

FORM ADV PART 2A BROCHURE

BROOKFIELD ASSET MANAGEMENT PRIVATE INSTITUTIONAL CAPITAL ADVISER US, LLC

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This brochure (the “Brochure”) provides information about the qualifications and business practices of Brookfield Asset Management Private Institutional Capital Adviser US, LLC. (“BAM PIC US”). If you have any questions about the contents of this Brochure, please contact us at 212-417-7000 or [BAMPIC.compliance@brookfield.com](mailto:BAMPIC.compliance@brookfield.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about BAM PIC US also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

BAM PIC US is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

## ITEM 2 – MATERIAL CHANGES

The following material changes are incorporated in this Brochure:

- Item 4 has been updated to reflect BAM PIC US's regulatory assets under management as of December 31, 2014;
- Item 6 has been updated to refer to certain co-investment opportunities offered and managed by BAM PIC US; and
- Item 11 has been updated to refer to certain potential conflicts of interests and related considerations.

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**ITEM 4 – ADVISORY BUSINESS**

Brookfield Asset Management Private Institutional Capital Adviser US, LLC, a Delaware limited liability company (“BAM PIC US”), provides investment advisory services to certain private investment funds structured as limited partnerships (and alternative investment vehicles and parallel or co-investment vehicles formed for investments made outside or alongside the limited partnerships) and publically listed operating partnerships (each, a “Brookfield Fund”), sponsored by Brookfield Asset Management Inc., a publicly traded Canadian corporation (“BAM” and, together with its affiliates, “Brookfield”). BAM PIC US is an indirect wholly owned subsidiary of BAM. Brookfield is a global alternative asset manager that owns and operates assets, and offers investment strategies (including through Brookfield Funds), with a focus on property, infrastructure, renewable energy, and private equity mainly to institutional investors. BAM PIC US either directly or indirectly, controls, or is under common control with, the following advisers (the “Relying Advisers”), which are located in New York, Toronto, Rio de Janeiro, London, and Vancouver:

BPG INDIA LLC

BREF ONE SERIES A MANAGER LLC

BREF ONE SERIES B MANAGER LLC

BREOF ASSET MANAGEMENT (CANADA) L.P.

BREOF ASSET MANAGEMENT LLC

BREOF II CAYMAN G.P., L.P.

BREOF US MANAGING MEMBER II, LLC

BROOKFIELD ASSET MANAGEMENT PRIVATE INSTITUTIONAL CAPITAL ADVISER US, LLC

BROOKFIELD CAPITAL PARTNERS II GP (NR) L.P.

BROOKFIELD CAPITAL PARTNERS II GP L.P.

BROOKFIELD GLOBAL PROPERTY ADVISER LIMITED

BROOKFIELD REAL ESTATE FINANCE FUND III GP, L.P.

BROOKFIELD REAL ESTATE FINANCIAL PARTNERS LLC

BROOKFIELD REAL ESTATE TURNAROUND FUND GP, L.P.

BROOKFIELD RETAIL HOLDINGS V GP LLC

BROOKFIELD STRATEGIC REAL ESTATE PARTNERS GP LLC

BROOKFIELD STRATEGIC REAL ESTATE PARTNERS II GP, LLC

BROOKFIELD US INVESTMENTS LTD.

BSREP GP BERMUDA LIMITED

BSREP II GP BERMUDA LIMITED

THAYER LODGING GROUP LLC, A BROOKFIELD COMPANY

Among other things, BAM PIC US identifies investment opportunities for Brookfield Funds and participates in the acquisition, management, monitoring and disposition of such investments using an operations-oriented approach, as described in more detail under “Methods of Analysis, Investment Strategies and Risk of Loss” in Item 8 below. Investment advisory services are provided directly to the Brookfield Funds and not individually to the investors (“Investors”) in such funds.

BAM PIC US tailors the investment advisory services provided to each Brookfield Fund based on such fund’s investment objectives, as set out in such fund’s investment management agreements, limited partnership agreements, private placement memoranda and/or other governing documents (collectively, the “*Governing Documents*”). The terms of the Governing Documents may differ from Brookfield Fund to Brookfield Fund and Investors may impose restrictions on certain types of investments by a Brookfield Fund for tax, regulatory, or other reasons. The Brookfield Funds’ investment strategies are described in more detail under “Methods of Analysis, Investment Strategies and Risk of Loss” in Item 8 below.

BAM PIC US does not participate in any wrap fee programs.

As of December 31, 2014, BAM PIC US had \$21,389,705,223.00 of regulatory assets under management.

## ITEM 5 – FEES AND COMPENSATION

As compensation for the services it provides to a Brookfield Fund, BAM PIC US or one of its affiliates is generally entitled to an annual management fee that is typically calculated and paid

quarterly in advance, subject to the terms of the fund's Governing Documents. In addition, the General Partner of the fund is generally entitled to performance based compensation, which typically is equal to a portion of the distributions of investment proceeds attributable to each Investor in the Brookfield Fund (other than affiliates of BAM PIC US), subject to the terms of the applicable Governing Documents. Overall fees may vary by Brookfield Fund and are determined in accordance with the applicable Governing Documents. Each General Partner also reserves the right to apply different fee and expense arrangements to Investors on an individual basis.

BAM PIC US or an affiliate thereof may charge transaction fees or monitoring fees in connection with an investment for a Brookfield Fund or earn break-up fees in connection with investments that are not consummated. In addition, representatives of BAM PIC US or an affiliate thereof may serve on the board of directors of one or more portfolio companies that a Brookfield Fund is invested in. As set out in the Governing Documents for each Brookfield Fund, up to 100% of the Investors' portion of the Brookfield Fund's allocable share of any transaction fees, monitoring fees, directors' fees or break-up fees received by BAM PIC US or its affiliates (or, in the case of directors' fees, representatives of BAM PIC US or an affiliate thereof) are generally applied, net of the Brookfield Fund's allocable share of applicable expenses, to reduce the annual management fee (provided that any of these fees that would reduce the annual management fee in excess of the management fee for the applicable period may be applied to the management fee for subsequent periods).

In addition to the fees above, each Brookfield Fund generally bears all of its operating expenses, including legal, organizational, offering expenses and other expenses, and each Investor bears its' pro rata portion of these expenses. Organizational expenses of a Brookfield Fund may include the out-of-pocket expenses of BAM PIC US, the General Partner and/or their agents incurred in the formation of the fund, which are often subject to a cap. Ongoing operating expenses of a Brookfield Fund generally include:

- legal, auditing, consulting and accounting fees and expenses (including costs of reports to the Investors, financial statements, tax returns and K-1s);
- expenses of meetings of any Investor advisory committee and of the Investors as may be contemplated by the Governing Documents;
- all insurance, indemnification and other unreimbursed expenses associated with the acquisition, holding and disposition of investments;
- all extraordinary expenses (such as litigation);
- interest on and fees and expenses arising out of all permitted borrowings made by the Brookfield Fund;

- all third-party expenses relating to unconsummated transactions;
- all expenses of liquidating the Brookfield Fund;
- any taxes, fees or other governmental charges levied against the Brookfield Fund and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Brookfield Fund; and
- expenses and costs relating to certain government and regulatory filings (including, for example, Form PF and those relating to the Alternative Investment Fund Managers Directive (“AIFMD”), but excluding Form ADV).

The Brookfield Funds may incur brokerage and other transaction costs, as discussed more fully under “Brokerage Practices” in Item 12 below.

As noted above, the asset based management fee in respect of a Brookfield Fund is typically paid quarterly in advance. An Investor in a Brookfield Fund that is a private investment fund is generally only permitted to withdraw from the fund under limited circumstances and will generally not be entitled to a refund of fees paid in advance in such circumstances.

Certain affiliates of BAM PIC US, including Brookfield Private Advisors LLC (“BPAL”), a limited purpose broker-dealer that is registered with the SEC and is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”), solicit prospective investors for the Brookfield Funds. BPAL and such other affiliates are compensated in the same manner regardless of which Brookfield Fund they sell. As a result, BAM PIC US believes that such affiliates do not have a conflict of interest or an incentive to recommend products based on compensation received as opposed to clients’ needs. While certain personnel of BPAL may sell securities and investment products sponsored by third parties, such personnel are not supervised persons of BAM PIC US and are not involved in the solicitation of prospective investors for Brookfield Private Funds.

Brookfield is solely responsible for the payment of compensation to any affiliate that solicits prospective investors for Brookfield Funds, none of which is borne by the Brookfield Funds or their Investors. Brookfield pays its affiliates that solicit prospective investors for the Brookfield Funds out of its profits, and such payments do not increase the fees paid by the Brookfield Funds’ Investors. BAM PIC US is not a broker-dealer and does not charge commissions or markups in addition to its investment advisory fees.

Certain Brookfield subsidiaries may be retained to perform services for a Brookfield Fund or a portfolio company in which a Brookfield Fund is invested that would otherwise be provided by third parties, such as lending, consulting, development oversight, property management, leasing, construction and design, operational, legal, financial, back-office, the provision of

insurance, advisory and other services. In any such situation, the Brookfield subsidiaries will be compensated for such services. See Item 10.

## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described above, Brookfield is generally entitled to performance based compensation from the Brookfield Funds, which is structured to comply with Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “*Advisers Act*”), to the extent applicable. Performance based compensation arrangements may create an incentive for BAM PIC US to recommend investments which may be riskier or more speculative than those which would be recommended under a different compensation arrangement. Such compensation arrangements may also create an incentive for BAM PIC US to favor higher fee paying accounts over lower fee paying accounts in the allocation of investment opportunities. BAM PIC US does not advise clients that do not pay both a performance fee and an asset based fee, as described in Item 5 above.

BAM PIC US or a General Partner of a Brookfield Fund may, in its discretion, offer to strategic or other investors and/or one or more Investors a portion of any investment opportunity that is within a Brookfield Fund’s investment objective, and may give priority co-investment rights to certain Investors (including Brookfield and/or its affiliates and designees) who meet certain commitment amounts (“Preferred Co-Investing Partners”), as outlined in the Governing Documents of the applicable Brookfield Fund. With respect to any co-investment opportunity offered to Preferred Co-Investing Partners, Brookfield generally will be entitled to receive an acquisition fee equal to 50 bps of the enterprise value of the co-investment opportunity to be paid or borne by the participating Preferred Co-Investing Partners (other than Brookfield). Other terms and conditions of any co-investment opportunity will be as determined by the General Partner in its discretion. For the avoidance of doubt, proposed participants in co-investment opportunities may not always bear broken deal expenses, with the result that the Brookfield Fund may, in certain circumstances, bear all such broken deal expenses.

Brookfield has long-term relationships with a significant number of developers, institutions and corporations and their advisors (“Brookfield Client Relationships”). These Brookfield Client Relationships may hold or may have held investments similar to the investments intended to be made by a Brookfield Fund, including certain investments that may represent appropriate investment opportunities for the Brookfield Fund. These Brookfield Client Relationships may compete with a Brookfield Fund for investment opportunities. Brookfield will continue to represent such Brookfield Client Relationships after the establishment of any particular Brookfield Fund. In determining whether to pursue a particular opportunity on behalf of a Brookfield Fund, BAM PIC US may consider these relationships, and there may be certain potential opportunities which would not be pursued on behalf of a Brookfield Fund in view of such relationships. In addition, a Brookfield Fund may invest or enter into joint ventures or other similar arrangements with Brookfield clients in connection with certain investments, and



the relationship with such clients may influence the decisions made by BAM PIC US with respect to such investments.

BAM PIC US has adopted a policy reasonably designed to allocate investment opportunities on a fair and equitable basis, consistent with its fiduciary obligations and the Governing Documents of the Brookfield Funds. See Item 11.

## ITEM 7 – TYPES OF CLIENTS

BAM PIC US's clients are Brookfield Funds, which include private investment funds structured as limited partnerships (and alternative investment vehicles and parallel or co-investment vehicles formed for investments made outside or alongside the limited partnerships) and publically listed operating partnerships. Investors in Brookfield Funds generally include public and corporate pensions, sovereign wealth funds, insurance companies, financial institutions, corporations and high net worth individuals.

## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

BAM PIC US follows Brookfield's methods of investment analysis. Based on these methods, BAM PIC US pursues the specific investment objectives and strategies of each Brookfield Fund as set out in the Brookfield Fund's Governing Documents.

