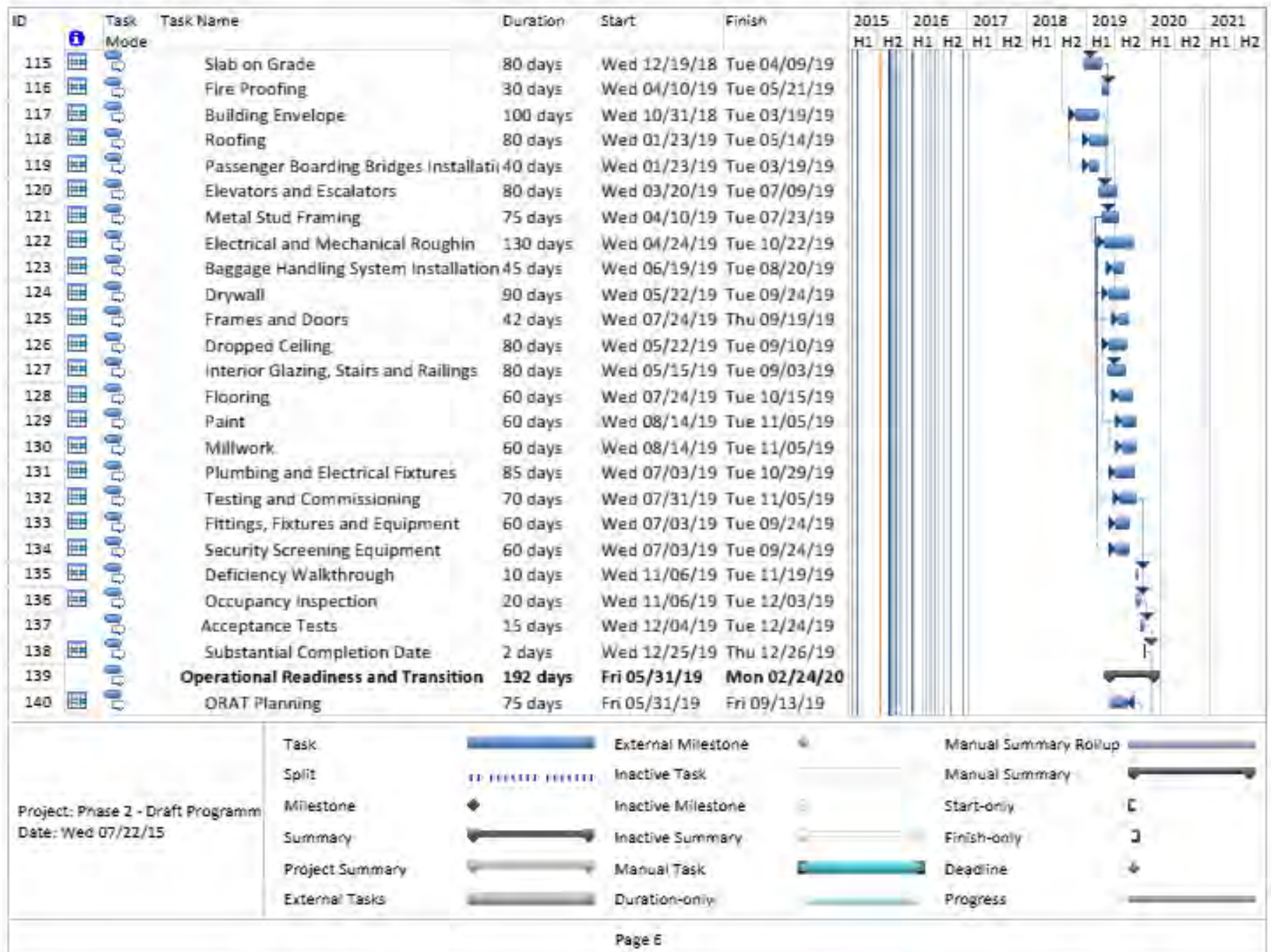
Deadline

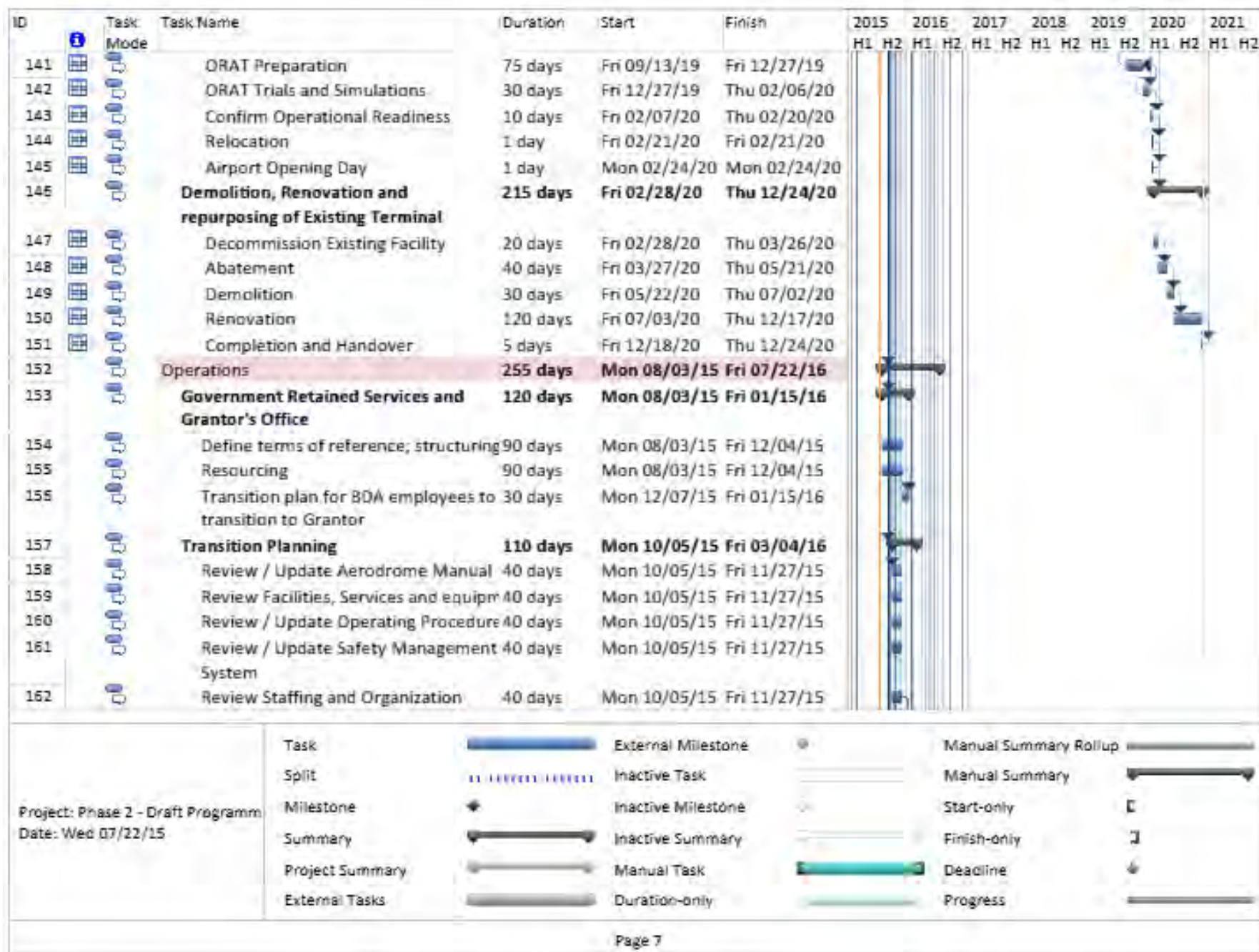
Progress

Page 3





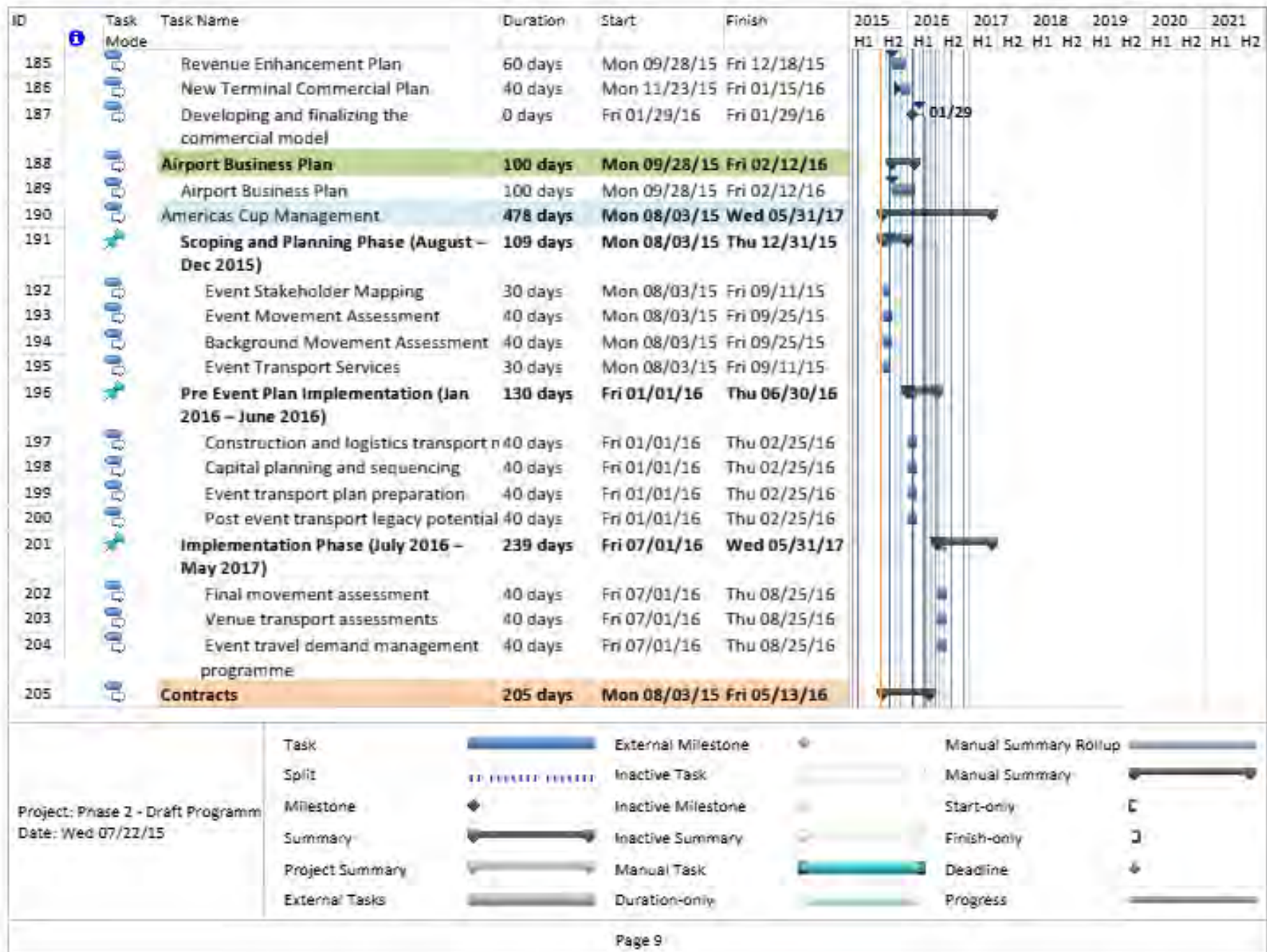






















ID	Task Mode	Task Name	Duration	Start	Finish	2015	2016	2017	2018	2019	2020	2021
						H1	H2	H1	H2	H1	H2	H1
163		Confirm government obligations (HR/Pensions) to ex-government employees	90 days	Mon 10/05/15	Fri 02/05/16							
164		Operational Readiness and Transition	70 days	Mon 11/30/15	Fri 03/04/16							
165		Airport Operations Plan	70 days	Mon 11/30/15	Fri 03/04/16							
166		Safety Plan	70 days	Mon 11/30/15	Fri 03/04/16							
167		Quality assurance Plan	70 days	Mon 11/30/15	Fri 03/04/16							
