

# REQUEST FOR PROPOSALS

## FOR THE DESIGN, CONSTRUCTION, FINANCING AND MAINTENANCE OF THE NEW CAMPUS OF THE MCGILL UNIVERSITY HEALTH CENTRE LOCATED ON THE GLEN SITE AS A PUBLIC-PRIVATE PARTNERSHIP

### PROJECT “MUHC”

### NOTICE TO PROPONENTS

### PARKING ALTERNATE PROPOSAL

#### 1. Description

MUHC hereby requests that each Proponent provide, with its Committed Financial Proposal – Project Costs and Financial Model, an Alternate Proposal in respect of Parking Services, pursuant to which the management and operation of the Parking Areas would be provided by MUHC (directly, through a foundation, a parking management entity or otherwise) (the “Parking Alternate Proposal”) and not by the Private Party.

Pursuant to this Parking Alternate Proposal, the Private Party should still be responsible for the design, construction, maintenance, life cycle rehabilitation, including electromechanical equipment, and financing of the Parking Areas in accordance with Volumes 2, 3, 4 and 5 of the Request for Proposals.

However, the management and operation thereof would be provided by and the revenues generated and expenses incurred, including the cost of Utilities, would be for the benefit and assumed by MUHC. MUHC may make a payment to the Private Party at Financial Close (the “Parking Payment”) as described below.

In preparing the Parking Alternate Proposal, Proponents are asked to assume that they would be required to provide security in the form of an irrevocable letter of credit in an amount equal to the Parking Payment. Said letter of credit would decrease as design and construction costs for the Parking Areas are incurred and could be drawn in the event of a ProjectCo Event of Default.

The Proponents are not allowed to adapt, rectify, change or modify their Technical Proposals as a result of the submission of the Parking Alternate Proposal. Moreover, Proponents are asked to assume that Volume 4 of the Request for Proposals would be amended to reflect the Parking Alternate Proposal, including, without limitation, the withdrawal of all provisions referring to Parking Services, Failure Points to Parking Services, Parking Fund and Remittance linked to Parking Fees.

The Parking Alternate Proposal should be submitted with the Committed Financial Proposal – Project Costs and Financial Model on or before the Deadline for Submitting a Committed Financial Proposal – Project Costs and Financial Model. As set forth in Part G of Volume 5 of the Request for Proposals, where the information given in respect of the Base Proposal is applicable to Alternate Proposal, there is no requirement for such information to be repeated.

## 2. Scenarios

Two scenarios are to be provided within the Parking Alternate Proposal:

### Scenario #1:

The first scenario shall be based on the assumption of a Parking Payment in the amount set forth below and be based on the Indicative Terms and Conditions set forth below.

The amount of the Parking Payment is a direct function of the number of parking stalls, as currently indicated in the Proponents' Technical Proposal, based on the net revenues expected to be generated by the parking facilities. It will vary according to the following:

<u>Number of Parking Stalls</u>	<u>Parking Payment (\$M)</u>
1,800	123
1,900	136
2,000	148
2,100	161
2,200	173
2,300	186
2,400	198
2,500	211
2,600	225
2,700	240
2,800	255
2,900	265
3,000	275

### Scenario #2:

The second scenario shall be based on the Proponent's calculation of the amount of the Parking Payment amount that reflects the amount equal to the NPV of the cost to the Proponent of designing, constructing, maintaining and providing lifecycle renewal of the Parking Facility and also be based on the Indicative Terms and Conditions set forth below.

## 3. Indicative Terms and Conditions Applicable to Both Scenarios

Disbursement Date:	The Parking Payment will be a one-time cash payment made by MUHC into a Parking Payment Proceeds Escrow Account at Financial Close and it will be available for use by ProjectCo at that date.
Repayment:	ProjectCo will not be required to reimburse the Parking Payment at Global Substantial Completion or at any time thereafter since (a) the Parking Payment is a capital contribution, made in order to reduce the level of Periodic Payments and, (b) MUHC will retain the parking revenues generated by the Facility in exchange for the Parking Payment

