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Effective as of June 1, 2014

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

**Attention: Anthony Manders,
Financial Secretary**

Dear Sir:


Re: CCC and Bermuda Airport Revitalization Project

Falling within the purview of a non-binding Memorandum of Understanding signed by each of the Canadian Commercial Corporation, a corporation established pursuant to the *Canadian Commercial Corporation Act*, R.S.C. 1985, c. C-14 ("CCC") and the Government of Bermuda ("Bermuda"), each of CCC and Bermuda propose that this letter agreement ("**Letter Agreement**") establish a protocol to facilitate and expedite the further discussion and additional future commercial agreements concerning the intended framework related to the structuring, organization and implementation of a potential project in Bermuda, in particular the redevelopment of Bermuda's L.F. Wade international Airport (the "**Airport**"). Such Airport project shall be referred to herein as the "**Project**". Bermuda confirms, and CCC acknowledges, that Bermuda considers the Project to be of the utmost national and domestic interest to Bermuda.

CCC and the Government of Bermuda ("Bermuda") each acknowledge that they are in a process of, dialogue and exclusive negotiation toward a series of commercial agreements concerning the structuring, development and implementation of the Project in an expedited manner. Save and except for the provisions noted herein to specifically survive the termination of this Letter Agreement, all rights of exclusivity herein in favour of CCC shall terminate upon the termination of this Letter Agreement for any reason whatsoever.

It is anticipated that the Project will be structured, organized and implemented between the CCC and Bermuda, and that the Project would have its own implementing agreements, commercial structure and financing arrangements or plan. Each party reserves the right to negotiate the implementing commercial agreements concerning the Project (either between the parties or with third parties) containing those terms and conditions that each of the parties require to protect their rights and interests. CCC and Bermuda acknowledge and confirm that the transactions

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contemplated by this Letter Agreement are strictly commercial in substance and scope, and are strictly local and domestic in nature. Bermuda states that such domestic commercial transactions are not (in any manner or to any extent) related to, or otherwise concern, any public policy interest, affairs outside of Bermuda, or matters of public law whatsoever.

The intent is for the Project to 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. It is expected that a significant portion (portion to be determined) of the Project will be financed on a private, non-recourse basis, such portion to be financed primarily based on the forecast future revenue stream of the Airport.

The approach to structuring the implementation and financing of the Project, will be subject to further discussions between the parties, taking into account the economics of the Project and all other relevant considerations.

Structure & CCC Team


CCC will source premier Canadian development and construction expertise to develop and implement the Project under the CCC umbrella. Any firm or firms so selected shall have been subject to CCC's due diligence and vetting in terms of technical, financial and managerial capabilities and shall be subject to prior due diligence and approval to be completed by Bermuda. CCC shall, as a matter of transparency and cooperation, provide Bermuda with reasonably complete, accurate and current information concerning the nature and scope of such firm selection due diligence and vetting undertakings. The selected Canadian firm, together with its team of required specialist consultants, advisors and subcontractors shall, together with CCC, constitute the "CCC Team".

Given the control over the procurement by CCC of the CCC Team, the parties agree that Bermuda will, as a condition of entering into any definitive project management agreements, satisfy itself that such agreements contain fair and reasonable terms and conditions that will address Bermuda's reasonable "value for money" requirements.

Furthermore, Bermuda will have the right to conduct its own due diligence concerning the veracity, intensity and quality of the CCC Team membership qualification and CCC's selection methodology.

The CCC Team shall include an experienced private airport development group comprised of a well-qualified Canadian infrastructure developer selected by CCC (said developer, together with its chosen partners and advisors constitute the "CCC Developer"), which shall develop the Project, in collaboration with Bermuda, Airport Management and all relevant stakeholders. The CCC Developer shall, prior to the execution of project and financing agreements, form a special purpose project company ("Airport ProjectCo") to raise equity and debt financing and to enter into a concession and other commercial agreements with third parties concerning the operation of the Project, including leases and other commercial arrangements associated with the Project. CCC shall not take an ownership stake or play a role in Airport ProjectCo. Due to restrictions in its mandate, subject to the following provision, CCC's participation in the contractual

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agreements for the Project will be limited to the construction phase of the Project development. Airport ProjectCo will therefore, in such circumstances of Project progress, constitute the prime contractor with Bermuda for all definitive agreements concerning the Project's operations management, concessions and financing phases, for which Airport ProjectCo shall remain contractually obligated and committed to the Project throughout the entire term of the Project life.