168		Communications Plan	70 days	Mon 11/30/15	Fri 03/04/16							
169		HR Transition Plan	170 days	Mon 11/30/15	Fri 07/22/16							
170		Agreement with Government	40 days	Mon 11/30/15	Fri 01/22/16							
171		Opportunities for Bermudians	60 days	Mon 04/04/16	Fri 06/24/16							
172		Job Fairs / Recruiting Events	80 days	Mon 04/04/16	Fri 07/22/16							
173		Transitioning personnel	30 days	Mon 11/30/15	Fri 01/08/16							
174		Confirm Job Descriptions	10 days	Mon 11/30/15	Fri 12/11/15							
175		Undertake initial competency assessments	20 days	Mon 12/14/15	Fri 01/08/16							
176		Capital and Operating Budgets	120 days	Mon 08/03/15	Fri 01/15/16							
177		Capital Cost Budget Post Airport Oper	120 days	Mon 08/03/15	Fri 01/15/16							
178		Recommending required insurance for the project	10 days	Mon 08/03/15	Fri 08/14/15							
179		Collate detailed operating costs budget	35 days	Mon 08/17/15	Fri 10/02/15							
180		Commercial	130 days	Mon 08/03/15	Fri 01/29/16							
181		Fees and Charges Regulations	60 days	Mon 08/03/15	Fri 10/23/15							
182		Capital Development Charges Regulation	60 days	Mon 08/03/15	Fri 10/23/15							
183		Commercial Transition Plan	120 days	Mon 08/03/15	Fri 01/15/16							
184		Commercial Master Plan	90 days	Mon 09/28/15	Fri 01/29/16							