BAM PIC US's operations-oriented approach plays an important role in the investment process. This approach leverages Brookfield's operating platforms in the evaluation and optimization of investments. This approach is generally comprised of the following attributes:

- **Operational expertise.** Brookfield's operations-oriented approach is an essential differentiating factor in its ability to generate superior risk-adjusted returns. During its 110-year history as an owner and operator of real assets, Brookfield has built global operating platforms, primarily in property, infrastructure, private equity and timberlands/agrilands. These operating platforms are backed by the expertise of approximately 18,000 operating employees.
- **Industry knowledge.** Brookfield's operating platforms enhance BAM PIC US's ability to develop fundamental views on the major factors that impact asset values. BAM PIC US will utilize this knowledge to make acquisition and divestiture decisions, as well as to take advantage of sophisticated financing and operating practices.
- **Active management of investments.** Through Brookfield's representation on boards of directors, leadership on advisory or operating committees, as well as frequent interaction with management, BAM PIC US will actively manage its investments. A key

aspect of this management role is a “hands on approach” to key value drivers such as growth capital investments, development projects, follow-on acquisitions and financings.

The Brookfield Funds that BAM PIC US advises focus on the following operating platforms or investment strategies: real estate, infrastructure and private equity. As noted in Item 4 above, Brookfield is a global alternative asset manager that owns and operates assets, and offers investment strategies (including through Brookfield Funds) with a focus on property, infrastructure, renewable energy, timberlands, agrilands and private equity. Brookfield private funds that are not advised by BAM PIC US are not discussed in this Brochure. The discussion of the Brookfield Funds that appears in this Brochure is not intended to constitute an offer of interests in those Funds.

**Property** – This strategy focuses on acquiring control positions in real estate assets and real estate companies located around the globe through a variety of structures, including direct property acquisitions, equity positions in real estate companies, distressed debt, recapitalizations, toe-hold positions in debt and equity securities, control-oriented loan originations, and development or redevelopment projects. This strategy involves investing in various real estate platforms, including office, retail, residential and development.

**Infrastructure** – Brookfield defines infrastructure assets as long-life, real assets that serve as the backbone for the provision of essential products or services to the global economy. Due to their nature, infrastructure assets are typically critical to support sustainable economic development and are characterized by some or all of the following attributes: (i) sustainable, long-term cash flows; (ii) inflation-correlated revenues; (iii) strong competitive position and high barriers to entry; and (iv) high operating margins. A Brookfield Fund will target investments across the infrastructure sector with particular emphasis on opportunities in the utility, energy, renewable power and transportation sectors, including oil and gas pipelines, regulated electricity and gas transmission and distribution systems, hydroelectric power generation, water and waste water distribution and treatment systems, storage facilities, toll roads, bridges, tunnels, airports, ports and railroads. Certain Brookfield Funds may also invest in other infrastructure opportunities such as communication infrastructure, industrial infrastructure and parking garages.

**Private Equity** – This strategy focuses on opportunities in industries in which Brookfield has expertise, and in businesses in need of strategic redirection and operational repositioning, employing an operations-oriented approach for value creation. The strategy is to seek control investments in mid-market companies that require a restructuring of their operations and/or capital structure. Brookfield seeks to take a leadership role through the restructuring process of each portfolio investment and add value through ongoing, active participation in management and governance.

**Timberlands** – A Brookfield Fund’s Timberlands investment strategy is to acquire quality timberland assets and actively manage them to achieve strong risk-adjusted total returns over the long term. Timberlands focuses on investments in regions with well-established wood-consuming economies, well-capitalized domestic converting customers and/or good economic access to export markets, low currency risk and a strongly embedded concept of private property rights generally supported by effective legal and land title systems. BAM PIC US targets investments located primarily in the U.S., Brazil and Australia and may also pursue opportunities in Canada, Chile, Uruguay and New Zealand. Brookfield aims to achieve a balanced portfolio through both diversification of timber types within and across timberland estates and timber markets served. Brookfield is a vertically integrated timberlands manager, retaining control over all aspects of decision making.

Investing in securities involves risk of loss that clients should be prepared to bear, **INCLUDING THE RISK OF LOSS OF THE ENTIRE INVESTMENT.**

***Material Risks of Key Investment Strategies:***

**Competitive Market for Investment Opportunities.** The activity of identifying, completing and realizing attractive real estate, infrastructure and private equity investments is highly competitive and involves a high degree of uncertainty. There can be no assurance that BAM PIC US will be able to locate and complete investments which satisfy the Brookfield Funds’ investment objectives, realize the value of these investments, or fully invest the Investors’ committed capital. Competition for such investment opportunities could come from other consortia, financial investors, and other asset managers and owners. These competitors may have financial, geographic, or strategic advantages that may reduce BAM PIC US’s competitiveness and potentially materially and adversely affect its ability to successfully conclude transactions.

**Operational Risk.** The long-term profitability of the assets in which a Brookfield Fund invests will be dependent upon the efficient operation, maintenance and high availability of such assets. Inefficient operations, maintenance and low availability may reduce returns to Investors.

**Risk of Unsuccessful Exit Strategies.** A Brookfield Fund may opportunistically sell, publicly list, distribute or otherwise dispose of portfolio investments at any time. It is not possible to predict whether an exit strategy will be advantageous or available at the appropriate time. If a Brookfield Fund fails to execute an exit strategy successfully prior to liquidation, the Fund may be forced to liquidate its assets on terms less favorable than anticipated and the proceeds from these portfolio investments and the remaining portfolio investments may be materially and adversely affected.

**Currency Risk.** A Brookfield Fund's investments may be subject to currency exchange rate volatility, including, without limitation, fluctuations in the rate of exchange between the U.S. dollar and the various non-U.S. currencies in which certain of the Brookfield Fund's investments may be denominated and costs associated with conversion of investment principal and income from one currency into another. It is not possible to hedge fully or perfectly against currency fluctuations affecting the value of investments denominated in non-U.S. currencies and it may not be economically feasible to do so.

**Illiquid and Long-Term Investments.** Although investments may generate current income, the return of capital and the realization of gains, if any, from an investment will most likely occur only upon the partial or complete disposition of such investment. While an investment may be sold at any time, it is generally expected that the disposition of most investments will not occur for a number of years after such investments are made. A Brookfield Fund generally will not be able to sell its securities publicly unless their sale is registered under applicable securities laws or will be able to sell the securities only under Rule 144 or other rules under the Securities Act which permit only limited sales under specified conditions. In addition, in some cases, a Brookfield Fund may be prohibited or limited by contract from selling certain securities for a period of time.

**Hedging Transactions.** A Brookfield Fund or its portfolio investment may utilize financial instruments such as forward contracts, options, swaps, caps, collars, floors and other derivatives to seek to hedge against fluctuations in the relative values of their assets as a result of changes in currency exchange rates, market interest rates and public security prices. While these transactions may reduce certain risks, the transactions themselves entail certain other risks. Hedging against a decline in the value of an investment does not eliminate fluctuations in the value of such investment or prevent losses if the value of such investment declines, but instead establishes other positions designed to gain from those same developments, thus offsetting the decline in such investment's value. These types of hedge transactions also limit the opportunity for gain if the value of such investment should increase. The success of hedging transactions will be subject to the ability to correctly predict movements in and the direction of, currency exchange rates, interest rates and public security prices. Therefore, while a Brookfield Fund or a portfolio investment may enter into hedging transactions to seek to reduce these risks, unanticipated changes in currency exchange rates, interest rates or public security prices may result in a poorer overall performance for the Brookfield Fund than if it had not engaged in any hedging transaction. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the investments being hedged may vary. Moreover, for a variety of reasons, a Brookfield Fund or a portfolio investment may not have established a perfect correlation between hedging instruments and the investments being hedged. This imperfect correlation may prevent the Brookfield Fund or a portfolio investment, as applicable, from achieving the intended hedge or expose it to risk of loss.

In addition, there is no limit on the exposure that may be incurred to any single counterparty under OTC derivative instruments, exchange listed securities, options, repurchase agreements or other similar transactions and, as a result, if any such counterparty becomes unable to pay amounts due on such instruments or transactions, the financial losses to a Brookfield Fund would be greater than if such limits were imposed.

It is possible that a Brookfield Fund will leave unhedged certain investments denominated in or generating cash flow in non-U.S. currencies and in any such case, the Brookfield Fund will be exposed to risk that such currency will decline in value against the U.S. dollar during the term of the portfolio investment such that the results of such portfolio investment will be worse in U.S. dollar terms than the results based upon the local currency.

**Non-U.S. Investments.** A Brookfield Fund may invest globally, including investments in emerging markets. Foreign securities involve certain risks not typically associated with investing in U.S. securities, including risks relating to (a) currency exchange matters including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which the Brookfield Fund's foreign investments may be denominated, and costs associated with conversion of investment principal and income from one currency into another, (b) differences between the U.S. and foreign securities markets, including potential price volatility in and relative illiquidity of some foreign securities markets, (c) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation, (d) certain economic and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital and the risks of political, economic or social instability, (e) obtaining foreign governmental approvals and complying with foreign laws, (f) the possible imposition of foreign taxes on income and gains recognized with respect to such securities and (g) differing tax structures. Anti-fraud and anti-insider trading legislation in these countries may be rudimentary. There may be no prohibitions or restrictions on the ability of management to terminate existing business operations, sell or otherwise dispose of a portfolio investment's assets or otherwise materially affect the value of the portfolio investment without the consent of the portfolio investment's shareholders. Anti-dilution protection also may be very limited. In these countries, the concept of fiduciary duty on the part of the management or directors of companies to shareholders may be limited. The legal systems in these countries may offer no effective means for a Brookfield Fund to seek to enforce its rights or otherwise seek legal redress or to seek to enforce foreign legal judgments.

**Portfolio Investment Management Risks.** With respect to management at the portfolio investment level, many portfolio investments rely on the services of a limited number of key individuals, the loss of any one of whom could materially and adversely affect the portfolio investment's performance. Although BAM PIC US expects to monitor the management of each portfolio investment, management of each portfolio investment will have day-to-day responsibility with respect to the business of such portfolio investment.

**Control Position.** A Brookfield Fund will generally seek investment opportunities that allow the Brookfield Fund, alone or in combination with Brookfield, to have significant influence on the management, operations and strategic direction of the portfolio investments in which it invests. The exercise of control and/or significant influence over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management and other types of liability in which the limited liability characteristic of business operations may generally be ignored. The exercise of control and/or significant influence over a portfolio investment could expose the assets of a Brookfield Fund to claims by such portfolio investment, its security holders and its creditors. While BAM PIC US intends to manage each Brookfield Fund in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.

**Minority Position.** A Brookfield Fund may also make minority equity investments in portfolio investments where it may have limited influence. Such portfolio investments may have economic or business interests or goals that are inconsistent with those of the Brookfield Fund and the Brookfield Fund may not be in a position to limit or otherwise protect the value of its investment in such portfolio investments. A Brookfield Fund's control over the investment policies of such portfolio investments may also be limited. This could result in the Brookfield Fund's investments being frozen in minority positions that incur substantial loss. If the Brookfield Fund takes a minority position in publicly-traded securities as a "toe-hold" investment, such publicly-traded-securities may fluctuate in value over the limited duration of the Brookfield Fund's investment in such publicly-traded-securities, which could potentially reduce returns to Investors.

**Toehold Investments.** A Brookfield Fund may accumulate minority positions in the outstanding debt securities or in voting stock, or securities convertible into the voting stock, of potential portfolio investments. While a Brookfield Fund will seek to achieve such accumulation through open market purchases, registered tender offers, negotiated transactions, or private placements, the Brookfield Fund may be unable to accumulate a sufficiently large position in a portfolio investment to execute its strategy. In such circumstances, the Brookfield Fund may dispose of its position in the portfolio investment within a short time of acquiring it; there can be no assurance that the price at which the Brookfield Fund can sell such securities will not have declined since the time of acquisition. Moreover, this may be exacerbated by the fact that securities of the companies that the Brookfield Fund may target may be thinly traded and that the Brookfield Fund's position may nevertheless have been substantial, although not controlling, and its disposal may depress the market price for such securities.

**Fund Level and Portfolio Investment Level Borrowing.** A Brookfield Fund may, from time to time, borrow money to facilitate investments. It is expected that this indebtedness, if incurred, will be secured primarily by the commitments of the Investors of the Brookfield Fund. In addition, BAM PIC US intends to evaluate whether it is prudent and appropriate to incur this leverage and there can be no assurance that leverage will be incurred given that adverse

economic factors, such as a significant rise in interest rates, may cause BAM PIC US, in its discretion, to elect not to incur such leverage.

