



GOVERNMENT OF BERMUDA

**The Ministry of Finance**

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**Ministry of Finance Headquarters**

TO: Senator Vance M.E. Campbell, JP  
Spokesperson for Finance

FROM: Senator Dwayne V. Robinson  
Opposition Spokesperson on Public Works

DATE: June 12 2019

**PARLIAMENTARY QUESTIONS**

- 1. With respect to the Bermuda Infrastructure Fund, would the Junior Minister please inform the Senate as to whether any projects have been initiated and completed through the Fund to date, and what projects, if any, are being considered for development over the 2019/20 Fiscal Year?**

The Fund commenced operations on April 27, 2018 and has raised approximately \$88.0 million in capital commitments from limited partners including the Government of Bermuda. Since coming into operation, the Fund has evaluated a number of investment opportunities currently under active consideration including the following:

Telecommunications infrastructure and reliability:

- The Fund has signed a term sheet to invest up to \$10.0 million with a start-up fixed wireless internet provider using industry-leading technology.

Food security and affordability; local sustainable agriculture:

- The Fund is evaluating a \$35.0 million indoor vertical agriculture facility and co-located solar development.

Transportation infrastructure for people and/or cargo:

- The Fund made a small loan to a start-up miniature electric vehicle rental business in April 2018 to help it purchase certain assets, and expects to conclude a \$1.5 million investment in that company in June.

**2. With respect to the Bermuda Infrastructure Fund, would the Junior Minister please inform the Senate as to the amount of Management Fees paid to the Fund Manager to date?**

The amount of Management Fees paid by the Bermuda Government to the Fund Manager, Fortress Investment Group LLC (together with its affiliates, "Fortress"), to date is \$175,342.47.

Fortress was selected to manage the Fund professionally. Fortress is a leading, highly diversified global investment management firm. Fortress applies its deep and specialized expertise across a range of investment strategies, including private equity and credit, on behalf of over 1,600 institutional investors and private clients worldwide.

In order to manage the Fund professionally, as the Government and institutional investors in the Fund require, Fortress needed to dedicate senior investment professionals to this Fund. The mechanics of the management fee payable by the Government to Fortress are as follows:

The Government of Bermuda backstops the Fund's minimum semi-annual management fee of \$500,000, essentially paying the difference, if any, between (a) the management fee earned by Fortress based on the invested capital of the Fund's investors at that time, and (b) \$500,000. The Government's commitment to backstop the management fee is capped at a total amount of \$3,000,000. To the extent the Government's capital is not returned by the conclusion of the Fund's investment period, the Government will have pro-rata limited partner interests in the Fund.

It is important to remember that Government receives an equity stake in the Fund for the Government's management fee payments, and these rank equally with other investors. This payment potentially will provide a positive rate of return to the taxpayer on top of the facilitation of needed infrastructure.

Information on the Bermuda Infrastructure Fund has already been provided to the House and general public by way of a Ministerial Statement by the Premier in December 2017.

The Bermuda Infrastructure Fund concept was brought to the previous Government by a few key senior executives of Bermuda's reinsurance industry. These companies have consistently been committed to Bermuda, and they wanted to help ensure that Bermuda was able to return to a path of economic growth, creating prosperity for Bermudians.

The originators of the fund concept, realising that they did not have the in-house expertise in infrastructure investment necessary to manage the fund professionally, approached Fortress, who agreed to act as manager.

Fortress worked on a fund structure with Government representatives after agreeing to act as manager, but after the parties finalized a fund structure and related fee mechanism, the former Minister of Finance decided not to go forward with the project. Upon a change of the Government, however, the new Government reengaged with Fortress, and the parties negotiated a mutually acceptable fund structure and related fee mechanism, including a Government seat on the Fund's Advisory Board. The Government believes that the Fund is in the best interest of Bermuda and Bermudians, who are interested in job creation, and to have international businesses invest their funds locally to help stimulate Bermuda's economy. Given the confidence we have in the future of Bermuda and our desire to support infrastructure development, The Government has agreed to support the establishment of the Bermuda Infrastructure Fund.

Key features of the Fund are as follows:

- The Fund was formed primarily to make investments in Bermuda-based infrastructure assets and opportunities;
- The General Partner is Fortress Bermuda Infrastructure Fund GP LLC

- & the Manager is Fortress Bermuda Infrastructure Fund Advisors LLC;
- Management Fees are payable semi-annually in advance, in an amount equal to 0.75% (1.5% annually) of capital invested. The minimum fee is \$1 million per year;
  - In the event that the Management Fee is less than \$500,000 in a semi-annual period the Government must pay the difference. The amount paid by Government will represent an interest in the Fund;
  - Government will be liable to pay the initial management fee of \$500,000 and will be liable to pay some fees as long as the amount invested by the fund is below \$66.7 million;
  - The General Partner established an Advisory Board composed of representatives of certain limited partners and a Government representative; and,
  - The Fund may borrow funds to facilitate investments or otherwise in connection with the Fund's business.

**3. Would the Junior Minister please inform the Senate as to how many jobs for Bermudians have been created through Bermuda Infrastructure Fund projects since the Fund's announced launch in May 2018?**

The Fund has yet to conclude on any investments since its launch, except for the small loan mentioned earlier; however the Fund is currently in advanced discussions regarding three initial investments that would potentially add an estimated 80 new employment positions, excluding temporary construction jobs.