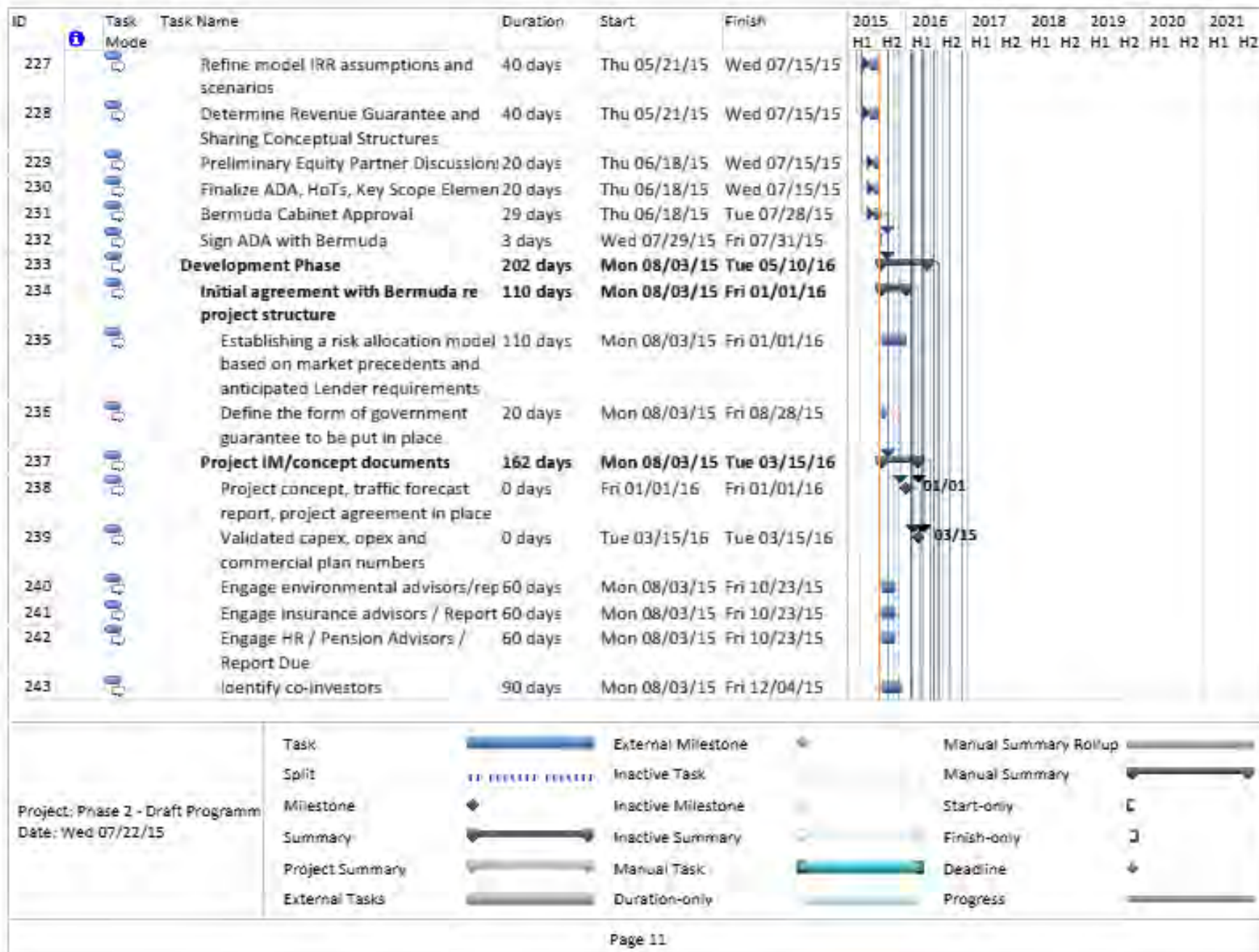
Project: Phase 2 - Draft Program
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Task		External Milestone		Manual Summary Rollup	
Split		Inactive Task		Manual Summary	
Milestone		Inactive Milestone		Start-only	
Summary		Inactive Summary		Finish-only	
Project Summary		Manual Task		Deadline	
External Tasks		Duration-only		Progress	



ID	Task Mode	Task Name	Duration	Start	Finish	2015	2016	2017	2018	2019	2020	2021	
						H1	H2	H1	H2	H1	H2	H1	H2
206		Discussions with Bermuda	205 days	Mon 08/03/15	Fri 05/13/16								
207		Schedule and agree contracts due for renewal, novation or cancellation	20 days	Mon 08/03/15	Fri 08/28/15								
208		Agree contract management plan and committee to oversee transition	5 days	Mon 08/31/15	Fri 09/04/15								
209		Construction Agreement	205 days	Mon 08/03/15	Fri 05/13/16								
210		Draft construction agreement framework	20 days	Mon 08/03/15	Fri 08/28/15								
211		Draft construction agreement (detail price and appendices)	60 days	Mon 08/03/15	Fri 10/23/15								
212		Final negotiations	40 days	Mon 10/26/15	Fri 12/18/15								
213		Government Approvals	25 days	Thu 04/07/16	Wed 05/11/16								
214		Execute construction agreement	2 days	Thu 05/12/16	Fri 05/13/16								
215		Operation and Maintenance Agreement	40 days	Mon 08/03/15	Fri 09/25/15								
216		Draft operation and maintenance agreement	40 days	Mon 08/03/15	Fri 09/25/15								
217		Concession Agreement	201 days	Mon 08/03/15	Mon 05/09/16								
218		Draft concession agreement	60 days	Mon 08/03/15	Fri 10/23/15								
219		Second draft of concession agreement	60 days	Mon 10/26/15	Fri 01/15/16								
220		Final draft of concession agreement	40 days	Mon 01/18/16	Fri 03/11/16								
221		Final negotiations	40 days	Mon 03/14/16	Fri 05/06/16								
222		Execute Concession Agreement	1 day	Mon 05/09/16	Mon 05/09/16								
223		Finance	399 days	Thu 05/21/15	Tue 11/29/16								
224		Airport Development Agreement Phase	52 days	Thu 05/21/15	Fri 07/31/15								
225		Deloitte Appraisal of Business Case	20 days	Thu 05/21/15	Wed 06/17/15								
226		ADA Negotiations	49 days	Thu 05/21/15	Tue 07/28/15								

Project: Phase 2 - Draft Program Date: Wed 07/22/15	Task		External Milestone		Manual Summary Rollup	
	Split		Inactive Task		Manual Summary	
	Milestone		Inactive Milestone		Start-only	
	Summary		Inactive Summary		Finish-only	
	Project Summary		Manual Task		Deadline	
	External Tasks		Duration-only		Progress	