The extent to which the Brookfield Fund uses leverage may have important consequences to the Investors, including, but not limited to, the following: (a) greater fluctuations in the net assets of the Brookfield Fund; (b) use of cash flow (including capital contributions) for debt service and related costs and expenses, rather than for additional portfolio investments, distributions or other purposes; (c) increased interest expense if interest rate levels were to increase; (d) in certain circumstances, prematurely disposing of portfolio investments to service a Brookfield Fund's debt obligations; and (e) limitation on the flexibility of the Brookfield Fund to make distributions to its Partners or sell assets that are pledged to secure the indebtedness. There can be no assurance that a Brookfield Fund will have sufficient cash flow to meet its debt service obligations. As a result, a Brookfield Fund's exposure to losses may be increased due to the illiquidity of its portfolio investments generally. Finally, Investors whose commitments have been pledged may be called upon to fund their entire commitments to repay indebtedness and the failure of other Investors to honor their commitments may result in a Limited Partner's payments exceeding its pro rata share of the indebtedness that has been obtained by a Brookfield Fund.

In addition, a Brookfield Fund's investments are expected to include portfolio investments the capital structure of which may have significant leverage. While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a high degree of risk. Although BAM PIC US will seek to use leverage in a manner it believes is appropriate under the circumstances, the leveraged capital structure of a portfolio investment will increase the exposure of such portfolio investment to material and adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of such portfolio investment or its industry and which may impair such portfolio investment's ability to finance its future operations and capital needs and result in restrictive financial and operating covenants. As a result, such portfolio investment's flexibility to respond to changing business and economic conditions may be limited. If, for any of these reasons, a portfolio investment is unable to generate sufficient cash flow to meet principal and/or interest payments on its indebtedness or make regular dividend payments, the value of a Brookfield Fund's investment in such portfolio investment could be significantly reduced or even eliminated. In addition, it may be the intention of a portfolio investment to refinance existing indebtedness at its maturity date but such portfolio investment may not be able to do so (a) at the rate assumed based on current market conditions, in which case such refinancing may be more costly or (b) at all, in which case such portfolio investment may not have sufficient funds on hand to pay its existing lenders.

**Leverage.** Some of the investments of a Brookfield Fund may utilize a leveraged capital structure in which case a third party would be entitled to cash flow generated by such investments prior to the Brookfield Fund receiving a return. While such leverage may increase returns or the funds available for investment by the Brookfield Fund, it will also increase the



risk of loss on a leveraged investment due to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the conditions of the investment. If a Brookfield Fund defaults on secured indebtedness, the lender may foreclose and the Brookfield Fund could lose its entire investment in the security for such loan. Because a Brookfield Fund may engage in portfolio financings where several investments are cross-collateralized, multiple investments may be subject to the risk of loss. As a result, a Brookfield Fund could lose its interests in performing investments in the event such investments are cross-collateralized with poorly performing or non-performing investments.

**Board Participation.** A Brookfield Fund, either alone or in combination with Brookfield, may seek to be the sole or largest investor in portfolio investments and will generally be represented on the boards of directors of most of its portfolio investments as well as positions on advisory, operating or similar committees of such portfolio investments. Such positions may have the effect of impairing BAM PIC US's ability to sell the related securities when and upon the terms, it may otherwise desire and may subject BAM PIC US and the Brookfield Fund to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director related claims. In general, a Brookfield Fund will indemnify BAM PIC US from such claims.

**Risk of Limited Number of Investments.** Since each Brookfield Fund generally may make only a limited number of investments and since a Brookfield Fund's investments generally will involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to the Investors. In the event a portfolio investment fails to meet projections, the Brookfield Fund may suffer a partial or total loss of capital invested in that company.

**Expedited Transactions.** Investment analyses and decisions by BAM PIC US may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to BAM PIC US at the time an investment decision is made may be limited and BAM PIC US may not have access to detailed information regarding the investment. Therefore, no assurance can be made that BAM PIC US will have knowledge of all circumstances that may materially and adversely affect an investment.

**Follow-On Investments.** Following the initial investment in a portfolio investment, a Brookfield Fund may be called upon to provide additional funds or have the opportunity to increase its investment in such company or to fund additional investments through such company. There is no assurance that the Brookfield Fund will make follow-on investments or that the Brookfield Fund will have sufficient funds to make all such investments. Any decision not to make follow-on investments or a Brookfield Fund's inability to make them may have substantial negative impact on the portfolio investment in need of such investment.

**Potential Restrictive Covenants.** Some Brookfield Funds may enter into a subscription credit facility with one or more lenders in order to finance the acquisition of portfolio investments. It is anticipated that any such subscription credit facility will contain a number of covenants that,



among other things, might restrict the ability of a Brookfield Fund and a subsidiary, if applicable, to: (i) acquire or dispose of assets or businesses; (ii) incur additional indebtedness; (iii) make capital expenditures; (iv) make cash distributions; (v) create liens on assets; (vi) enter into leases, investments or acquisitions; (vii) engage in mergers or consolidations; (viii) make capital calls to the Investors; (ix) amend certain documents, such as the Governing Documents and a subsidiary's organizational documents, if applicable; or (x) engage in certain transactions with affiliates, and otherwise restrict activities of the Brookfield Fund (including its ability to acquire additional investments, businesses or assets, or effect certain changes of control or asset sale transactions) without the consent of the lenders. In addition, such a subscription credit facility would likely require the Brookfield Fund to maintain specified financial ratios and comply with tests, including minimum interest coverage ratios, maximum leverage ratios, minimum net worth and minimum equity capitalization requirements. The Brookfield Fund may incur indebtedness under such subscription credit facility that bears interest at a variable rate. Economic conditions could result in higher interest rates, which could increase debt service requirements on variable rate debt and could reduce the amount of cash available for various Brookfield Fund purposes.

**Risks of Multi-Step Acquisitions.** In the event a transaction is to be effected by means of a multi-step acquisition, there can be no assurance that the remainder can be successfully acquired. This could result in a Brookfield Fund having only partial control over the investment or partial access to its cash flow to service debt incurred in connection with the acquisition.

**Bridge Loans.** From time to time, a Brookfield Fund may lend to portfolio investments on a short-term, unsecured basis in connection with an equity investment or otherwise invest on an interim basis in portfolio investments in anticipation of future issuances of equity or long-term debt securities or other refinancing or syndication. Such bridge loans will typically be convertible into more permanent, long-term securities, however, for reasons not always in the Brookfield Fund's control, the conversion of such bridge loans to long-term securities may not occur and such bridge loans may remain outstanding. In addition, the Brookfield Fund will bear the risk of any capital market fluctuations that adversely affect the ability of the Brookfield Fund or the portfolio investment to refinance or syndicate the bridge loans. If neither the Brookfield Fund nor the portfolio investment is able to refinance or syndicate the bridge loans, such bridge loans may remain outstanding. In the event bridge loans remain outstanding for greater than the planned duration, the interest rate on such bridge loans may not adequately reflect the risk associated with the unsecured position taken by the Brookfield Fund.

**Investments with Third Parties.** A Brookfield Fund may co-invest with third parties through joint ventures or other entities in so called "club deals". Such portfolio investments may involve risks not present in investments where a third party is not involved, including the possibility that such third-party co-venturer or partner may have investment strategies and objectives (with respect to the particular investment or their fund as a whole) which are inconsistent with those of the Brookfield Fund, may have or encounter financial difficulties after the investment is made leading to a change in investment strategies and objectives, or may be in a position to

take action in a manner contrary to the Brookfield Fund's investment objectives. In the event a third-party co-venturer defaults on its funding obligations to a portfolio investment, the Brookfield Fund may be required to make additional capital contributions to such company to replace the shortfall caused by such third-party co-venturer. In addition, a Brookfield Fund may in certain circumstances be liable for the actions of its third-party co-venturers or partners. It may also be more difficult for the Brookfield Fund to sell its interest in any joint venture, partnership or entity with other owners than to sell its interest in other types of investments. Co-venturers or partners may possess joint approval rights with the Brookfield Fund with respect to major decisions concerning the management and disposition of a portfolio investment, which would increase the risk of deadlocks. A deadlock could delay the execution of the business plan for the investment or require the Brookfield Fund to engage in a buy-sell of the portfolio investment with the co-venturer or partner or conduct the forced sale of such investment. As a result of these risks, a Brookfield Fund may be unable to fully realize its expected return on any such investment.

### **Material Risks of Specific Types of Investments:**

#### ***Infrastructure Specific Risks***

**Risks Associated with Investments in Infrastructure Assets.** Brookfield Fund investments will be subject to the risks incidental to the ownership and operation of infrastructure projects, including risks associated with the general economic climate, geographic or market concentration, the ability of the Brookfield Fund to manage the investment, government regulations and fluctuations in interest rates. Since investments in infrastructure and similar assets, like many other types of long-term investments, have historically experienced significant fluctuations and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of the portfolio investments.

**Infrastructure Environmental Risks.** The operation of infrastructure assets is subject to numerous statutes, rules and regulations relating to environmental protection. There is the possibility of existing or future environmental contamination, including soil and groundwater contamination, as a result of the spillage of hazardous materials or other pollutants. Under various environmental statutes, rules and regulations of the appropriate jurisdiction, a current or previous owner or operator of real property may be liable for non-compliance with applicable environmental and health and safety requirements and for the costs of investigation, monitoring, removal or remediation of hazardous materials. These laws often impose liability whether or not the owner or the operator knew of or was responsible for, the presence of hazardous materials. The presence of these hazardous materials on a property could also result in personal injury, property damage or similar claims by private parties.

Persons who arrange for the disposal or treatment of hazardous materials may also be liable for the costs of removal or remediation of those materials at the disposal or treatment facility, whether or not that facility is or ever was owned or operated by that person. Any liability of portfolio investments resulting from non-compliance or other claims relating to environmental

matters could have a material adverse effect on the value of a Brookfield Fund's investments in such portfolio investments.

**Unforeseen Events Risk.** The use of infrastructure assets may be interrupted or otherwise affected by a variety of events outside the control of a Brookfield Fund, including serious traffic accidents, natural disasters (such as fire, floods, earthquakes and typhoons), man-made disasters (including terrorism), defective design and construction, slope failure, bridge and tunnel collapse, road subsidence, toll rates, fuel prices, environmental legislation or regulation, general economic conditions, labor disputes and other unforeseen circumstances and incidents. Certain of these events have affected toll roads, bridges, tunnels and other infrastructure assets in the past and if the use of the infrastructure assets operated by portfolio investments is interrupted in whole or in part for any period as a result of any such events, the revenues of such portfolio investments could be reduced, the costs of maintenance or restoration could be increased and the overall public confidence in such infrastructure assets could be reduced. There can be no assurance that such portfolio investments' insurance would cover liabilities resulting from claims relating to the design, construction, maintenance or operation of the toll roads, bridges, tunnels or other infrastructure assets, lost toll revenues or increased expenses resulting from such damage.

**Infrastructure Regulatory and Legal Risks.** Many portfolio investments of a Brookfield Fund will be in entities that are subject to substantial regulation by governmental agencies. In addition, their operations may often rely on governmental licenses, concessions, leases or contracts that are generally very complex and may result in disputes over interpretation or enforceability. If any portfolio investments fail to comply with these regulations or contractual obligations, they could be subject to monetary penalties or they may lose their rights to operate the underlying infrastructure assets or both. Where their ability to operate an infrastructure asset is subject to a concession or lease from the government, the concession or lease may restrict their ability to operate the asset in a way that maximizes cash flows and profitability. The lease or concession may also contain clauses more favorable to the government counterparty than a typical commercial contract. For instance, the lease or concession may enable the government to terminate the lease or concession in certain circumstances (such as a default by the portfolio investment) without requiring it to pay adequate compensation. In addition, government counterparties also may have the discretion to change (including, without limitation, by reducing rates or allowed rates of return) or increase regulation of the operations of the portfolio investments or to implement laws, regulations or policies affecting their operations, separate from any contractual rights that the government counterparties may have. Governments have considerable discretion in implementing regulations and policies that could impact these portfolio investments and may be influenced by political considerations and make decisions that materially and adversely affect such portfolio investments and their operations.

