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Mr. David Hill
Chief Executive Officer and President
Bermuda Hospitals Board
7 Point Finger Road
Paget, Bermuda
DV04

23 February 2011

Re: Summary of Fairness Opinion for KEMH Redevelopment Project RFP

Dear Mr. Hill:

The Bermuda Hospitals Board (“BHB”) has completed a procurement to identify a private sector partner to design, build, finance and maintain new facilities at the King Edward VII Memorial Hospital (“KEMH”).

This letter summarises the full KPMG Fairness Opinion. The full report contains our complete analysis and conclusions regarding the fairness of the Request for Proposals (“RFP”) phase of the procurement. It presents an overview of the process, the scope of the fairness review, KPMG’s fairness principles and KPMG’s analysis of issues during the RFP phase, which serve as the basis for our conclusion.

KPMG’s review as reported in this letter has been limited to the question of whether the RFP phase of the procurement has been undertaken in accordance with the fairness principles described later in this letter.

Capitalised terms in this letter, if not defined herein, have the meaning ascribed to them in the RFP.

Overview of the Procurement Process

The procurement process for the KEMH Redevelopment Project involved two phases, a Request for Qualifications (“RFQ”) phase and a RFP phase. The RFQ phase resulted in the short listing of three Bidders.

The RFP phase commenced with the issuance of the RFP on 23 December 2009 to the three Bidders and concluded with Financial Close and the execution of the Project Agreement on 1 December 2010.

During the period of time from the issuance of the RFP to Financial Close, it is our understanding that the following took place:

- BHB issued the RFP and subsequent iterations of the RFP to the Bidders.
- The RFP indicated that the Bidders, including all Team Members, would be subject to rules regarding communications and lobbying. Confidentiality Agreements were signed by Bidders.
- An email address was established by the project team to help facilitate communications with the Bidders during the RFP phase of the procurement. Bidders were instructed to direct all email to the Project Director via this address, with a copy to the fairness monitor.
- BHB provided various RFP information (e.g., the RFP, addenda, questions from Bidders together with the answers from BHB) to the Bidders.
- In accordance with the RFP, in confidence meetings (i.e., one on one meetings) were held with each Bidder to review the Bidders' comments regarding the draft Project Agreement, the procurement process, output specifications or other related matters.
- In confidence design presentations were held with each Bidder to review the Bidders' designs and to share any comments or concerns regarding the likely compliance of the proposed design with the Design and Construction Output Specifications.
- In confidence meetings with the Central Coordinating Committee were held with each Bidder to help ensure that they understood the requirements for Project Co to plan, coordinate and implement its activities so as to comply with all laws and governmental policies. All government representatives who were involved in the Bidder in confidence meetings attended a briefing session and reviewed the process and rules for in confidence meetings with the Central Coordinating Committee. The BHB project team participated in the first meeting. Subsequent meetings were hosted by the Central Coordinating Committee, with administrative assistance from KPMG.
- Bidders were given opportunities to comment on the proposed provisions of the Project Agreement, supporting schedules and agreements. BHB amended successive drafts of the Project Agreement based, in part, on consideration of the comments received from the Bidders both in the form of mark-ups of the various drafts of the Project Agreement and

comments received during the in confidence meetings and through the question and answer process.