ID	Task	Task Name	Duration	Start	Finish	2015	2016	2017	2018	2019	2020	2021	
	Mode					H1	H2	H1	H2	H1	H2	H1	H2
244		Initial market sounding of concept	110 days	Mon 08/03/15	Fri 01/01/16								
245		Ratings exercise	40 days	Wed 03/16/16	Tue 05/10/16								
246		Confirm the required limited government support	20 days	Wed 03/16/16	Tue 04/12/16								
247		Confirm the quantum and timing of the funding of the required equity contribution	20 days	Wed 04/13/16	Tue 05/10/16								
248		Pre Closing Phase	145 days	Wed 05/11/16	Tue 11/29/16								
249		Private Placement Financing / Rating	125 days	Wed 05/11/16	Tue 11/01/16								
250		Drafting of Offering Documents (PPM, Note Purchase Agreement,	40 days	Wed 05/11/16	Tue 07/05/16								
251		Appointment of a Lead Arranger/Institution	0 days	Tue 07/05/16	Tue 07/05/16								
252		Engage Lenders' Legal	20 days	Wed 07/06/16	Tue 08/02/16								
253		Engage Lenders' Traffic / Technical	20 days	Wed 07/06/16	Tue 08/02/16								
254		Negotiate Term Sheet	20 days	Wed 05/11/16	Tue 06/07/16								
255		Pre Marketing Due Diligence	20 days	Wed 05/11/16	Tue 06/07/16								
256		Model Audit	40 days	Wed 05/11/16	Tue 07/05/16								
257		Management Presentation	20 days	Wed 06/08/16	Tue 07/05/16								
258		Formal Marketing / Roadshow	20 days	Wed 06/08/16	Tue 07/05/16								
259		Receive Investor Commitments / Agree Coupon and Other Financial	20 days	Wed 06/08/16	Tue 07/05/16								
260		Investor Due Diligence	40 days	Wed 06/08/16	Tue 08/02/16								
261		Obtain Final Rating	20 days	Wed 08/03/16	Tue 08/30/16								
262		Financial Close	20 days	Wed 10/05/16	Tue 11/01/16								
263		Legal / Regulatory	142 days	Fri 05/13/16	Tue 11/29/16								

Project: Phase 2 - Draft Program

Date: Wed 07/22/15

Task

Split

Milestone

Summary

Project Summary

External Tasks

External Milestone

Inactive Task

Inactive Milestone

Inactive Summary

Manual Task

Duration-only

Manual Summary Rollup

Manual Summary

Start-only

Finish-only

Deadline

Progress

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ID	Task Mode	Task Name	Duration	Start	Finish	2015	2016	2017	2018	2019	2020	2021	
						H1	H2	H1	H2	H1	H2	H1	H2
264		Sign Concession and Construction Agreements	0 days	Fri 05/13/16	Fri 05/13/16				05/13				
265		Cabinet and Governor Approval	25 days	Wed 08/31/16	Tue 10/04/16								
266		Settlement and Funding	20 days	Wed 11/02/16	Tue 11/29/16								
267		Financial Model Updates	223 days	Mon 10/12/15	Wed 08/17/16								
268		Traffic	223 days	Mon 10/12/15	Wed 08/17/16								
269		Update post government review	1 day	Mon 10/12/15	Mon 10/12/15								
270		Update following Lender Advisor review	1 day	Wed 08/17/16	Wed 08/17/16								
271		Check following Q1 2016/summer season forward booking	1 day	Mon 05/30/16	Mon 05/30/16								
272		Update Capex, Opex, Commercial, Transition, Plan & Americas Cup	1 day	Mon 02/01/16	Mon 02/01/16								
273													
274		Airport Development Agreement - ProjectCo Obligations	274 days	Mon 08/03/15	Thu 08/18/16								
303													

Project: Phase 2 - Draft Program Date: Wed 07/22/15	Task		External Milestone		Manual Summary Rollup	
	Split		Inactive Task		Manual Summary	
	Milestone		Inactive Milestone		Start-only	
	Summary		Inactive Summary		Finish-only	
	Project Summary		Manual Task		Deadline	
	External Tasks		Duration-only		Progress	