**Utility and Energy Industries Risk.** Risks that are intrinsic to the utility and energy infrastructure industries include difficulty in obtaining an adequate return on invested capital, difficulty in financing large construction programs, restrictions on operations and increased cost and delays

attributable to environmental considerations and regulation, difficulty in raising capital in adequate amounts on reasonable terms in periods of high inflation and unsettled capital markets, technological innovations that may render existing plants, equipment or products obsolete, the potential impact of natural or man-made disasters, increased costs and reduced availability of certain types of fuel, occasionally reduced availability and high costs of natural gas for resale, the effects of energy conservation, the effects of a national energy policy and lengthy delays and greatly increased costs and other problems associated with the design, construction, licensing, regulation and operation of nuclear facilities for electric generation, including, among other considerations, the problems associated with the use of radioactive materials and the disposal of radioactive wastes. There are substantial differences among the regulatory practices and policies of various jurisdictions and any given regulatory agency may make major shifts in policy from time to time. There is no assurance that regulatory authorities will, in the future, grant rate increases or that such increases will be adequate to permit the payment of dividends on common stocks issued by a utility or energy infrastructure company. Additionally, existing and possible future regulatory legislation may make it even more difficult for utilities or energy infrastructure enterprises to obtain adequate relief.

Governmental authorities may from time to time review existing policies and impose additional requirements governing the licensing, construction and operation of power plants. Prolonged changes in climatic conditions can also have a significant impact on both the revenues of an electric and gas utility as well as the expenses of a utility, particularly a hydro-based electric utility.

**Electric.** The electric utility industry consists of companies that are engaged principally in the generation, transmission and sale of electric energy, although many also provide other energy-related services. In the past, electric utility companies, in general, have been favorably affected by lower fuel and financing costs and the full or near completion of major construction programs. In addition, many of these companies have generated cash flows in excess of current operating expenses and construction expenditures, permitting some degree of diversification into unregulated businesses. Some electric utilities have also taken advantage of the right to sell power outside of their traditional geographic areas. Electric utility companies have historically been subject to the risks associated with increases in fuel and other operating costs, high interest costs on borrowings needed for capital construction programs, costs associated with compliance with environmental and safety regulations and changes in the regulatory climate. As interest rates declined, many utilities refinanced high cost debt and in doing so improved their fixed charges coverage. Regulators, however, lowered allowed rates of return as interest rates declined and thereby caused the benefits of the rate declines to be shared wholly or in part with customers. In a period of rising interest rates, the allowed rates of return may not keep pace with the utilities' increased costs.

A number of U.S. states are considering or have enacted deregulation proposals. The introduction of competition into the industry as a result of such deregulation has at times resulted in lower revenue, lower credit ratings, increased default risk and lower electric utility

security prices. Such increased competition may also cause long-term contracts, which electric utilities previously entered into to buy power, to become “stranded assets” which have no economic value. Any loss associated with such contracts must be absorbed by ratepayers and investors. In addition, some electric utilities have acquired electric utilities overseas to diversify, enhance earnings and gain experience in operating in a deregulated environment. In some instances, such acquisitions have involved significant borrowings, which have burdened the acquirer’s balance sheet. There is no assurance that current deregulation proposals will be adopted. However, deregulation in any form could significantly impact the electric utilities industry.

**Gas.** Gas transmission companies and gas distribution companies are undergoing significant changes. In the United States, interstate transmission companies are regulated by the Federal Energy Regulatory Commission, which is reducing its regulation of the industry. Many companies have diversified into oil and gas exploration and development, making returns more sensitive to energy prices. Gas utility companies have been adversely affected by disruptions in the oil industry and have also been affected by increased concentration and competition.

**Water.** Water supply utilities are companies that collect, purify, distribute and sell water. In the United States and around the world the industry is highly fragmented because most of the supplies are owned by local authorities. Companies in this industry are generally mature and are experiencing little or no per capita volume growth. As with other utilities, increased regulation, increased costs and potential disruptions in supply may adversely affect investments in water supply utilities.

**Utility Industries Generally.** There can be no assurance that the positive developments noted above, including those relating to privatization and changing regulation, will occur or that risk factors other than those noted above will not develop in the future.

**Toll Rates Risk.** A Brookfield Fund may invest in portfolio investments that derive substantially all of their revenues from collecting tolls from vehicles using roads, tunnels, bridges or subways. Users of the toll roads, tunnels, bridges and subways operated by portfolio investments may react negatively to any adjustments to the applicable toll rates or public pressure may cause relevant government authorities to challenge the toll rates. Motorists may react adversely to toll rates, for example, by avoiding tolls or refusing to pay tolls, resulting in lower traffic volumes and reduced toll revenues. In addition, adverse public opinion or lobbying efforts by specific interest groups, could result in governmental pressure on portfolio investments to reduce their toll rates or to forego planned rate increases. There can be no guarantee that government bodies with which portfolio investments have concession agreements will not try to exempt certain vehicle types from tolls or negotiate lower toll rates. If public pressure or government action forces portfolio investments to restrict their toll rate increases or reduce their toll rates and they are not able to secure adequate compensation to restore the economic balance of the relevant concession agreement, the Brookfield Fund’s business, financial condition and results of operations could be materially and adversely affected.

**Construction Risk.** To the extent that a Brookfield Fund invests in projects that involve significant construction, such as greenfield development, there is a risk that such projects will not be completed within budget, within the agreed timeframe or to the agreed specification. This risk may be mitigated by provisions in the construction contract for payment of liquidated damages by the construction contractor. However, a Brookfield Fund may be exposed to any losses not covered by such provisions or to the financial failure of the contractor.

**Demand and Usage Risk.** Although a Brookfield Fund will target assets with low demand, usage and throughput risk, residual demand, usage and throughput risk can affect the performance of portfolio investments. To the extent that underlying assumptions regarding the demand, usage and throughput of assets prove incorrect, returns to the Brookfield Fund could be materially and adversely affected.

**Commodity Price Risk.** Infrastructure assets may be subject to commodity price risk, including, without limitation, the price of electricity and the price of fuel. The operation and cash flows of infrastructure assets may depend, in some cases to a significant extent, upon prevailing market prices for energy commodities. Historically, the markets for oil, gas, coal and power have been volatile. This volatility is likely to continue in the future. Market prices of these energy commodities may fluctuate materially depending on a variety of factors beyond the control of the Brookfield Fund, including, without limitation, weather conditions and foreign and domestic supply.

**Risks Associated with Investments in Latin America.** Certain countries in Latin America have historically suffered from social, political and economic instability. For investors, this has meant additional risk caused by periods of regional conflict, political corruption, totalitarianism, protectionist measures, nationalization, hyperinflation, debt crises, sudden and large currency devaluation and intervention by the military in civilian and economic spheres. In some Latin American countries, a move to sustainable democracy and a more mature and accountable political environment is under way. Nonetheless, to the extent that events such as those listed above continue in the future, they could reverse favorable trends toward market and economic reform, privatization and removal of trade barriers and result in significant disruption in securities markets in the region. In addition, recent favorable economic performance in much of the region has led to a concern regarding government overspending in certain Latin American countries. Investors in the region continue to face a number of potential risks. Certain Latin American countries depend heavily on exports to the United States. Accordingly, these countries may be sensitive to fluctuations in U.S. demand and changes in U.S. market conditions.

A number of Latin American countries rank as some of the largest debtors among developing countries and have a long history of foreign debt and default. The majority of the region's economies have become highly dependent upon foreign credit and loans from external sources to fuel their state-sponsored economic plans. Historically, government profligacy and ill-conceived plans for modernization have exhausted these resources with little benefit accruing



to the economy. Most countries have been forced to restructure their loans or risk default on their debt obligations. In addition, interest on the debt is subject to market conditions and may reach levels that would impair economic activity and create a difficult and costly environment for borrowers. Accordingly, these governments may be forced to reschedule or freeze their debt repayment, which could negatively affect local markets.

### ***Private Equity Specific Risks***

**Nature of Distressed Investments.** A Brookfield Fund may purchase securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy, reorganization or liquidation proceedings. Investing in distressed securities involves a substantial degree of risk, even as compared to other private equity fund investment strategies. Each of these investments must be considered purely speculative by any potential investor. Such securities and obligations are subject to the significant risk of an issuer's inability to meet principal and/or interest payments on its obligations as they become due (credit risk) and the risk of price volatility due to factors such as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (market risk). There can be no assurance that BAM PIC US or its affiliates will correctly evaluate the nature and magnitude of a prospective investment's credit risk, market risk and the various other factors and uncertainties that could affect the value of such investment.

There are a significant number of risks inherent in any bankruptcy process, including proceedings under the Companies' Creditors Arrangement Act in Canada and Chapter 11 of the U.S. Code in the United States. Most actions and outcomes in bankruptcy are the product of contested matters and adversarial proceedings determined by a court which has been granted equitable power to impose a variety of remedies on stakeholders, almost all of which are beyond the control of creditors. The effect of a bankruptcy filing on a portfolio investment may adversely and permanently affect such company through the loss of key employees, suppliers and overall market presence. The duration of any bankruptcy case is difficult to predict and, as such, the return on investment realized by any creditor will be adversely affected by delays in negotiating, approving and confirming the plan of reorganization. As the length of any bankruptcy increases, the creditors' costs in monitoring and enforcing its claim also substantially increase. Administrative costs of bankruptcy, including the costs and expenses of official or unofficial committees, can be significant in magnitude as compared to the value of the portfolio investment emerging from bankruptcy. In addition, such costs are frequently paid out of the debtor's estate prior to any return to general unsecured creditors. Certain claims that have priority by law (for example, claims to taxes) also may be significant. Finally, under certain circumstances, creditors' claims against bankrupt or insolvent entities are subject to equitable subordination or re-characterization as equity (particularly where the creditor is an insider or otherwise controls the debtor as may often be the case with many of the Brookfield Fund's investments), and transfers made to creditors may be subject to avoidance and disgorgement as preferences or fraudulent conveyances.

**Junior, Unsecured Securities.** Any debt securities in which a Brookfield Fund will invest may be unsecured and subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. In the event of the bankruptcy or liquidation of an issuer of such securities, there may not be enough proceeds to repay the holders of such securities following repayment to the holders of senior indebtedness. In addition, such securities may not be protected by financial covenants or limitations upon additional indebtedness, thereby providing less control over the investment, and may have limited liquidity.

### ***Property Specific Risks***

**General Real Estate Considerations.** Real property investments are subject to varying degrees of risk. Real estate values are affected by a number of factors, including: (i) changes in the general economic climate; (ii) local real estate conditions (such as an oversupply of space or a reduction in demand for space); (iii) the quality and philosophy of management; (iv) competition based on rental rates; (v) attractiveness and location of the properties; (vi) financial condition of operators, buyers and sellers of properties; (vii) quality of maintenance, insurance and management services; (viii) changes in operating costs; (ix) changes in interest rates and the availability of financing; (x) uninsured losses or delays from casualties or condemnation; (xi) government regulations (including those governing usage, improvements, zoning and taxes); (xii) potential liability under changing environmental and other laws; (xiii) structural or property-level latent defects; (xiv) the imposition of rent controls; (xv) energy and supply shortages; and (xvi) other factors beyond the control of the manager. Investments in existing entities (e.g., buying out a distressed partner or acquiring an interest in an entity that owns a real property) could also create risks of successor liability.

There is also a risk that subsequent property acquisitions could trigger property tax reassessments and cause property taxes payable by a Brookfield Fund to increase. Revenues from real estate may be affected adversely by competition from other properties offering the same or similar attributes, the ongoing need for capital improvements (particularly in older structures), changes in real estate tax rates (or increases in property tax valuations) and other operating expenses, civil unrest, acts of God, including earthquakes, hurricanes and other natural disasters (which may result in uninsured or underinsured losses), acts of war, acts of terrorism, adverse changes in zoning laws and other factors which are beyond the control of BAM PIC US or the Brookfield Fund. Furthermore, there can be no assurance that there will be tenants or buyers for the Brookfield Fund's properties.

**Competition for Real Property Interests.** A Brookfield Fund will encounter competition for real property investments from numerous other real estate investment partnerships, limited liability companies and trusts, as well as from individuals, corporations, bank and insurance company investment accounts, foreign investors and other entities engaged in real estate investment activities. Competition for investments may have the effect of increasing costs, thereby reducing investment returns to the Brookfield Fund or decreasing the number of opportunities



that satisfy the Brookfield Fund's investment criteria, thereby reducing the amount of capital deployed by the Brookfield Fund.