Airport ProjectCo will contract with CCC for the design and construction of the Project, and as such, CCC will constitute the Prime Contractor for the delivery of the Project's construction capital program to Bermuda on time and on budget, ensuring the Project and Bermuda benefit from the Government of Canada's guarantee to perform the contract in accordance with its terms and conditions. CCC will, in turn subcontract all such performance obligations to the Canadian contractor member of the CCC Team with development and construction expertise, who will oversee the management and delivery of the design and construction of the Airport, as well as the execution of a prudent and professional subcontracting strategy in compliance with all employment associated applicable laws in Bermuda and which will provide assurances of significant opportunities for local (Bermudian) employment.

Bermuda shall retain the necessary transactional, legal, financial, technical and other advisors to assist Bermuda in the development of the Project and engagement with the CCC Team.

Airport Project Development Phases


The main work phases anticipated in relation to the development of the Project are as laid out below. The parties, by signing this Letter Agreement, acknowledge that it is their intent, subject to their respective approval processes and the termination rights noted herein, to complete each of the phases within the timeframe stipulated therein, subject to reasonable adjustments to accommodate circumstances and delays that cannot be reasonably determined at this time. The parties acknowledge that work on Phase 1 commenced in July of 2014 under the anticipation of the signing of this Letter Agreement.

Phase 1a: Preliminary Due Diligence, Project Scoping and Airport Project Concept:

Phase 1a activities will include a broad due diligence assessment by all parties and project definition and scoping exercise including consultation with Bermuda and all relevant stakeholders and leading to the development of a conceptual structure and preliminary plan for the Project (the "Airport Project Concept"). It is the intent of the parties that during Phase 1a the list of activities will be completed at the CCC's Team cost and in a format and to the requirements of the CCC Team and the results shall be shared with Bermuda as necessary for Bermuda to determine if it wishes to move forward with the CCC Team for the development of the Airport.

The main activities relating to the development of the Airport Project Concept will include, without limitation:


- Aviation market, traffic and airline analysis

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- 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

Immediately following the execution of this Letter Agreement, the CCC Team will be given access to all relevant information, data, studies, personnel, advisors and past advisors of Bermuda that are relevant to the Project, including access to all relevant authorities and stakeholders for the purpose of conducting their due diligence examination of the Airport Project ("**Bermuda Data**"). The parties agree that all Bermuda Data is the proprietary and highly confidential information of Bermuda and all Bermuda Data that is known to, or is in the possession of, CCC and any CCC Team member shall be kept in the strictest confidence, shall only be used for the purposes of this LOA and shall be protected and kept secure from unauthorized viewing, use, transmission, reprography, or access, as well as from any harm, theft, misappropriation, sabotage or corruption in accordance with generally accepted professional practices and standards of care within Canada.

During Phase 1a, the parties will hold 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 Airport Project Concept, taking into account all relevant

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technical, operational, risk management, legal compliance, economic and political considerations.

The Airport Project Concept shall include, without limitation, high level design concepts, preliminary capital cost estimates, preliminary financial modeling and a preliminary financial plan as well as an indicative outline of the proposed commercial and operating structures. The Airport Project Concept developed by the CCC Team will be presented to, and shared with, Bermuda at the conclusion of Phase 1a.

The target date for the conclusion of Phase 1a is *December 31, 2014*.

Phase 1b- Airport Development Agreement


At the conclusion of Phase 1a, the parties will arrive at a 'Go-No-Go' decision for the Project; if the Project is a 'Go' for both parties, the parties will expeditiously proceed to negotiate and enter into a definitive Airport Development Agreement (the "**Airport Development Agreement**") which shall set out the agreed plan (the "**Airport Development Plan**") by which the Project will be advanced from Airport Project Concept to full implementation and performance. The Airport Development Plan shall form a fundamental and material part of the Airport Development Agreement. Either party may decide not to proceed with the Project at any time prior to the completion and execution of the Airport Development Agreement without obligation to the other party, including to any member of the CCC Team.

Required legislative, regulatory or other government approvals of Bermuda and Canada will be expressly identified in the Airport Development Agreement and required to be in place prior (as pre-conditions) to the effectiveness of the Airport Development Agreement.

The target date for the conclusion of Phase 1b is *March 31, 2015*.

In the event of a 'No-Go' decision by either Bermuda or the CCC Team, in the event that Bermuda wishes to use the work product of the CCC Team generated in Phase 1a ("**CCC Work Product**"), the CCC Team shall provide Bermuda with the right to use the CCC Work Product (whether only for its own internal purposes or for any other commercial purposes) subject to, and conditional upon, reasonable commercial terms and conditions (including with respect to CCC Team compensation) that are mutually agreed by the parties prior to any such use. In the event that the parties cannot agree upon the reasonable commercial terms and conditions, then upon the request of the CCC Team, Bermuda shall return all copies of the CCC Work product and provide a declaration that all copies have been deleted or destroyed.