	with no minimum guarantees from ProjectCo.
Additional Fees and margins:	No other fees and margins or amortization of the capital value of the Parking Payment will be required by MUHC.
Payment of interest:	<p>MUHC intends to raise financing in order to make the Parking Payment (the “Parking Financing”). ProjectCo would be required to reimburse MUHC for the interest payable on Parking Financing up until Global Substantial Completion. Payment of interest will be made on a semi-annual basis. Interest will be treated as a Project Cost under the Senior Credit Facilities and will be funded by way of drawdowns in arrears. Payments will be made within 20 days of invoicing by MUHC.</p> <p>Proponents need to estimate the timing and amount of the Payment of interest for the purpose of their Parking Alternate Proposal since their determination is design specific.</p>
Base Interest Rate:	<p>The Base Interest Rate will be equal to the financing costs paid by MUHC to secure funding of the Parking Payment. In the event the Parking Facilities can be safely operated in whole or in part prior to the Global Substantial Completion Date, the parking revenues net of operating costs generated during that period will be credited to ProjectCo by MUHC in reduction of the Payment of Interest otherwise due.</p> <p>For the purpose of the Parking Alternate Proposal, proponents should use an imputed all-in fixed rate of 6,933% per annum calculated from the Disbursement Date.</p>
Day Count Convention:	Actual / 365
Conditions Precedent to Financial Close specific to Parking Alternate Proposal:	<p>Confirmation by MUHC that funding for Parking Payment is available and of the Base Interest Rate.</p> <p>Execution of the Project Agreement (Commercial Close).</p> <p>Provision of the Financial Model used for the Senior Credit Facilities which includes the drawdown and use of the Parking Payment during construction and inclusion of interest as a Project Cost consistent with terms outlined in this document.</p>

#### 4. **Parking Alternate Proposal Deliverables**

Exceptionally and notwithstanding what is required in the Volumes 1 and 5 of the Request for Proposals, with respect to the Parking Alternate Proposal only the following deliverables are to be provided:

Each Proponent is asked to provide, as part of its Parking Alternate Proposal, a separate price form for each scenario using the form provided at Schedule 1-7 of Volume 1 of the

Request for Proposals and a separate financial model reflecting its Parking Alternate Proposal, which shall be consistent with the requirements of Volume 5 of the Request for Proposals as amended hereby.

The following deliverables shall be included for each scenario in the Parking Alternate Proposal as required per Volume 5 of the Request for Proposals:

- A1.4 Price Form
- G1.1 Number of Proposals submitted
- G1.2 Net Present Value of the Periodic Service Payments
- G1.3 Annual Service Payment at Base Date
- G1.6 NPV Sources and uses of funds during the Design and Construction Period
- G1.14 NPV Sources and Uses over the lifecycle of the Project
- G3 All deliverables under section G3 of Volume 5 of the Request for Proposals with respect to the Financial Model shall also form part of the Parking Alternate Proposal as required, with the exception of the deliverables G3.4 and G3.6 which are not required. Furthermore, the following two sections are modified as follows:

<b>G3.1</b>	<b>Financial Model Format</b>	<p>Proponents are required to submit a Financial Model, which complies with the following general format requirements:</p> <ol style="list-style-type: none"> <li>1. Non-time based and time based inputs can be presented in separate sheets or all inputs can be presented in a single sheet. All inputs must be identified in blue.</li> <li>2. Formulas must be short and contain a small number of nested « IF's ».</li> <li>3. Microsoft Excel 2003 compatible.</li> <li>4. Functions, formulae and linkages must be operational.</li> <li>5. It must be capable of being zipped.</li> <li>6. No part of the model must be password protected nor any cells containing input or output data hidden from view in any way.</li> <li>7. The file must allow the viewer access to all internal formulas, data and assumptions together with a full print out of all model sheets.</li> <li>8. If the Financial Model contains circular references, it must include a description of the locations of these references and the reasons why they are present. In addition, the circular references must be resolved, that is, the software must find a solution.</li> <li>9. The Financial Model should not use macros. However, if macros are used, a detailed description of the macros and their functionalities shall be included in the Financial Model databook. The detailed description for each macro shall include the following: <ul style="list-style-type: none"> <li>• reasons why this macro is used;</li> <li>• which operations and functions are accomplished through the macro;</li> <li>• which cells are modified by the macro;</li> <li>• the macro's results;</li> <li>• explanation of how the optimization is carried out, particularly with regard to input modifications; and</li> <li>• instructions pertaining to the necessary modifications of a macro following modifications in the Financial Model such as adding or deleting lines or columns.</li> </ul> </li> <li>10. Provide financial projections on a semi annual basis (for each</li> </ol>
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		<p>period ending June 30 and December 31) with monthly projections during the Construction Period.</p> <ol style="list-style-type: none"> <li>11. Must be expressed in CAD, in \$000s and be in Excel number format: #,##0 ;(#,##0).</li> <li>12. All cash flows must be assumed to occur at the end of each semi annual period.</li> <li>13. Must include the following schedules: <ul style="list-style-type: none"> <li>• summary output sheet;</li> <li>• assumption schedules in accordance with the assumptions presented in Section G3.5;</li> <li>• capital and operating costs;</li> <li>• a schedule of annualised Periodic Service Payments to be made by the MUHC over the course of the Project Agreement in both real and nominal terms;</li> <li>• funding schedules for each form of finance setting out drawdown and repayment amounts and timing, in nominal terms;</li> <li>• projected income statements with profit and loss accounts;</li> <li>• projected balance sheets;</li> <li>• projected cash flow statements;</li> <li>• projected statement of retained earnings;</li> <li>• lifecycle reserve account (if applicable);</li> <li>• other reserve accounts (please specify purpose) – where a reserve account is replaced with another structure this must be clearly visible;</li> <li>• cash cascade set out in order of seniority, in accordance with the financing documents;</li> <li>• taxation schedule, including deferred tax (if applicable); and</li> <li>• depreciation schedule.</li> </ul> </li> <li>14. the Financial Model must allow to calculate the adjustment to the Periodic Service Payments required in order to maintain equity IRR (after tax and nominal) at a pre-determined level following a variation of the listed elements (i.e. interest rate, inflation, tax, construction costs etc.) while respecting the Funder's requirements.</li> <li>15. <u>the Financial Model must allow the calculation of the adjustment to the Periodic Service Payments as a consequence of the Parking Payment and the Payment of interest.</u></li> </ol>
G3.2	Output requested	<p>The Financial Model must produce the following outputs:</p> <ol style="list-style-type: none"> <li>1. Financial projections: cost and revenue projections on a monthly basis during the Construction Period and on a semi-annual basis (for each period ending June 30 and December 31) from Scheduled Global Substantial Completion Date to the end of the Project Term.</li> <li>2. A single “summary sheet“ including; <ul style="list-style-type: none"> <li>• Project IRR before financing and tax in both real and nominal terms;</li> <li>• Project IRR before financing and after tax in both real and nominal terms;</li> <li>• Return on equity and sub-debt pre and post tax in both real and nominal terms and a blended equity return, that incorporates all sub-senior debt finance;</li> </ul> </li> <li>3. All required ratios as per the term sheets for each period of</li> </ol>

		<p>each loan (where more than one loan is provided) and in aggregate with minimum and average ratios (calculated in accordance with the Term Sheet).</p> <ol style="list-style-type: none"> <li>4. Any other ratios which are considered relevant to the proposed financial structure.</li> <li>5. The precise timing of any equity injections and details of the phasing, if appropriate.</li> <li>6. NPV of nominal Periodic Service Payments assuming no deductions.</li> <li>7. The following elements must be presented in a standard “flow of funds” format: <ul style="list-style-type: none"> <li>• Design and construction costs, <b><u>with the Parking costs presented separately;</u></b></li> <li>• Maintenance and debt service reserve accounts in accordance with Funder requirements;</li> <li>• Transitional costs;</li> <li>• Any other reserve accounts required by the Funders;</li> <li>• Development (set-up) costs analysis;</li> <li>• Lifecycle costs;</li> <li>• FM Services Expenditure - including details for each service; and</li> <li>• A scenario control sheet.</li> </ul> </li> <li>8. <b>Parking and</b> Commercial spaces revenues presented in NPV and in a standard “flow of funds” format</li> <li>9. Financial statements: <ul style="list-style-type: none"> <li>• projected income statements with profit and loss accounts;</li> <li>• projected balance sheets;</li> <li>• projected cash flow statements;</li> <li>• projected statement of retained earnings.</li> </ul> </li> </ol> <p>Financial projections must be prepared in accordance with Canadian Generally Accepted Accounting Principles (CGAAP) or International Financial Reporting Standards (IFRS); if using the later, highlight the variations from CGAAP and the impacts on expected results.</p>
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November 11, 2009

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