PART B: PRELIMINARY DEVELOPMENT COSTS BUDGET

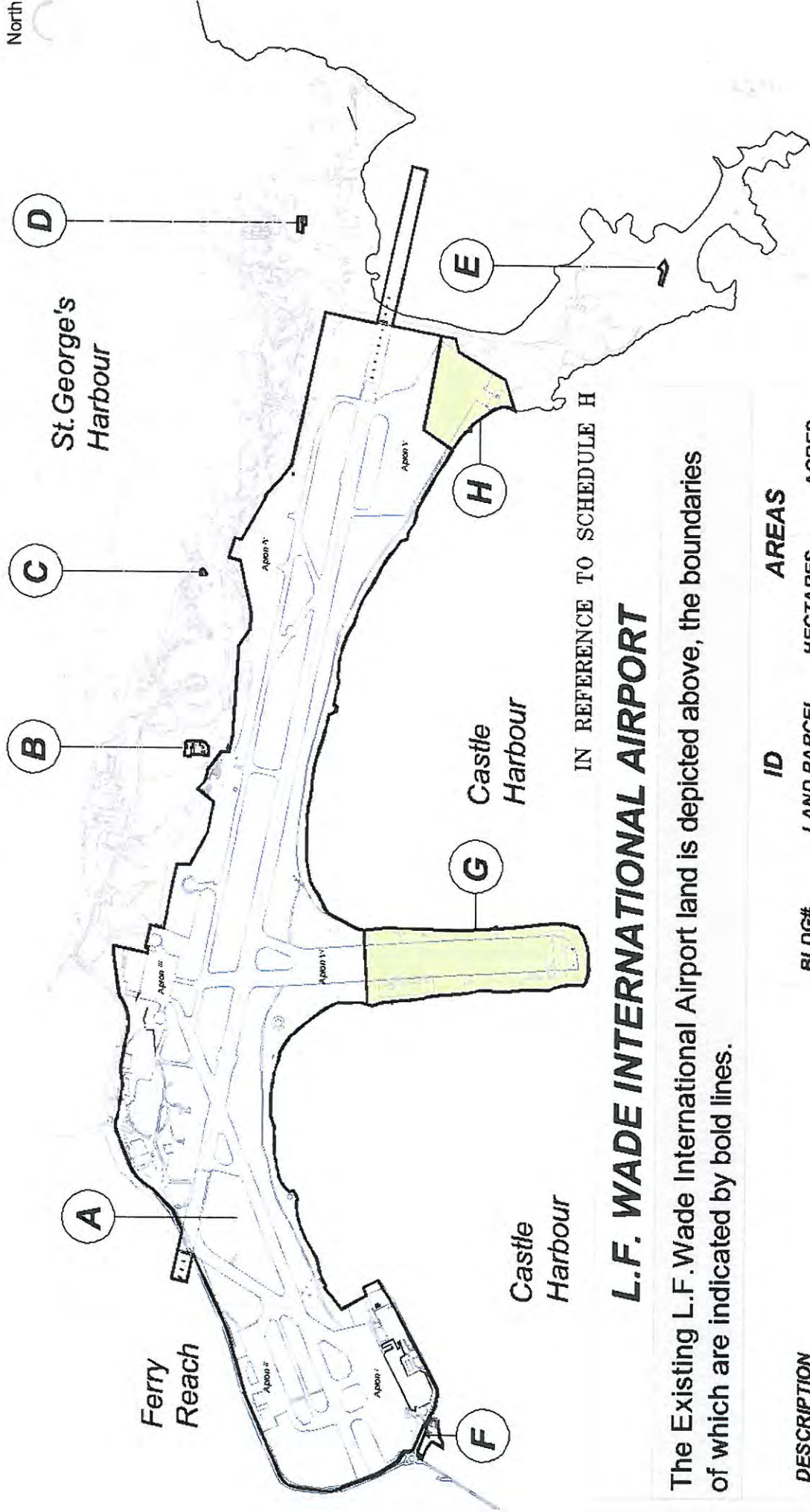
Bermuda Airport Project Preliminary Development Budget USD 000's		22-Jul-15	From ADA Signing to Targeted Financial Close (months)																Total Budget to Financial Close	Total Estimated Development Costs
			Estimated Costs to ADA Signing	1	2	3	4	5	6	7	8	9	10	11	12	13	14			
Internal Development Costs	Internal Costs and Consultants- Management, Admin, legal, Insurance, Treasury, Operations		\$530.6	\$ 25.0	\$ 50.0	\$ 50.0	\$ 50.0	\$ 50.0	\$ 50.0	\$ 75.0	\$ 75.0	\$ 75.0	\$ 75.0	\$ 75.0	\$ 85.0	\$ 85.0	\$ 85.0	\$905.0	\$1,435.6	
	Out of pocket - Travel, Accomodation, etc.		\$182.5	\$ 10.0	\$ 25.0	\$ 25.0	\$ 25.0	\$ 25.0	\$ 25.0	\$ 50.0	\$ 50.0	\$ 50.0	\$ 50.0	\$ 50.0	\$ 50.0	\$ 50.0	\$ 50.0	\$535.0	\$717.5	
	Communications and PR			\$ 30.0	\$ 20.0	\$ 20.0	\$ 20.0	\$ 20.0	\$ 20.0	\$ 20.0	\$ 30.0	\$ 30.0	\$ 30.0	\$ 30.0	\$ 30.0	\$ 30.0	\$ 30.0	\$360.0	\$360.0	
Sponsor's Advisors																				
Technical and Traffic Advisory	Mott Macdonald		\$565.2	\$ -	\$ 50.0	\$ 50.0	\$ 50.0	\$ 50.0	\$ 50.0	\$ 50.0	\$ 60.0	\$ 60.0	\$ 60.0	\$ 70.0	\$ 70.0	\$ 70.0	\$ 40.0	\$730.0	\$1,295.2	
Environmental and Social Studies	SyR/Mott Macdonald			\$ -	\$ 20.0	\$ 40.0	\$ 50.0	\$ 50.0	\$ 40.0	\$ 10.0	\$ 10.0	\$ 10.0	\$ 10.0	\$ 10.0	\$ 10.0			\$260.0	\$260.0	
Local Tax, Accounting and other				\$ -							\$ -	\$ 15.0	\$ 15.0	\$ 15.0	\$ 15.0			\$60.0	\$60.0	
Local Legal	Appleby		\$15.0	\$ -		\$ 10.0	\$ 10.0				\$ 10.0	\$ 10.0	\$ 40.0	\$ 40.0	\$ 10.0	\$ 10.0	\$ 10.0	\$150.0	\$165.0	
HR consultant/Transition				\$ -	\$ 20.0	\$ 20.0	\$ 70.0	\$ 50.0	\$ 50.0	\$ 30.0	\$ -	\$ -	\$ -	\$ 30.0	\$ 30.0	\$ 30.0	\$ 30.0	\$360.0	\$360.0	
Legal/Project Documentation			\$235.0	\$ 20.0	\$ 40.0	\$ 40.0	\$ 40.0	\$ 75.0	\$ 100.0	\$ 200.0	\$ 200.0	\$ 100.0	\$ 100.0	\$ 100.0	\$ 200.0	\$ 100.0	\$ 100.0	\$1,415.0	\$1,650.0	
Insurance Advisor						\$ 25.0	\$ 25.0							\$ 25.0	\$ 25.0			\$100.0	\$100.0	
Financial Advisors and Costs																				
	Mandate fees			\$ -							\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250.0	\$ 250.0	\$500.0	\$500.0	