In the event, however, that within a period of 3 years from a 'No-Go' decision, Bermuda elects to proceed with the Project including utilization of CCC Work Product, in addition to the right of compensation noted in the immediately preceding paragraph, the CCC team shall be granted a right of first offer to undertake the Project on reasonable terms and conditions, including based on the provisions and reinstatement of this Letter Agreement at that time. The provisions of this



paragraph and the one preceding it shall survive the termination of this Letter Agreement for any reason.

Phase 2: Development Agreement Deliverables to Construction and Concession Contracts

The intended target date for execution of the definitive agreements that will be required for the implementation of the Project (the "**Construction and Concession Contracts**") is **June 30, 2015**.

The main activities and deliverables relating to the Project for Phase 2 will be detailed in the Airport Development Agreement and will include:


- Detailed traffic demand forecasts
- Detail enablers required of change to promote growth
- Schematic design
- Detailed capital and operating costs
- Detailed construction schedule and execution plan
- Development of robust local procurement strategy
- Definition of regulatory structure and pathway to enabling legislation
- Financial model and financing plan
- Establishment of risk allocation model based on market precedents and anticipated lender requirements
- Envisioned Project organization and operating structures including role definition and scope allocation between Airport ProjectCo and Bermuda
- Project staffing and transition of personnel
- Commercial model including regulated fee structure, annual escalation formula and permitted development charges for future capital programs
- Required support from Bermuda
- Environmental processes
- Acquisition of any required land or right of way
- Operational transition on execution of agreements
- Exploration of multilateral and private sector financing sources
- Negotiation and execution of the Construction and Concession Contracts

Phase 3: Financing Phase:

Following execution of the Construction and Concession Contracts, the Project will enter into the financing phase. Key activities during the financing phase shall include:

- Lender due diligence activities including completion of traffic, revenue, operating cost and capital cost reports from third party advisors

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- Drafting, negotiation and execution of drop-down agreements including major subcontracts
 - Drafting and negotiation and execution of financing agreements
 - Promulgation of enabling legislation
 - Property rights and access secured
 - Assignment of existing contracts, as required
 - Regulated rates and charges established and published
 - Required Bermuda Government approvals, authorizations and permits in place
 - Receipt of an international investment grade credit rating by an internationally recognized rating agency
 - Requisite insurance coverage retained and in place
 - Lender approval of Airport Operating Budget
 - Completion of all required environmental studies and approvals by the relevant parties
 - Commercial agreements with tenants and subconcessionaires in place
 - Transfer and transition of employees
 - Financial Plan submitted and approved
 - Lender collateral package delivered and effect
 - Bermuda Government support arrangements finalized
 - Financial model delivered
 - Equity commitments secured
 - Opening of project accounts
 - Closing legal opinions
 - Canadian Government approvals issued
 - First drawdown request in place

The target date for Financial Close is *December 31, 2015*.

CCC Work Product

Except with respect to: (i) any confidential information of Bermuda; (ii) any studies, forecasts and designs that Bermuda has paid for to CCC or member of the CCC Team; (iii) the Airport Project Concept; and, (iv) other property that is owned by Bermuda, any proposal, concept, designs, materials and work product of any kind developed by CCC or members of the CCC Team (including CCC Work Product) will: (a) be the sole and exclusive property of CCC or the relevant member of the CCC Team; (b) discussions and negotiations with CCC or CCC Team members; and, (c) shall be kept confidential by Bermuda until the successful completion of negotiations and execution of the Construction and Concession Contracts, subject only to the requirements of applicable law. The provisions of this paragraph shall survive the termination of this Letter Agreement for any reason.

Interim Project & Initiatives

Any actual or reasonably contemplated material capital expenditure, operational changes or other activity or engagement on the part of Bermuda concerning the Project that may be materially relevant to the Project shall be disclosed by Bermuda to CCC and the CCC Team members.

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Exclusivity

From the date of this Letter Agreement, until March 31, 2015, CCC and the CCC Team shall have the exclusive right to implement the Project, subject to the terms set forth in this Letter Agreement and as otherwise agreed between the parties.

Termination

Bermuda shall be entitled, on seven (7) days prior written notice, to terminate this Letter Agreement at any time prior to the execution of the Airport Development Agreement if either (a) Bermuda elects not to proceed with the Project for any reason, including in the event that CCC and its third party subcontractors or advisors fail to produce an Airport Project Concept that, in Bermuda's determination, fails to satisfy the commercial, economic and other public interest requirements of Bermuda; or (b) Bermuda approvals necessary to develop the Airport are not likely to be obtained; or (c) CCC or any member of the CCC Team fundamentally or materially breaches this Letter Agreement.