**Potential Environmental Liability.** Property owners are subject to potential liabilities under various federal, provincial, state and local laws, ordinances and regulations as well as common law principals (collectively, "Environmental Laws"). Among other things, certain Environmental Laws provide that an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property and subject the owner or operator of real property or a facility to claims or liability for the costs of removal or remediation of hazardous substances that are released at, in, on, under, or from real property or a facility. The cost of any required remediation and the owner's liability therefore as to any property are generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner. In addition to claims for cleanup costs, the presence of hazardous substances on or the release of hazardous substances from a property or a facility and persons who arranged for off-site disposal activities could result in a claim by a private party for personal injury or property damage or could result in a claim from a governmental agency for other damages. Liability under such Environmental Laws can be imposed on the owner or the operator of real property or a facility without regard to fault or even knowledge of the release of hazardous substances and other regulated materials on, at, in, under, or from the property or facility. Environmental liabilities associated with hazardous substances also could be imposed on a Brookfield Fund under other applicable Environmental Laws. The presence of hazardous substances in amounts requiring response action or the failure to undertake necessary remediation may adversely affect the Brookfield Fund's ability to use or sell real estate or borrow money using such real estate as collateral, which could have an adverse effect on the Brookfield Fund's return from such investment.

It is possible that future Environmental Laws, ordinances, or regulations or new interpretations of existing Environmental Laws, ordinances, or regulations will impose material environmental liabilities on a Brookfield Fund. The environmental conditions of Brookfield Fund's properties could be affected adversely by hazardous substances associated with other nearby properties or the actions of third parties unrelated to the Brookfield Fund. Tenants may engage in activities prohibited by their leases or otherwise expose the Brookfield Fund to liability under applicable Environmental Laws, ordinances, or regulations. The costs of defending any future environmental claims, performing any future environmental remediation, satisfying any such environmental liabilities, or responding to any changed environmental conditions could materially adversely affect the Brookfield Fund's financial conditions and results of operations.

**Uninsured Losses.** A Brookfield Fund will attempt to maintain insurance coverage against liability to third parties and property damage as is customary for similarly situated businesses. However, there can be no assurance that insurance will be available or sufficient to cover any such risks. Insurance against certain risks, such as earthquakes, floods, hurricanes and terrorist acts, may be unavailable, available in amounts that are less than the full market value or replacement cost of investments or underlying assets or subject to a large deductible. In

addition, there can be no assurance the particular risks which are currently insurable will continue to be insurable on an economically feasible basis. In general, losses related to terrorism are becoming more difficult and more expensive to insure against. Most insurers are excluding terrorism coverage from their all-risk policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts for additional premiums which can greatly increase the total cost of casualty insurance for a property. As a result, Brookfield Fund investments might not be insured against terrorism. Inflation, changes in building codes and ordinances, environmental considerations, provisions in loan documents encumbering the portfolio of properties pledged as collateral for loans, and other factors also might make it economically impractical to use insurance proceeds to replace improvements on a property if it is damaged or destroyed. Under such circumstances, the insurance proceeds received, if any, might not be adequate to restore the investment with respect to the affected property. If a major uninsured loss occurs, the Brookfield Fund could lose both invested capital in and anticipated profits from the affected investment. In such an event, the Brookfield Fund might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. No assurances can be given that material losses in excess of insurance proceeds will not occur in the future.

### ***Timberland Specific Risks***

**Highly Competitive Market for Timberland Investment Opportunities.** The activity of identifying, completing and realizing attractive private equity timberlands investments is highly competitive and involves a high degree of uncertainty. There can be no assurance that a Brookfield Fund's general partner will be able to locate and complete portfolio investments which satisfy a Brookfield Fund's objectives, realize the value of these portfolio investments or fully invest the Brookfield Fund's committed capital. However, the Investors of a Brookfield Fund will be required to pay the management fee based on invested capital during the commitment period.

A Brookfield Fund will compete with other consortia and companies for timberlands investments. These competitors, which include large timberland owners, construction and engineering groups and financial investors, may have significant financial resources and may be able to present bids with competitive terms. As a result of such competition, a Brookfield Fund may have difficulty in making certain timberlands investments or, alternatively, a Brookfield Fund may be required to make portfolio investments on economic terms less favorable than anticipated. If a Brookfield Fund fails to make new portfolio investments or makes portfolio investments on less favorable terms, the Brookfield Fund's financial condition and results of operations could be materially and adversely affected.

**Highly Competitive Timberland Industry.** The portfolio investments operate in a highly competitive business environment in which companies compete, to a large degree, on the basis of price and also on the basis of service and ability to provide a steady supply of products over the long term. In a Brookfield Fund's target markets, such portfolio investments' prime competitors are generally other large forestland owners, governments and small private

forestland owners. In addition, wood and paper products are subject to increasing competition from a variety of substitute products, including non-wood and engineered wood products and electronic media. The competitive position of the portfolio investments is also influenced by a number of other factors including the availability, quality and cost of labor, the cost of energy, the ability to attract and maintain long-term customer relationships, the quality of products and customer service and foreign currency fluctuations.

**Timberland Development Risks.** BAM PIC US anticipates that certain Brookfield Funds will acquire equity interests in development timberlands or timberlands with redevelopment potential. To the extent that a Brookfield Fund invests in such development activities, it will be subject to the risks normally associated with such activities. Such risks include, but are not limited to, risks relating to the availability and timely receipt of applicable regulatory approvals, the cost and timely completion of development activities (including risks beyond the control of the Brookfield Fund, such as weather or labor conditions or material shortages) and the availability of financing on favorable terms. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on the investment and on the amount of funds available for distribution to Investors.

**Risks Associated with Greenfield Timberland Projects.** A Brookfield Fund may invest in greenfield timberland projects. It is common for such projects to be initiated alongside the establishment of a new local converting business, which is intended to be the primary or sole purchaser of the timber. As such, the timberland operations are frequently exposed to risks associated with the construction of the converting facility, as well as the converting facility's purchasing power thereafter. Moreover, greenfield projects require significant capital investments at the planting stage, with no prospect of cash flows being generated from such investments during the growth stage. This customer concentration and the unavailability of near-term cash flows could have a material adverse effect on a Brookfield Fund.

**General Risk Factors Relating to Timberlands.** Timberland investments are generally subject to varying degrees of risk. These risks include changes in general economic conditions (including market and price factors, currency fluctuations and global economic health), government regulations and trade issues, dealings with unionized employees, regulations regarding environmental issues and land claims. Certain significant expenditures, including interest payments, must be made whether or not a Brookfield Fund's timberlands are producing sufficient income to service these expenses.

**Timber and Wood Market and Price Volatility.** The financial performance of certain Brookfield Funds is dependent on the selling prices of timber. The markets for timber are cyclical and are influenced by a variety of factors beyond the Brookfield Fund's control. For example, the market prices for timber can be affected by changes in regional and global demand, supply and economic conditions which are affected by: general economic activity; consumption and production levels and prices of lumber, pulp and paper; new housing, repair and remodeling activity; interest and foreign currency exchange rates; change in levels of investment in lumber

mills, pulp mills and paper mills; population growth and other demographic factors; consumer preferences; price and availability of substitute wood and non-wood products; weather conditions, including wind damage and flooding; fires, disease epidemics and insect infestation of forestlands; regional, domestic and international changes in regulatory, social, political, labor or economic conditions and policies, in a specific country or region; global shipping and transportation costs; trade protection laws, policies and measures and other regulatory requirements affecting trade and investment, including loss or modification of exemptions for taxes and tariffs, and import and export licensing requirements; increases in global timber supply, including global supply shifts to low cost countries; harvesting restrictions in wood-supplying regions that affect supply; the costs of timber production; and technological advances, which improve harvest yield in competing supply regions.

In addition, such a Brookfield Fund's financial performance will be subject to global economic changes. In particular, a significant component of the products sold by the portfolio investments will likely be sold in markets that are sensitive to macroeconomic conditions in the principal timber consuming markets. Accordingly, adverse economic conditions in these economies could reduce demand for these products and negatively impact a Brookfield Fund's financial performance.

**Weather and other Natural Conditions.** Weather conditions, climate change, timber growth cycles and restrictions on access may reduce the volume and value of timber that can be harvested from a Brookfield Fund's timberlands, as may other factors, such as damage by fire, insect infestation, disease, prolonged drought and natural disasters. As is typical in the industry, BAM PIC US will not insure against losses of timber from any causes, including fire.

**Geographic Concentration.** A Brookfield Fund's timberlands investments are expected to be primarily concentrated in the United States. If the level of production from the forests in the United States or any other region in which the Brookfield Fund invests substantially declines, it could have a material adverse effect on the Brookfield Fund's overall production levels and its financial performance.

**Restrictions Imposed by Forestry and Environmental Regulations.** Government regulations relating to forestry practices and sale of logs may result in increased costs for the portfolio investments and, accordingly, impact their financial results and operations. Examples of such regulations include reforestation requirements and those impacting upon harvesting activities within close proximity or otherwise affecting watercourses or inland shorelines. In addition, forestry and environmental regulations may restrict timber harvesting and may otherwise restrict the ability of such investments to conduct their business. There can be no assurance that, as a result of such regulations, the portfolio investments will not incur significant costs, civil and criminal penalties and liabilities, including those relating to claims for damages to property or natural resources, resulting from their operations, any of which could have a material adverse effect on the performance of the portfolio investments. Management intends to maintain environmental and safety compliance programs and conduct regular internal and independent third-party audits of its facilities and timberlands to monitor compliance with

these laws and regulations.

Laws, regulations and related judicial decisions and administrative interpretations affecting the business of the portfolio investments are subject to change and new laws and regulations that may affect their business are frequently enacted. Some of these laws and regulations could impose on such investments significant costs, penalties and liabilities for violations of existing conditions whether or not they caused or knew about them. Timberlands in various jurisdictions are subject to laws and regulations which relate to, among other things, the protection of timberlands, health and safety, the protection of endangered species, air and water quality, timber harvesting practices, and recreation and aesthetics. Regions with frequent policy changes add volatility to revenue streams and depress timberland values.

In connection with a variety of operations of timberlands, the portfolio investments may be required to make regulatory filings. Any government agencies could delay review of or reject any of such filings. Any such delay or rejection could result in a delay or restriction in harvesting, replanting, thinning, insect control or fire control, any of which could have a material adverse effect on the performance of the portfolio investments.

In general, over time, the number of environmental, endangered species and forestry laws and regulations, in many countries, has increased markedly and the enforcement of these laws and regulations has intensified. These laws and regulations could continue to become more restrictive and have a material adverse effect on a Brookfield Fund's financial performance.

**Potential Undetected Environmental Liabilities of Timberlands.** A Brookfield Fund may acquire timberlands that are subject to environmental and other liabilities under various federal, state and local laws, ordinances and regulations (collectively, "Environmental Laws"), such as obligations to clean up or pay for the cleanup of contamination. While timberlands do not generally carry as high a risk of environmental contamination as industrial properties, the cost of clean-up of contaminated properties could increase such investments' operating costs, which could have a material adverse effect on the financial performance of a Brookfield Fund.

It is possible that future Environmental Laws or new interpretations of existing Environmental Laws will impose material environmental liabilities on the portfolio investments. The environmental conditions of investment properties could be affected adversely by hazardous substances associated with other nearby properties or the actions of third parties unrelated to a Brookfield Fund. The costs of defending any future environmental claims, performing any future environmental remediation, satisfying any such environmental liabilities, or responding to any changed environmental conditions could materially adversely affect the Brookfield Fund's financial performance.

**Limitations on Ability to Harvest.** Revenues, earnings and cash flow from the operations of the portfolio investments are dependent to a significant extent on their continued ability to harvest timber at adequate levels. Weather conditions, timber growth cycles, access limitations and regulatory requirements associated with the protection of wildlife and water resources may restrict harvesting of the timberlands, as may other factors, including damage by fire, insect

infestation, disease, prolonged drought and other natural and man-made disasters. There can be no assurance that such investments will achieve harvest levels in the future necessary to maintain or increase revenues, earnings and cash flows.

**Timberland Commodity Price Risk.** Timberlands, particularly those which are inland, rely almost exclusively on land transportation. Consequently, the portfolio investments may be more susceptible to fuel cost increases than timberland companies which use water transportation, which is less exposed to fuel prices. Historically, the markets for fuel such as oil, gas, coal and power have been volatile. This volatility is likely to continue in the future. Market prices of these energy commodities may fluctuate materially depending on a variety of factors beyond the control of BAM PIC US or a Brookfield Fund, including, without limitation, weather conditions and foreign and domestic supply. Such portfolio investments may be limited in the amount of fuel cost increases they can pass on to their customers.