	Rating Agencies			\$ -							\$ -	\$ -	\$ -	\$ -	\$ 25.0	\$ 25.0	\$ 25.0	\$100.0	\$100.0	
	UBS - Internal		\$400.0	\$ 25.0	\$ 25.0	\$ 25.0	\$ 25.0	\$ 25.0	\$ 25.0	\$ 50.0	\$ 50.0	\$ 50.0	\$ 75.0	\$ 75.0	\$ 75.0	\$ 85.0	\$ 85.0	\$695.0	\$1,095.0	
	Financial Advisory		\$36.5	\$ -							\$ 12.5	\$ 12.5	\$ 12.5	\$ 12.5	\$ 12.5	\$ 12.5	\$ 12.5	\$87.5	\$124.0	
	Other			\$ -							\$ -	\$ -	\$ -	\$ -	\$ 10.0	\$ 10.0	\$ 10.0	\$30.0	\$30.0	
Lenders Advisors																				
	Technical Traffic Advisors											\$ 100.0	\$ 100.0	\$ 100.0	\$ 100.0	\$ 100.0	\$ 100.0	\$600.0	\$600.0	
	Local Legal Advisor											\$ 25.0	\$ 25.0	\$ 25.0	\$ 25.0	\$ 25.0	\$ 25.0	\$150.0	\$150.0	
	International Legal Advisor											\$ 150.0	\$ 150.0	\$ 200.0	\$ 200.0	\$ 150.0	\$ 150.0	\$1,000.0	\$1,000.0	
	Insurance Advisor													\$ 10.0	\$ 10.0	\$ 15.0	\$ 15.0	\$50.0	\$50.0	
	EHS Advisor											\$ 25.0	\$ 25.0	\$ 25.0	\$ 25.0	\$ 25.0	\$ 25.0	\$150.0	\$150.0	
	Financial Model Audit													\$ 10.0	\$ 10.0	\$ 15.0	\$ 15.0	\$50.0	\$50.0	
Aecon Construction Internal, Architectural and Design (Incl. Geotech study and Topographic Survey)			\$780.8	\$ 50.0	\$ 368.5	\$ 356.0	\$ 356.0	\$ 356.0	\$ 327.0	\$ 410.0	\$ 458.0	\$ 356.0	\$ 75.0	\$ 50.0	\$ 25.0	\$ 25.0	\$ 25.0	\$3,237.5	\$4,018.3	
Sub-totals			\$2,745.6	\$ 160.0	\$ 618.5	\$ 636.0	\$ 721.0	\$ 726.0	\$ 687.0	\$ 895.0	\$ 955.5	\$1,068.5	\$ 842.5	\$ 977.5	\$ 1,042.5	\$ 1,112.5	\$ 1,082.5	\$11,525.0	\$14,270.6	
Contingency 5%				\$ 8.0	\$ 30.9	\$ 31.8	\$ 36.1	\$ 36.3	\$ 34.4	\$ 44.8	\$ 47.8	\$ 53.4	\$ 42.1	\$ 48.9	\$ 52.1	\$ 55.6	\$ 54.1	\$576.3	\$576.3	
Totals			\$2,745.6	\$ 168.0	\$ 649.4	\$ 667.8	\$ 757.1	\$ 762.3	\$ 721.4	\$ 939.8	\$1,003.3	\$1,121.9	\$ 884.6	\$ 1,026.4	\$ 1,094.6	\$ 1,168.1	\$ 1,136.6	\$12,101.3	\$14,846.9	
Cumulative			\$2,745.6	\$2,913.6	\$3,563.0	\$4,230.8	\$4,987.9	\$5,750.2	\$6,471.5	\$7,411.3	\$8,414.6	\$9,536.5	\$10,421.1	\$11,447.5	\$12,542.1	\$13,710.2	\$14,846.9			
Note: The assumption for this budget is that Financial close is approximately 6 months after the Project Agreements have been completed leaving a 3 month buffer.																				