CCC shall be entitled, on seven (7) days prior written notice, to terminate this Letter Agreement at any time prior to the execution of the Airport Development Agreement if either: (a) CCC elects not to proceed with the Project for any reason; (b) a 'No-Go' decision is made during or at the end of Phase 1; (c) Bermuda fundamentally or materially breaches this Letter Agreement; (d) there is a material delay in reaching a 'Go-No-Go' decision; (e) if at any point CCC determines in its sole discretion that the Project is not viable; or (f) Government of Canada approvals have not been obtained.

In the event of termination by either party pursuant to the above provisions, save and except for the provisions noted herein to specifically survive the termination of this Letter Agreement, neither party shall have any liability, duty, compensation or payment obligation to the other whatsoever in connection with this Letter Agreement. Save and except for the provisions that survive termination specifically noted above, CCC and Bermuda shall not have any other duty, responsibility, liability or compensation obligations to the other in any connection therewith regardless of the nature, cause or circumstances of such termination, whether arising in law, equity or otherwise.

This Letter Agreement will automatically terminate upon execution of the Development Agreement. CCC and Bermuda agree that the period of project exclusivity in favour of CCC and the CCC Team, as well as the CCC's right to receive any compensation set out in this Letter Agreement shall survive any termination of this Letter Agreement for any cause whatsoever.

Development Costs

The development of the Project during Phases 1, 2 and 3 will entail significant internal and third party development costs and expenses ("**Development Costs**") on the part of the CCC Team.

Until such time as an Airport Development Agreement is executed between the parties, Development Costs incurred by the CCC Team during Phase 1, assuming the scope and duration





of Phase 1 are as envisioned in this Letter Agreement, will be 'at the sole and exclusive cost of the CCC Team.

The parties acknowledge that the Development Agreement will contain a provision that substantiated Development Costs for Phases 1 and 2, plus a 20% mark-up, shall be reimbursed to CCC if Bermuda terminates the Airport Development Agreement for reasons other than expressly permitted therein or it otherwise abandons the Project, or otherwise refuses to perform same for reasons other than for material breach of the Airport Development Agreement by CCC.

The parties intend that in the case of a 'Go' after Phase 1a, all Development Costs that have been necessarily incurred in accordance with normative industry practices in Canada or internationally for a project of this nature and that are related to the development of the Project that have been incurred from the inception of Phase 1a shall ultimately be borne by the Project and form part of the project financing.

Miscellaneous Provisions

The parties agree that all information, documents, assessments, analyses, reports, calculations or work products provided by one party to the other party pursuant to this Letter Agreement shall be provided on an "as is" basis without any representation, warranty or covenant as to quality, completeness, accuracy, currency, or reliability and each party hereby disclaims and denies any such representation, warranty and covenant whatsoever.


Except as otherwise agreed herein with respect to Development Costs, each party shall pay their own respective legal, management, travel and administrative costs and expenses associated with this Letter Agreement and the negotiation and execution of the definitive agreements contemplated herein.

This Letter Agreement shall be provided exclusively governed by and in accordance with the laws of the British Overseas Territory of Bermuda. Each party hereby represents, warrants and covenants that it has all of the requisite authority, power and unqualified right to enter into and perform this Letter Agreement.

All disputes that cannot be amicably settled shall be referred to arbitration and settled pursuant to the rules and procedures set out in the *Arbitration Act* (Ontario), as that statute may be amended from time to time. Such arbitration shall be before a single arbitrator appointed either by the mutual agreement of the parties, or otherwise pursuant to the *Arbitration Act* (Ontario). The arbitration shall be governed by Bermuda law and shall take place in Toronto, Ontario or such other place as may be agreed upon by the parties. The decision of the arbitrator with respect to the dispute shall be final and binding on the parties.

The parties agree that the English language version of this Letter Agreement shall be the exclusive governing and interpretive linguistic version of this Letter Agreement, regardless of what other languages either party may otherwise translate this Letter Agreement into.





IN WITNESS WHEREOF this Letter Agreement has been executed on behalf of THE GOVERNMENT OF BERMUDA as represented by the Ministry of Finance, and the CANADIAN COMMERCIAL CORPORATION by their duly authorized representatives on the date first written below.

MINISTRY OF FINANCE

By: _____


The Hon. E.T. (Bob) Richards J.P., M.P.
Minister of Finance

Date: 11/20/14

CANADIAN COMMERCIAL CORPORATION

By: _____


Luc Allary
Regional Director, Caribbean and Central America

Date: 16/11/14