In addition, many of the customers of the portfolio investments are expected to be high-energy consumers and, as a result, are themselves vulnerable to energy cost increases. If energy costs increase significantly, such customers may not be able to compete effectively and may have to reduce current operating volumes or close mills, which could have a material adverse effect on the financial performance of a Brookfield Fund.

**Labor Relations and Labor Laws.** A significant portion of the work force employed by the portfolio investments may be unionized and, as a result, such portfolio investments will be required to negotiate wages, benefits and other terms with many of its employees collectively. A Brookfield Fund's financial performance could be adversely affected if labor negotiations were to restrict its ability to maximize the efficiency of its operations. Its inability to negotiate acceptable contracts with any of these unions as existing agreements expire could result in strikes by the affected workers and increased operating costs as a result of higher wages or benefits paid to union members. If the unionized employees were to engage in a strike or other work stoppage, or other employees were to become unionized, the portfolio investments could experience a significant disruption of its operations and higher ongoing labor costs, which could have a material adverse effect on a Brookfield Fund.

**Changes in Demand for HBU Properties.** In the ordinary course of business, the portfolio investments will undertake to sell HBU properties each year in order to realize the appreciated value of these holdings. The majority of these sales are expected to consist of properties that have become more valuable for development or conservation than for growing timber. A number of factors, including a slowdown in commercial or residential real estate development or a reduction in the availability of public and private funding for conservation projects, could reduce the demand for such properties, and, consequently, reduce revenues from any land sale program, which could have a material adverse effect on a Brookfield Fund's financial performance.

**Insurance.** Standing timber is subject to the risks of forest harvesting, such as fires, drought, tree diseases, severe weather, unforeseen equipment breakdowns, or any other event, including any event of force majeure, which could result in material damages to the



timberlands. From time to time, various types of insurance for companies who operate timberlands have not been available on commercially acceptable terms or, in some cases, have been unavailable. For example, a Brookfield Fund does not intend to insure and cannot obtain insurance against losses of standing timber from any causes, including fire, and insurance against certain environmental risks is not available on commercially acceptable terms. Any material damages to the timber of the portfolio investments which is not insured could have a material adverse effect on a Brookfield Fund's financial performance.

**Land Titles Claims.** While certain Brookfield Funds intend to have their timberlands registered under land titles systems, where such systems exist, such systems may not be available or, where land titles regimes are in place, there may be a risk of title claims in the future. Furthermore, leasehold opportunities in connection with timber rights are subject to risks not associated with timberlands secured with clear title. These risks include possible cancellation of operating licenses related to non-payment of land taxes, title disputes or other property-related judicial disputes where the land-owner is responsible for managing conflicts. If a claim to any portion of a Brookfield Fund's timberlands is successful, the Brookfield Fund could be required to forfeit such lands or pay amounts to the claimant, which could have a material adverse effect on a Brookfield Fund's financial performance.

**Seasonality of Timberlands.** The operations of the portfolio investments are expected to be subject to seasonal variations in the regions in which the portfolio investments are located. Harvesting activity can be compromised by inaccessibility to some sites during wet seasons resulting in decreased harvest levels. Results of one quarter will not be indicative of results that may be achieved in other quarters or for the full year.

**Cyclical of Timberlands.** The portfolio investments will depend on the state of the lumber and pulp and paper industries. Demand for products from the lumber and pulp and paper industries is correlated with global economic conditions. In periods of economic weakness, reduced spending by consumers and businesses results in decreased demand for such products, resulting in lower product prices and possible manufacturing downtime, which, in turn, may result in lower net sales, profits and cash flows for the portfolio investments since lumber mills and pulp and paper mills are expected to be important customers to such portfolio investments. Changes in demand based in economic and market shifts, fluctuations in production capacity and changes in prices of raw materials and energy have created cyclical changes in prices, sales volume and margins for products from the lumber and pulp and paper industries. Prices and demand for lumber and pulp and paper products have fluctuated significantly in the past and may fluctuate significantly in the future. Any prolonged or severe weakness in the market for any of such products could adversely affect a Brookfield Fund's financial performance.

All material risks associated with investing in a Brookfield Fund are described in the Governing Documents of such Brookfield Fund.

Below is a description of certain conflicts (and potential conflicts) of interests relating to the advisory services provided by BAM PIC US. These are set out in more detail in the Governing Documents of the Brookfield Funds.

**Investments by Brookfield Personnel.** The partners, members, shareholders, directors, officers and employees of Brookfield may buy and sell securities or other investments for Brookfield Funds and/or for their own accounts (including through the Brookfield Funds and other funds or accounts). As a result of differing trading and investment strategies or constraints, positions may be taken by such partners, members, shareholders, directors, officers and employees that are the same, different from, or made at different times than positions taken for the Brookfield Funds. To reduce the possibility that a Brookfield Fund will be materially adversely affected by the personal trading described above, Brookfield has established policies and procedures relating to securities trading in the personal accounts of investment professionals and others who normally come into possession of information regarding the Brookfield Funds' portfolio transactions. BAM PIC US has also adopted a code of ethics and monitoring procedures relating to certain personal securities transactions by BAM PIC US personnel which BAM PIC US deems to involve potential conflicts between such personnel and the Brookfield Funds.

**Brookfield Investment Management.** Brookfield is an active participant, as agent and principal, in the global fixed income, currency, commodity, equities and other markets. Certain of Brookfield's investment activities are managed independently of, and carried out without any reference to the management of the Brookfield Funds. For example, Brookfield may invest, trade or make a market in the equity, debt or other interests of investments without regard to the impact on the Brookfield Funds of such activities. In particular, BIM manages investment funds and accounts that invest in public debt and equity markets. There is currently an information barrier in place pursuant to which BAM PIC US and BIM manage their investment operations independently of each other and do not share information relating to such activities. Consequently, neither BAM PIC US nor BIM consults the other about, or has awareness of, investment decisions made by the other. As a result, BIM will not share investment opportunities that may otherwise be suitable for the Brookfield Funds with BAM PIC US and BAM PIC US and the Brookfield Funds will have no rights with respect to such opportunities. In addition, in certain circumstances, funds and/or accounts managed by BIM may hold an interest in a portfolio company of a Brookfield Fund and, as a result of different investment objectives and views, BIM may manage such interests in a way that is different from the Brookfield Fund (including, for example, by investing in different portions of an issuer's capital structure, short selling securities, voting securities in a different manner, and/or selling its interests at different times than the Brookfield Fund). The potential conflicts of interest described herein may be magnified as a result of the information sharing barrier as the Brookfield Fund's investment team may not be aware of, and may not have the ability to manage, such conflicts. Brookfield may decide at any time, and without notice to Investors, to remove or modify such information barrier. In the event that the information barrier is removed or modified, BAM PIC US may be subject to certain protocols, obligations and restrictions in managing the Brookfield Funds,



including, for example, conflicts-management protocols, aggregated regulatory reporting obligations and certain potential investment-related restrictions.

**Advising Other Funds and Accounts.** It is expected that (i) Brookfield will give advice, and take actions, with respect to current or future funds or accounts that will compete or conflict with the advice BAM PIC US gives to the Brookfield Funds, or will involve a different timing or nature of action than taken with respect to the Brookfield Funds, and (ii) transactions in investments by Brookfield and the other funds or accounts may have the effect of diluting or otherwise disadvantaging the values, prices, or investment strategies of the Brookfield Funds. When Brookfield or a fund or an account either manages or implements a portfolio decision ahead of, or contemporaneously with, portfolio decisions for a Brookfield Fund, market impact, liquidity constraints, or other factors could result in the Brookfield Fund receiving less favorable results, paying higher transaction costs, or being otherwise disadvantaged.

Because of the extensive scope of Brookfield's activities, Brookfield often has or obtains information that can be utilized by funds or accounts across multiple strategies. For example, information Brookfield has or acquires through its management of another investment fund or client account or its own investing activities may be used by BAM PIC US to identify or evaluate potential investments for a Brookfield Fund. Conversely, information Brookfield has or acquires in connection with a Brookfield Fund's activities may be used for the benefit of Brookfield, and/or funds and/or accounts managed by Brookfield. Brookfield may trade, or may cause funds or accounts it manages to trade, on the basis of information it has or obtained through a Brookfield Fund's investment activities. In some cases, this trading may result in Brookfield, or another Brookfield fund or account, taking a position that is different from, and potentially adverse to, a position taken by the Brookfield Fund or may result in Brookfield, or another Brookfield fund or account, benefiting from the Brookfield Fund's investment activities. Brookfield (including the general partner or investment manager of each Brookfield fund and account) will determine the appropriate investment decision for each fund and account managed by Brookfield (including the Brookfield Funds) taking into account the mandate and interests of such fund or account and, when applicable, in accordance with Brookfield's investment allocation protocols. The investment and divestment decisions made with respect to Brookfield or other funds and accounts managed by Brookfield may be made without regard to the interests of the Brookfield Funds, even where such decisions are informed by the Brookfield Funds' investment activities and/or adversely affect the Brookfield Funds.

In making certain decisions with regard to a Brookfield Fund's investments that compete with the interests of other funds and clients managed by or affiliated with Brookfield, BAM PIC US could face certain conflicts of interest between the interests of the Brookfield Fund and the interests of such other funds and clients. These potential conflicts may be exacerbated in situations where Brookfield is entitled to higher fees from other funds or accounts than from the Brookfield Funds, where portfolio managers making an allocation decision are entitled to performance-based compensation from other funds or accounts, where there are differences in proprietary investments in the Brookfield Fund and the other funds or accounts, and where

there are capacity constraints with respect to a particular strategy or opportunity as a result of, for example, position limits and/or regulatory reporting obligations applicable to Brookfield. In addition, as an investment changes over time, additional conflicts of interest may arise, including as a result of earlier investment allocation decisions.

**Allocation of Investment Opportunities.** Brookfield also provides investment advice to, and performs related services for, other funds and clients that have investment objectives and strategies that overlap with those of Brookfield Funds, including trading-oriented opportunistic hedge funds (“*Trading Funds*”), which may present potential for conflicts of interest with existing Brookfield Funds. Such other funds and clients may be in competition with, or have priority over, a Brookfield Fund in respect of a particular investment opportunity. Other such funds, as well as new Brookfield Funds, may also be formed in the future. In addition, Brookfield carries on investment activities for its own account. Moreover, many of Brookfield’s management persons and members of the investment committees of the Brookfield Funds (each an “*Investment Committee*”) may perform similar functions for those other funds or clients or new Brookfield Funds. As a result, opportunities sourced by Brookfield that would otherwise be suitable for a Brookfield Fund may not be available to such fund, or the Brookfield Fund may receive a smaller allocation of such opportunities than would otherwise have been the case.

As an adviser registered under the Advisers Act, BAM PIC US is required to resolve conflicts on a fair and equitable basis. Brookfield proactively approaches the management of conflicts by ensuring the following elements are adhered to for all funds and investment programs:

- i. **Clear Mandates:** Each Brookfield Fund is established with a clear investment mandate and in some cases, certain exclusivities to minimize overlap with other Brookfield investment programs and funds. Despite its significant efforts in minimizing the opportunity for overlapping mandates, investment opportunities arise from time to time, which may be suitable for multiple Brookfield Funds and investment programs, individually, or for purposes of making a joint investment.
- ii. **Oversight of Senior Management:** When contemplating investments, dispositions or other material transaction decisions, conflicts of interest are reviewed by the Brookfield conflicts committee (the “*Conflicts Committee*”) and the Chief Compliance Officer.
- iii. **Recordkeeping:** Investment Committee presentations must address any conflicts as well as a proposed solution. Records of the presentations will be preserved in accordance with applicable requirements.

When an investment is appropriate for one or more Brookfield Funds and one or more other funds or accounts (other than with respect to Trading Funds, which are subject to the allocation policy referenced in the next succeeding paragraph) and/or Brookfield, such investment will be

allocated on a basis that Brookfield determines in good faith is fair and equitable and in accordance with Brookfield's allocation policy applicable to such other funds and accounts. Such allocation policy takes into account various factors, including (i) the size, nature and type of the investment opportunity (including the risk and return profile of the investment and expected holding period), (ii) the nature of the investment focus, objectives and strategies and target rates of return of the Brookfield Funds and such other entities (including the investment guidelines and limitations governing the Brookfield Funds and such other entities), (iii) the relative amounts of capital available for investment, (iv) principles of diversification of assets, (v) the nature and extent of involvement in the transaction and the sourcing of the transaction on the part of the respective teams of investment professionals for the Brookfield Funds and such other entities, (vi) the nature of potential acquirers and (vii) other considerations deemed relevant by Brookfield. The methodology for determining whether to allocate an investment either to a Brookfield Fund, or one or more of the other funds or accounts, and the factors taken into account in determining the allocation, will likely vary over time and on a case-by-case basis. In that regard, Brookfield may take into account its financial interest in other business areas of the firm and may have a greater financial interest in other funds or accounts than it does in a particular Brookfield Fund.