**SCHEDULE G
OFF RAMP EVENTS**

Item	Permitted Termination Notification Date	Off-Ramp Event
1.	At any time after the Effective Date	There occurs a significant and material deterioration in the Project economics as set out in the Airport Project Concept as may make the Project unaffordable for Bermuda to be determined at Bermuda's sole discretion
2.	At any time after the Effective Date	International financial markets change significantly making any project financing for the Project impossible to achieve on an economic basis
3.	On or before 90 days prior to Financial Close	An operations Person has not been procured in accordance with Section 6.2 of this Airport Development Agreement
4.	Any time after 180 days following the Effective Date	Geotechnical or environmental site investigations disclose material unknown conditions that make Construction uneconomic and the Parties, using reasonable commercial efforts, are unable to bridge the resulting affordability gap
5.	Any time after 180 days following the Effective Date	The Parties fail to agree on operating functional specifications, key performance indicators, reporting, monitoring and remedies for failures to meet functional specifications
6.	On or before 90 days prior to Financial Close	The Parties fail to agree on the material assumptions used to develop the Base Case Financial Model, including construction costs, regulated revenues and capital expenditures and Guaranteed Minimum Annual Regulated Revenues
7.	Any time after 270 days following the Effective Date	The Parties fail to definitively agree on the Core Project Documents
8.	At least 90 days prior to Financial Close	Required Equity Commitments have not been secured, memorandum of understandings have not been entered into

Item	Permitted Termination Notification Date	Off-Ramp Event
		with potential Project Co Members or other satisfactory arrangements in relation to the equity have not been made to the reasonable satisfaction of Bermuda
9.	On or before 90 days prior to Financial Close	An investment grade indicative credit rating has not been obtained

SCHEDULE H
DIAGRAM OF AIRPORT LANDS



IN REFERENCE TO SCHEDULE H

L.F. WADE INTERNATIONAL AIRPORT

The Existing L.F. Wade International Airport land is depicted above, the boundaries of which are indicated by bold lines.

DESCRIPTION	BLDG#	ID			AREAS	
		LAND	PARCEL	HECTARES	ACRES	
LEASED LAND		A		268.261		662.888
BERMUDA CONTROLLED AIRPORT LANDS	Air Traffic Control Tower/ Bermuda Weather Service	0629	0630	0.447		1.106
	Old Weather Radar Site	1089		0.038		0.095
	Communications Facility	0628		0.151		0.373
	Doppler Radar	0649		0.140		0.346
	Old Helicopter Building Site	0627		0.633		1.564
	The Finger (Proposed Alternative Energy Site)			20.559		50.803
	Ministry Youth and Sport Facility			7.760		19.175

Existing Boundary

SCHEDULE I
ENTRUSTMENT LETTER



Foreign &
Commonwealth
Office

Director Overseas Territories
Old Admiralty Building
London SW1A 2PA

Tel: 020 7008 2742
Email: peter.hayes@fco.gov.uk

(Letter sent via Electronic Mail)

17 July 2015

Mr George Fergusson
Governor of Bermuda
Government House
Hamilton
Bermuda

Dear Governor,

1. The Foreign Secretary has authorised me to address you on the subject of the external affairs of Bermuda and in particular the proposal that Bermuda contract with the Canadian Commercial Corporation ("CCC"), a Crown corporation of the Government of Canada, to redevelop the L.F. Wade International Airport ("the airport").
2. This letter replaces the letter of entrustment dated 10 November 2014 and its amendment dated 6 July 2015. That letter of entrustment will cease to have effect from the date of the letter confirming your acceptance of the terms of this letter of entrustment, as per paragraph 8.
3. I must make clear at the outset that the United Kingdom retains overall responsibility for the external affairs of Bermuda, and that the special responsibility of the Governor for external affairs and defence under section 62 of the Constitution of Bermuda is in no way affected by this letter.
4. I believe the continued deterioration of Bermuda's fiscal situation to be a cause of significant concern and taking on board more debt is unlikely to provide a sustainable solution over the longer term. However, I have also considered the assurances I have received from the evaluation work undertaken by an independent accounting firm of internationally reputable standing (Deloitte), which assessed whether the project for the redevelopment of the airport represents Value for Money for Bermuda according to the requirements of the Full Business Case under Her Majesty's Treasury Green Book guidance for appraisal of public spending proposals.
5. Subject to the requirements set out in paragraphs 6 and 7, the United Kingdom Government delegates authority to the Bermudian Government to enter into a contract with CCC to redevelop the airport ("the Contract").

6. (a) The cost of the construction of the airport must be wholly borne by CCC and the selected developer and sub-contractors. No debt should appear on the balance sheet of the Government of Bermuda that relates to the airport construction.

(b) The United Kingdom Government and the Government of Bermuda must agree on what measures are required to address the deficiencies that are identified by Deloitte in their assessment report(s).

(c) The Government of Bermuda must publish a written and evidence-based assurance that the required measures have been taken, before the Contract can be concluded.

7. The Government of Bermuda will keep the United Kingdom Government informed as to the progress of its negotiations with the CCC, including through the provision of a copy of the Contract at least one month in advance of signing and a copy of the Contract within one month of its conclusion. This is to ensure that:

(a) The United Kingdom Government's responsibility for the Government of Bermuda's compliance with its international commitments and obligations is not compromised; and

(b) All financial obligations and commitments arising from the Contract with the CCC are the sole responsibility of the Government of Bermuda, unless it has otherwise been agreed with the United Kingdom Government.

8. I should be grateful if you would acknowledge receipt of this letter and confirm that the Government of Bermuda accepts the authority delegated above, subject to the requirements set out in paragraphs 6 and 7 in relation to such delegation, which will come into effect on the date of your letter confirming acceptance thereof.

Yours sincerely,



Director, Overseas Territories