- As a condition for participating in the in confidence meetings and presentations as described in the RFP, Bidders and Prime Team Members were required to enter into a Bidding Agreement; which confirmed their promise to abide by the provisions of the procurement process.
- A process framework establishing the process to be followed in evaluating proposals was developed.
- Questions were received and reviewed by project office staff and distributed to other members of the project team, including staff, technical, legal and/or financial personnel to draft a proposed response. Draft answers were reviewed by the project team for clarity, completeness and consistency.
- In accordance with the RFP, BHB received various questions that were identified by the Bidder as commercially confidential. The project team determined, based on the nature of the question and the supporting justification, whether the question warranted confidential treatment. Where the project team felt that the request to treat a question as confidential was justified, the response was circulated only to the Bidder that had made the inquiry. When the project team did not believe that confidential treatment was warranted, as provided for in the RFP, the Bidder was given an opportunity to either withdraw the question or to have the question and the answer shared with all Bidders. Each of the Bidders made use of the provision to submit questions in confidence.
- The Project Director, together with the Deputy Chief Executive Officer, identified over 50 evaluation team members, leads and advisors who would support the evaluation of Proposals (i.e., both technical submissions and financial submissions).
- A relationship review panel confirmed that all personnel involved in the evaluation were free of conflicts of interest.
- Before receipt of technical submissions and financial submissions, representatives of the relevant evaluation teams developed detailed evaluation score sheets, which further articulated how the evaluation criteria disclosed in the RFP would be evaluated.
- Representatives of the evaluation teams met with the due diligence team (a separate senior group which was established to help advise the project team regarding the procurement) on several occasions; to review key components of the RFP prior to posting and to finalise the evaluation score sheets prior to receipt of submissions.

- The evaluation management team established an evaluation office at KPMG's offices in Toronto.
- The evaluation management team also developed supporting procedures for the conduct of the evaluation, which were designed to provide an efficient work environment and protect the security and confidentiality of the evaluation. Evaluation rooms remained locked when not in use, submissions and evaluation binders were kept in locked filing cabinet when not in use and members of the evaluation teams were required to sign in and out of the evaluation space and to log submission material and evaluation binders in and out when needed.
- The technical evaluation and the financial evaluation were completed by separate teams who completed their work in separate evaluation spaces.
- Evaluation team members and advisors attended a training session, which included an overview of the RFP process framework, information regarding the development of detailed evaluation score sheets, submission evaluation guidelines and the logistics and rules for the conduct of the evaluation
- The evaluation teams drafted questions to clarify information that was not clear or readily identifiable in the submissions. Clarification questions developed by members of the evaluation teams were reviewed for consistency, completeness and clarity by members of the evaluation management team prior to being issued to the Bidders.
- The technical evaluation teams documented its evaluation of the technical submissions and presented the analysis to the due diligence team for review.
- The financial evaluation team documented its evaluation of the financial submissions and presented the analysis to the due diligence team for review.
- The evaluation management team compiled the scores from the technical and financial evaluation in order to determine which Bidder received the highest combined score, and hence would be recommended as Preferred Bidder to proceed with execution of the Project Agreement and Financial Close.
- On 28 September 2010, following completion of the evaluation, the Project Board reviewed the evaluation report presented by the evaluation management team, supported by various members of the evaluation teams. The Project Board supported the recommendation of the evaluation management team and agreed that the evaluation report should be submitted to the Bermuda Hospitals Board for approval.

- On 28 September 2010, following the meeting of the Project Board, the Bermuda Hospitals Board approved the selection of Paget Health Services as the Preferred Bidder as put forward by the evaluation management team supported by various members of the evaluation teams.
- The reviews by the Project Board and the Bermuda Hospitals Board were conducted through a blind approvals process, meaning that members of the Project Board and the Bermuda Hospitals Board were unaware of which Proposal had been submitted by each of the Bidders.
- Paget Health Services and BHB then proceeded to finalise arrangements for Financial Close in accordance with the provisions set out in the RFP. Financial Close was reached on December 1, 2010.

Scope of Work

On 28 November 2008, KPMG was engaged by BHB to act as business advisor to the KEMH Redevelopment Project. The scope of work included monitoring whether a fair process was conducted in the identification of the shortlist of pre-qualified Respondents during the RFQ stage of the process, and in the selection of a private partner for the KEMH Redevelopment Project and the execution of a Project Agreement with the selected private partner, during the RFP stage of the process.

KPMG's assessment of the fairness of the RFP phase of the procurement is based on the following:

- Discussions and meetings with BHB staff and advisors to review the RFP documents, procurement process, evaluation and related matters.
- Observation of in confidence meetings and presentations with Bidders, including design presentations, review of the Project Agreement, and meetings with the Central Coordinating Committee.
- Review of the RFP documents prior to issuance.
- Review of addenda, and questions and answers issued during the RFP open period.
- Review of written feedback to the Bidders following design presentations.
- Review of the evaluation, including the evaluation process, evaluation criteria, training, evaluation reports, certain team consensus meetings and due diligence meetings.