In addition, as noted above, Brookfield manages, and may in the future manage, Trading Funds that have overlapping investment objectives with the Brookfield Funds. Any such investment opportunities will be allocated among the Brookfield Funds and such Trading Funds in accordance with Brookfield's allocation policy applicable to overlapping investment opportunities with Trading Funds. As of the date hereof, Brookfield has established one Trading Fund and currently its only investors are Brookfield entities. From time to time, Brookfield entities may be the only investors in Trading Funds.

Brookfield's allocation policy applicable to investments that may be appropriate for the Brookfield Funds and one or more other funds or accounts (other than with respect to Trading Funds) and/or Brookfield, differs from its allocation policy applicable to overlapping investment opportunities with Trading Funds. Both allocation policies may be amended from time to time by Brookfield in its sole discretion without notice to or the consent of Investors or any other person. Any such policy or amendments may have a material impact on the performance of the Brookfield Funds.

If Brookfield or another fund or account participates as a lender in borrowings by a Brookfield Fund or any subsidiary (including an investment entity), Brookfield's interests may conflict with the interests of the Brookfield Fund or such subsidiary. In its capacity as a lender, Brookfield or the relevant fund or account may act in its own interest, without regard for the interests of the Brookfield Fund, the subsidiary or the Investors, which may materially and adversely affect the Brookfield Fund, such subsidiary and, in certain circumstances such as an event of default, ultimately may result in realization of the Brookfield Fund's or a subsidiary's assets for the benefit of the lender and a loss of the entire investment by the Investors. In addition, if Brookfield is a party to a transaction or an agreement with the Brookfield Fund or its subsidiary

to provide services or financing to the Brookfield Fund or such subsidiary or is a lender to the Brookfield Fund or such subsidiary, Brookfield will have the right to take certain actions, through or on behalf of the Brookfield Fund, which may have an adverse effect on the Brookfield Fund.

In addition, the Brookfield Funds and/or their portfolio companies may enter into joint ventures or other similar arrangements with one or more Brookfield affiliates. In connection therewith, the applicable Brookfield affiliate may be entitled to an incentive fee, carried interest distribution or similar performance-based payment after a certain preferred return has been obtained (without any “catch-up” to such Brookfield affiliate).

A BAM PIC US managed Brookfield Fund may have the opportunity to participate in investments that involve affiliated Brookfield entities in equity or debt positions within a transaction. For example, the affiliated Brookfield entities may: (i) enter into a joint transaction with a Brookfield Fund, (ii) be borrowers or lenders in respect of the Brookfield Fund, (iii) hold debt positions either junior or senior to the Brookfield Fund’s positions in an investment’s capital stack or (iv) hold other interests. The interests of the Brookfield affiliates in such investments and the investment objectives, strategies and views of the Brookfield affiliates may differ from those of the Brookfield Fund. As a result of these differences, Brookfield may manage such interests in a way that is different from the Brookfield Fund (including, for example, by investing in different portions of an issuer’s capital structure, investing in the same portion but on different terms, obtaining exposure to the investment using different types of securities or instruments, short selling securities, voting securities in a different manner, and/or acquiring or disposing of its interests at different times than the Brookfield Fund). If the investment in which the Brookfield Fund has an investment and in which the affiliated Brookfield entities also have an investment, but at a different portion of the capital structure, becomes distressed or defaults on its obligations, Brookfield will have conflicting loyalties between its duties to the Brookfield Fund and to the affiliated Brookfield entities. As a result, Brookfield may pursue or enforce rights or activities, or refrain from pursuing or enforcing rights or activities, with respect to a particular investment in which a Brookfield Fund has invested. In addition, BAM PIC US may be subject to certain protocols, obligations and restrictions in managing the Brookfield Fund, including, for example, conflicts-management protocols, aggregated regulatory reporting obligations and certain potential investment-related restrictions, which could have an adverse effect on the Brookfield Fund. For example, in order to avoid or resolve a conflict of interest, Brookfield may require a Brookfield Fund to forego an investment opportunity, refrain from taking an action with respect to an investment (including to protect the value of an existing investment) or dispose of an investment. The Brookfield Fund or such investment may be negatively affected by these activities, protocols, obligations and restrictions and the Brookfield Fund’s transactions may be effected at prices or terms that may be less favorable than would otherwise have been the case.

**Conflicts with Portfolio Companies.** Officers and employees of Brookfield may serve as directors and officers of certain portfolio companies and, in that capacity, will be required to

make decisions that consider the best interests of such portfolio companies and their respective shareholders or other stakeholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a Brookfield Fund's portfolio company, actions that may be in the best interest of the portfolio company may not be in the best interests of the Brookfield Fund, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individual's duties as an officer or employee of Brookfield and such individual's duties as a director or officer of the portfolio company.

In addition, employees of Brookfield may directly perform services for, or become employed by, the portfolio companies or platform organizations of a Brookfield Fund instead of BAM PIC US. Under such an arrangement, Brookfield, the portfolio company or the platform organization (or a combination thereof) may pay all or a portion of the salary, supervise or otherwise oversee the employment of such employees, which may create conflicts of interest when the employees are considering the interests of the Brookfield Fund and the interests of the portfolio company or platform organization and may cause Investors to indirectly bear expenses. An employee may or may not return to Brookfield after the Brookfield Fund's disposition of such investment.

Portfolio companies held by Brookfield or a Brookfield Fund may make strategic acquisitions or investments in furtherance of their respective businesses. As a result, certain investment opportunities sourced by Brookfield that might otherwise be suitable for a Brookfield Fund may not be available to such fund as set out in the applicable Governing Documents of a Brookfield Fund.

**Sharing of Services.** In certain circumstances, in order to create efficiencies and optimize performance, one or more portfolio companies or platform organizations of a Brookfield Fund may determine to share the operational, legal, financial, back-office or other resources of another portfolio company or platform organization of the Brookfield Fund or portfolio company or platform organization of a Brookfield affiliate. In connection therewith, the costs and expenses related to such services will be allocated among the relevant entities on a basis that Brookfield determines in good faith is fair and equitable. In addition, it is possible that a portfolio company may be in the business of providing services that are, or could be, utilized by another investment, portfolio company or platform organization. In this situation, BAM PIC US may determine that one or more of a Brookfield Fund's portfolio companies use the other portfolio company's services, even where these services were previously provided to a portfolio company from a third party.

**Diverse Interests.** Investors in Brookfield Funds (including for the avoidance of doubt, Brookfield in its capacity as an investor in Brookfield Funds) may have conflicting investment, tax and other interests with respect to the investments made by the Brookfield Funds. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of the investments made by the Brookfield Funds, the residency or domicile of the investors, the fund into which an individual investor invests and the structuring of the acquisition of investments, the timing of disposition of investments, and the manner in which

one or more investments are reported for tax purposes. As a consequence, conflicts of interest may arise in connection with the decision made by BAM PIC US, including with respect to the nature, structuring or reporting of such investments, that may be adverse to investors generally, or may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring potential investments appropriate for the Brookfield Funds, BAM PIC US considers the investment and tax objectives of a Brookfield Fund and its investors as a whole, not the investment, tax or other objectives of any investor individually.

**Material Non-Public Information; Trading Restrictions; Information Not Made Available.** From time to time, the ability of the Brookfield Funds to buy or sell certain securities may be restricted by applicable securities laws or regulatory requirements applicable to Brookfield (and/or its internal policies designed to comply with these and similar requirements). Brookfield may possess material, non-public information about an investment entity or other potential investment entity that would limit the ability of the Brookfield Funds to buy and sell securities related to that investment or other potential investment. This may adversely affect a Brookfield Fund's ability to make and/or dispose of certain investments.

Furthermore, in certain circumstances, a Brookfield Fund's position in an investment may be aggregated with a position held by other Brookfield parties. This could require the Brookfield Fund, together with such other Brookfield parties, to make certain disclosure filings or could otherwise restrict the Brookfield Fund's activities with respect to such investment.

In addition, Brookfield and its representatives render financial advice for use in connection with other clients or activities, which may not be available to Brookfield's personnel advising or otherwise providing services to the Brookfield Funds or to investment entities or potential investment entities. Brookfield is under no obligation to disseminate and in some cases (such as research) may be prohibited from disseminating, information between areas within Brookfield, including to the Brookfield Funds.

**Cross Trades and Principal Trades.** When permitted by applicable law and subject to and in accordance with the terms of the Governing Documents of the applicable Brookfield Funds, BAM PIC US may (i) cause a Brookfield Fund to acquire or dispose of investments in cross trades between the Brookfield Fund and other funds or accounts advised by Brookfield and (ii) effect principal transactions where BAM PIC US causes the Brookfield Fund to purchase investments from or sell investments to Brookfield or any fund or account deemed to be controlled by Brookfield. There may be potential conflicts of interest or regulatory issues relating to these transactions which could limit BAM PIC US's decision to engage in these transactions for the Brookfield Funds. In connection with a cross trade or a principal transaction, BAM PIC US and its affiliates may have a potentially conflicting division of loyalties and responsibilities regarding a Brookfield Fund and the other parties to trade and has developed policies and procedures in relation to such transactions and conflicts. Any cross trades or principal transactions will be effected in accordance with fiduciary requirements and applicable law.



**Other Activities of BAM PIC US and Investment Committee.** The members of the investment committee of BAM PIC US and other Brookfield employees who play key roles in managing the Brookfield Funds spend a portion of their time on matters other than or only tangentially related to the Brookfield Funds. Time is spent on managing and exiting investments of other Brookfield investment partnerships, including investments made on behalf of Brookfield, and on providing services to and effecting transactions on behalf of other groups within Brookfield and accounts other than the Brookfield Funds. Such obligations of these individuals could conflict with their responsibilities to the Brookfield Funds.

Please refer to Item 6 above and Item 11 below for a discussion of other potential conflicts of interest involving affiliates. BAM PIC US does not recommend or select other investment advisers for its clients.

**Resolution of Conflicts.** Conflicts of interest that arise between a Brookfield Fund, on the one hand, and Brookfield or any existing or future fund or accounts, on the other hand, are resolved in accordance with the Governing Documents and internal Brookfield policies, taking into consideration the interests of the relevant parties and the circumstances giving rise to the conflict. Governing Documents for each Brookfield Fund provide detail of how such conflicts of interest or potential conflicts of interest are managed, including Limited Partner approval or Advisory Committee approval. In addition, potential conflicts of interest are reviewed by the Conflicts Committee and/or the Chief Compliance Officer in connection with a transaction going to the applicable Brookfield Fund's Investment Committee.

**Limited Partner Advisory Committee.** BAM PIC US may in certain situations choose to seek the approval of the members of a Limited Partner advisory committee of a Brookfield Fund using established guidelines with respect to potential conflict of interest situations and Limited Partner advisory committee approval will be required to resolve certain conflicts and other matters. Any such approval by a Limited Partner advisory committee will be binding upon the Brookfield Fund and its Investors. In addition, if a Limited Partner advisory committee gives such approval or BAM PIC US acts pursuant to standards or procedures approved by the Limited Partner advisory committee with respect to such conflict of interest or other matter, then Brookfield will not have any liability to the Brookfield Fund or any of its Investors for actions in respect of such matter taken in good faith by Brookfield, including actions in the pursuit of its own interests.

Members of a Limited Partner advisory committee (the "*LPAC Members*") may have direct or indirect interests in the activities of Brookfield or in investments and instruments, in some cases similar to those in which a Brookfield Fund seeks to invest. An LPAC Member may be under no obligation to act in the best interests of the Brookfield Fund as a whole and may act only in the best interests of the Limited Partner with which such LPAC Member is affiliated. This may result in potential conflicts of interest. In addition, LPAC Members may receive information regarding the proposed investment activities of the Brookfield Fund that is not generally available to the public or other Investors. There will be no obligation on the part of any LPAC

Member to make available for use by the Brookfield Fund any information or strategies known to or developed by it and, in certain cases, they may be prohibited from doing so.

## **ITEM 9 – DISCIPLINARY INFORMATION**

The event disclosed below does not involve a “management person” of BAM PIC US. BAM PIC US is disclosing this event as it may relate to a client’s or prospective client’s assessment of BAM PIC US’s advisory business.