- Review of clarification questions issued to the Bidders during the evaluation process.
- Review of the consensus evaluation reports.
- Attendance at the approval meetings where the evaluation management team's recommendations were reviewed and supported by the Project Board and approved by the Bermuda Hospitals Board.
- Attendance by a member of the KPMG project team at the Financial Close.

Fairness Principles

KPMG's approach to fairness monitoring is based on a set of fairness principles (the "Fairness Principles"), developed by KPMG, which describe the foundation of a fair process. These principles have been developed based on KPMG's experience in conducting transaction and procurement processes and monitoring fairness on myriad projects. These fairness principles were discussed with BHB at the onset of the engagement and it was agreed that KPMG's fairness monitoring would be based on these principles:

1. All potential proponents have the same opportunity made available to them to access information.
2. The information made available to proponents should be sufficient to ensure that the proponents have the opportunity to fully understand the opportunity.
3. All potential proponents have reasonable access to the opportunity.
4. The criteria established in the invitation documents truly reflect the needs and objectives in respect of the project.
5. The evaluation criteria and the evaluation processes and procedures are established prior to the evaluation of submissions.
6. The evaluation criteria, invitation documents, and evaluation processes are internally consistent.
7. The pre-established evaluation criteria and evaluation process are followed.
8. The evaluation criteria and process are consistently applied to all submissions.

In applying these Fairness Principles, the following guidelines are used to help determine the fairness of the evaluation processes:

- **Variations** — A variance from the Fairness Principles is deemed to have occurred if a circumstance(s), situation(s) or event(s) occurs during the process that is addressed in a manner that is inconsistent with or departs from one or more of the Fairness Principles.
- **Violations - Individual Variations** — A violation from the Fairness Principles is deemed to have occurred if an individual variance is deemed to have resulted in a process where one or more Proponent(s) (potential, successful or unsuccessful) enjoyed a material advantage over any other or conversely, was subject to a material disadvantage and the material advantage or disadvantage affected the results of the process. If so, a *violation* of the Fairness Principles would have occurred and, consequently, the overall process would be deemed to be unfair in that respect.
- **Violations – Collective Variations** — A violation from the Fairness Principles is deemed to have occurred if individual variations, when considered collectively, resulted in a process where one or more Proponent(s) (potential, successful or unsuccessful) enjoyed a material advantage over any other or conversely, was subject to a material disadvantage and the material advantage or disadvantage affected the results of the process. If so, a *violation* of the Fairness Principles would have occurred and, consequently, the overall process would be deemed to be unfair in that respect.

Conclusions

During the procurement KPMG did not note any variations from the Fairness Principles.

On the basis of the facts and circumstances presented in the fairness report, KPMG is satisfied that the RFP process for the KEMH Redevelopment Project was fair based on the fairness principles set out in this letter.

Please note that KPMG reviewed a draft of the full fairness opinion with key members of the BHB project team. These officials confirmed that to their knowledge there are no material omissions in the events, considerations and issues described in the opinion.

The conclusions made in this letter are based only on information that was available up to the date of this letter. The analysis and conclusions contained in the report are subject to change in the event that additional information comes to light.



Use of this Letter

This letter is intended for the benefit of BHB. KPMG will not assume any responsibility or liability of any costs, damages, losses, or expenses incurred by any party as a result of publication, circulation, reproduction, use of or reliance upon this letter.

Comments in this letter are not intended as, nor should they be interpreted to be, advice or opinion of a legal nature. Such matters should be referred to BHB's legal counsel.

Should any information, which was not available to KPMG as at the date of this letter become available, KPMG reserves the right to review such information and adjust our opinion accordingly.

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Yours very truly,

A handwritten signature in black ink, appearing to read 'Malcolm Butterfield', written over a light blue horizontal line.

Malcolm Butterfield
Managing Director