Criminal and civil charges have been filed against certain Brazilian employees of a BAM affiliate based in Brazil (“Brazil Affiliate”). These proceedings involve allegations of misconduct regarding certain permits and licenses granted between 2008 and the end of 2009 for expansions and renovations of shopping malls in Brazil. The allegations were made by a former employee of the Brazil Affiliate who was terminated for fraud and against whom there is an ongoing lawsuit and criminal investigation. The allegations were that payments made to municipal planning consultants hired during mall construction to obtain necessary licenses and permits, and ensure that projects adhere to municipal codes and regulations, were used by them to bribe municipal officials. The civil action was filed on February 5, 2013 and the criminal action was formally accepted by the judge on February 15, 2013. It is general practice in Brazil to file civil charges in conjunction with criminal charges. The civil and criminal charges are based on the same underlying allegations made by the former employee. The employees of the Brazil affiliate named in the lawsuits deny any wrongdoing. Brookfield brought the allegations to the attention of the Risk Management Committee of its Board of Directors and launched an independent investigation by a major New York based law firm to ascertain if there was any evidence to support the allegations. The investigation lasted eight months and was comprehensive and thorough. The investigation was completed and the information available does not support the payments made by the Brazil Affiliate to consultants were used to pay bribes to municipal officials.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

BAM PIC US is an indirect wholly-owned subsidiary of BAM, a publicly owned Canadian corporation. BAM owns, operates and manages investments in real assets, with a focus on property, infrastructure, renewable energy, and private equity in North and South America, Australasia and Europe. BAM also offers investment strategies focused on such real assets (including through Brookfield Funds) mainly to institutional investors.

### **BAM SUBSIDIARIES:**

Certain BAM subsidiaries may be retained to perform services for a Brookfield Fund or a portfolio company of a Brookfield Fund that would otherwise be provided by third parties, such as lending, consulting, development oversight, property management, leasing, construction and



design, operational, legal, financial, back-office, the provision of insurance, advisory and other services. In any such situation, the BAM subsidiaries will be compensated for such services. BAM PIC US discloses such arrangements in the Brookfield Funds' Governing Documents and, where necessary, obtains consent from the applicable Brookfield Fund's Limited Partner advisory committee with respect to the compensation for such services. Any compensation received in connection with these services generally is not required to be shared with the Brookfield Funds or the Investors. The fee potential, both current and future, inherent in a particular transaction could be an incentive for BAM PIC US to seek to refer or recommend a particular transaction to a Brookfield Fund. Services by Brookfield subsidiaries are generally provided when BAM PIC US believes that (a) such services are on an arm's length basis and (b) it is advantageous for the Brookfield Fund as compared to engaging a third party service provider (among other reasons because the services may be more expedient, superior and/or cost effective).

#### PLACEMENT AGENT AFFILIATES:

As indicated in Item 5 above, certain affiliates of BAM PIC US may solicit and obtain commitments from prospective investors to Brookfield Funds.

#### BAM AFFILIATED ADVISERS:

BAM PIC US is an affiliate of Brookfield Asset Management Private Institutional Capital Adviser (Canada), LP (together with its Participating Affiliates, "*BAM PIC Canada*"), Brookfield Asset Management Private Institutional Capital Adviser (Credit), LLC ("*BAM PIC Credit*"), Brookfield Asset Management Private Institutional Capital Adviser (Private Equity), L.P. (together with its Participating Affiliates, "*BAM PIC PE*"), and Brookfield Brasil Asset Management Investimentos Ltda. ("*BBAMI*"). BAM PIC US, BAM PIC Credit and BAM PIC PE are registered with the SEC as investment advisers under the Advisers Act and BBAMI is an exempt reporting adviser. Each of BAM PIC US, BAM PIC Credit, BAM PIC PE and BBAMI (together, the "*BAM Affiliated Advisers*") serve as investment adviser or sub-adviser to Brookfield Funds (together, the "*BAM Affiliated Advisers*"). Brookfield Investment Management Inc. ("*BIM*"), a registered investment adviser, is a separately operated subsidiary of BAM. BIM focuses on publicly-traded fixed income, global real estate and infrastructure equities for institutional and retail clients.

Certain members of BAM's senior management and members of BAM PIC US perform similar functions for the BAM Affiliated Advisers. BAM PIC US may enter into sub-advisory relationships with one or more of the BAM Affiliated Advisers from time to time generally for regional specific advice. In addition, the BAM Affiliated Advisers may continue to organize other investment products and provide services to such products (as the general partner, investment manager or equivalent).

BAM PIC US does not have any employees. It provides advisory services using individuals employed by certain of its affiliates, including certain non-US affiliates, through an arrangement

pursuant to which such individuals are deemed to be associated persons of BAM PIC US and are subject to the supervision of BAM PIC US.

### **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

BAM PIC US has adopted a Code of Ethics for its supervised persons describing its high standard of business conduct and the fiduciary duty to its clients. The Code of Ethics includes, among other things, provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts, and personal securities trading procedures. All supervised persons of BAM PIC US must acknowledge the terms of the Code of Ethics upon commencement of employment with Brookfield and annually thereafter.

Under the Code of Ethics, BAM PIC US's supervised persons are expected to, among other things:

- Always observe their fiduciary duties to investment management clients;
- Not take personal opportunities that are discovered through the use of property or information of the company or through their role with Brookfield;
- Protect the confidentiality of “non-public information” concerning the company, customers, clients, investments and others; and
- Not trade in the company's securities or any other company's securities if they possess material “non-public information” or during a blackout period.

Generally, supervised persons of BAM PIC US are either prohibited from engaging in personal trading activities or required to obtain pre-clearance of all transactions in their personal discretionary accounts and discretionary accounts held by relatives that are members of their household, subject to minor exceptions. In addition, supervised persons must report all investment holdings in these accounts and must report all transactions in securities, with limited exceptions, to the Chief Compliance Officer no later than 30 days after the end of the calendar quarter.

Clients or prospective clients may request a copy of the firm's Code of Ethics by contacting [BAMPIC.compliance@brookfield.com](mailto:BAMPIC.compliance@brookfield.com).

## ITEM 12 – BROKERAGE PRACTICES

BAM PIC US generally has discretionary authority to determine, without obtaining specific client consent, the investments (including in securities) and the amount thereof to be bought or sold for a Brookfield Fund, subject to the conditions and restrictions contained in a Brookfield Fund's Governing Documents.

The Brookfield Funds advised by BAM PIC US generally do not conduct frequent transactions in publicly-traded securities requiring the use of a broker. In determining the brokers through whom, and commission rates and other transaction costs at which, securities transactions for the Brookfield Funds are to be executed, BAM PIC US seeks to negotiate a combination of the most favorable commission and the best price obtainable, taking into account execution capability and trading expertise consistent with the effective execution of the transaction. BAM PIC US does not generally use "soft dollars" to receive research or other products or services other than execution in connection with client securities transactions.

BAM PIC US did not acquire any products or services (other than execution) with client brokerage commissions during the last fiscal year.

BAM PIC US does not consider, in selecting broker-dealers, whether the broker-dealer has referred clients to BAM PIC US or an affiliate and does not permit a client to direct brokerage to particular broker-dealers.

In the event that orders for the same security for more than one client are placed with the same broker, BAM PIC US may aggregate or "bunch" such orders across client accounts (including accounts advised by certain affiliates), although it will have no obligation to do so. If orders are aggregated, they will be allocated across the client accounts so that no account will be treated less favorably than another over time. While in some cases the aggregation of orders could have a detrimental effect upon the price or value of a security for a particular account, or upon the ability to complete an entire order, in other cases coordination and the ability to participate in volume transactions may be beneficial to the account. BAM PIC US may in its discretion choose not to aggregate orders, for example, where portfolio management decisions for clients are made separately or where aggregation could result in less favorable execution for a particular client.

## ITEM 13 – REVIEW OF ACCOUNTS

The Brookfield Funds' accounts and investment positions are monitored on a current basis, and a complete list of the accounts and positions is more formally reviewed as necessary. Such reviews are generally conducted by one or more members of a Brookfield Fund's Investment Committee. Brookfield Funds are audited on a yearly basis by a firm of independent public accountants.

Certain events may require an account review other than the periodic reviews. Such events include a transfer or withdrawal of an Investor interest in a Brookfield Fund or a material change in the business of a portfolio investment.

BAM PIC US makes available the books and records of a Brookfield Fund to its Investors as provided in its Governing Documents. In addition, BAM PIC US generally assists the General Partner of each Brookfield Fund in the preparation of the following written reports to each Limited Partner of a Brookfield Fund:

- within a period ending no later than 120th day after the end of the fiscal year an annual report with audited financial statements of the Brookfield Fund including an overview of the investment activities of the Brookfield Fund during the fiscal year covered by the annual report; and
- within a period generally ending no later than the 60th day after the end of each of the first three fiscal quarters of each fiscal year, (i) an overview of the Brookfield Fund's investments, (ii) a statement showing the distributions to each Limited Partner during the applicable fiscal quarter, (iii) a reconciliation of changes in the capital accounts of the Investors during the immediately preceding fiscal quarter and (iv) a description of any material event regarding the business of the Brookfield Fund or dispositions of investments during the quarter covered by the report.

#### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

BAM PIC US does not have any arrangements pursuant to which someone other than a Brookfield Fund provides an economic benefit to BAM PIC US for providing investment advisory services to the Brookfield Fund. See the discussion under Item 5 above of compensation that may be earned by BAM PIC US or an affiliate in connection with certain transactions, and under Item 10 above of other services that may be provided by Brookfield in connection with a Brookfield Fund's investments for which it may be compensated.

As described in Item 5 above, certain supervised persons of BAM PIC US are also registered representatives of BPAL and may obtain commitments from prospective investors to Brookfield Funds while acting in that capacity. BPAL is a limited purpose broker-dealer registered with the SEC and a member of FINRA.

#### **ITEM 15 – CUSTODY**

BAM PIC US may be deemed to have custody, as defined under Rule 206(4)-2 under the Advisers Act, of funds or securities of the Brookfield Funds. BAM PIC US relies on the "audit exemption" under Rule 206(4)-2(b)(4) under the Advisers Act, which exempts an adviser to a limited partnership, limited liability company or other pooled investment vehicle from the

requirement to deliver account statements to its clients if the adviser requires the vehicle to be audited annually by an independent public accountant that is registered with the Public Company Accounting Oversight Board and distributes the audited financial statements annually to the investors in the vehicle.

## **ITEM 16 – INVESTMENT DISCRETION**

BAM PIC US has discretionary authority to manage the portfolios of certain Brookfield Funds pursuant to their investment objectives, as set out in their Governing Documents. Consent from the Investors or a committee of representatives of Investors is required for a Brookfield Fund to invest in securities or interests outside of its investment objectives.

## **ITEM 17 – VOTING CLIENT SECURITIES**

BAM PIC US may be deemed to have authority to vote proxies relating to the portfolio investments in which the Brookfield Funds invest. Therefore, BAM PIC US has adopted a set of policies and procedures (together, the “*Policy*”) in compliance with Rule 206(4)-6 under the Advisers Act. To the extent BAM PIC US exercises or is deemed to be exercising voting authority over Brookfield Fund securities, the Policy is designed and implemented in a manner reasonably expected to ensure that voting with respect to proxy proposals, amendments, consents or resolutions (collectively, “*proxies*”) is exercised in a manner that serves the best interest of the Brookfield Fund, as determined by BAM PIC US in its discretion. Notwithstanding the foregoing, because proxy proposals and individual company facts and circumstances may vary, BAM PIC US may not always vote proxies in accordance with the Policy. In addition, many possible proxy matters are not covered in the Policy. Generally, BAM PIC US will vote proxies (i) in favor of management’s recommendation for the election of the board of directors and (ii) to approve the financial statements as presented by management.

Each proxy is voted on a case-by-case basis taking into consideration any relevant facts and circumstances at the time of the vote. For matters covered in the Policy, generally the vote will be in accordance with the Policy. In situations where BAM PIC US wishes to vote differently from what is recommended in the Policy, or where a potential material conflict of interest relating to the proxy vote exists, BAM PIC US will take such actions as are required by the Policy.

Investors may request a copy of the Policy and the voting records relating to proxies of the Brookfield Fund in which they have invested by contacting BAM PIC US.

## **ITEM 18 – FINANCIAL INFORMATION**

Not applicable.