

Item 1 – Cover Page

Brookfield Investment Management Inc.
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March 31, 2011

This Brochure provides information about the qualifications and business practices of Brookfield Investment Management Inc. (“BIM”). If you have any questions about the contents of this Brochure, please contact us at 212-549-8400. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

BIM is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about BIM also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 31, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Seth Gelman, Chief Compliance Officer, at 212-549-8415 or seth.gelman@brookfield.com.

Additional information about BIM is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with BIM who are registered, or are required to be registered, as investment adviser representatives of BIM.

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Item 4 – Advisory Business

BIM is a wholly owned subsidiary of Brookfield Asset Management (“BAM”), a publicly traded Canadian corporation. BAM shares are listed on the Toronto Stock Exchange (symbol: BAM.A), the New York Stock Exchange (symbol: BAM), and Euronext (symbol: BAMA). Founded in 1989, BIM provides global investment management focused on specialized equity and fixed income securities investments.

(1) BIM provides investment supervisory services on a discretionary and non-discretionary basis to individual accounts, trusts, pension plans, foundations, real estate investment trusts (“REIT(s)”), insurance companies, corporations, and other business entities' separate accounts, investment companies registered with the US Securities and Exchange Commission (“SEC”) under the Investment Company Act of 1940 (“1940 Act”), as amended and investment companies exempted from the definition of investment company by Sections 3(c)(1) and 3(c)(7) of the 1940 Act, as amended (“Private Funds”).

(2) BIM manages each client's portfolio in accordance with the specified guidelines and objectives of the client. BIM's discretionary authority to make investments for a portfolio is generally limited by written investment restrictions and guidelines provided by the client.

(3) BIM offers investment advice not involving investment supervisory services to clients requiring a periodic review of their investments and investment strategy. This service is generally offered to clients with in-house portfolio management capability.

(4) Investment advice of a non-periodic nature is provided on a consultation basis and may include specific transaction recommendations that are not part of a continuous management agreement. For example, BIM may provide specific merger and acquisition transaction advice.

(5) BIM or its affiliates may provide securities-related advisory services including the advice given pursuant to a specific contract. With respect to a specific pool of assets, BIM may give advice regarding the restructuring of balance sheets and the securitization of pools of assets.

BIM does not participate in any wrap fee programs.

As of December 31, 2010, BIM had \$16.31 billion of discretionary assets under management.

Item 5 – Fees and Compensation

The specific manner in which fees are charged by BIM is established in a client's written agreement with BIM. BIM will generally bill its fees on a quarterly basis. Clients may elect to be billed in advance or arrears each calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

All fees are subject to negotiation.

BIM's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to BIM's fee, and BIM shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that BIM considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

BIM provides investment advisory services to institutional and high net worth clients. BIM's services are typically provided in the form of investment products or services. The type of investment products and services provided by BIM is based upon the individual needs of its clients. Investment products are typically offered as separate accounts.

Annual fees may be negotiated on a client-by-client basis, based upon customization, size and scope of the services provided. Fee schedules are subject to negotiation and may vary from time-to-time based upon numerous factors such as mandate size, types of securities held and portfolio customization. BIM has various minimum mandate size, depending on the strategy, although BIM may waive the minimum size requirement at its discretion. Clients may be subject to a minimum quarterly or annual fee based on asset size. Affiliates of BIM and employees of BIM and its affiliates may receive up to a 50% discount on the fees for the strategies listed above if their investments are managed by BIM.

CLIENT BILLING CYCLE

Fees will generally be billed quarterly or monthly in arrears based on the average market value during the period. BIM's services are terminable by BIM or the client generally upon 30 days written notice to the other party. If a client's fees are paid in advance, BIM will refund to the client a prorated portion of the fee to cover any period for which a fee is prepaid but for which the BIM's services have been terminated.

INVESTMENT SUPERVISORY SERVICES AND FEES - REGISTERED INVESTMENT COMPANIES

BIM provides investment advisory and administrative services to several registered investment companies. The prospectuses and Statements of Additional Information for these closed-end funds contain additional information about each fund. For its advisory services to these investment companies, BIM receives investment advisory fees monthly, in arrears, at the following annual rates:

Helios Total Return Fund, Inc. (NYSE: HTR)	0.65%
Helios Strategic Mortgage Income Fund, Inc. (NYSE: HSM)	0.65%
Helios Advantage Income Fund, Inc. (NYSE: HAV)	0.65%
Helios High Income Fund, Inc. (NYSE: HIH)	0.65%
Helios Multi-Sector High Income Fund, Inc. (NYSE: HMH)	0.65%
Helios Strategic Income Fund, Inc. (NYSE: HSA)	0.65%
Helios High Yield Fund (NYSE: HHY)	0.70%

BIM has a separate investment advisory agreement with each registered investment company. The agreement requires annual approval by each regulated investment company's Board of Directors/Trustees. It may also be necessary to obtain stockholders' approval periodically. Each such agreement (i) may at any time be terminated without the payment of any penalty either by vote of the Board of Directors/Trustees or by vote of a majority of the outstanding voting securities of the respective fund, on sixty days written notice to BIM; (ii) shall immediately terminate in the event of an assignment (within the meaning of the 1940 Act); and (iii) may be terminated by BIM on sixty days written notice. In connection with each annual approval, the Directors/Trustees review the terms of the agreements, including the fees payable, and the services provided by BIM.

BIM has entered into Administration Agreements with these registered investment companies to perform administrative services necessary for the operation of the investment companies.

BIM also serves as sub-advisor to several non-affiliated registered investment companies. Complete information concerning the funds that BIM sub-advises, including fees charged, are disclosed in the prospectus and statement of additional information of such funds. BIM negotiates a fee it deems appropriate for the services rendered. Such non-affiliated registered investment companies may terminate their agreements upon written notice to BIM within a mutually agreed upon timeframe.

OTHER SERVICES AND FEES

BIM also may offer portfolio consulting, investment accounting and risk management services to institutional clients. These consulting services may include portfolio evaluation and monitoring, portfolio liquidation or development of an asset allocation plan. On an

infrequent basis, BIM also may assist clients in identifying and evaluating one or more investment managers to implement a client's portfolio investment plan.

Fees for the portfolio consulting services vary depending on the scope of the consulting services to be provided by BIM and may be subject to a minimum fee per year as agreed upon by BIM and the client. An agreement for portfolio consulting services may be cancelled at any time, by either party, for any reason, upon receipt of at least 60 days' written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded and any unearned, unpaid fees will be due and payable.

Other than the consulting fee, BIM does not receive any fees, commissions or other compensation from the sale of securities or other products or services recommended by BIM in connection with its portfolio consulting services. A portfolio consulting client is under no obligation to act on or implement BIM's recommendations.

WITHDRAWAL FEES

Certain Private Funds may be subject to withdrawal fees unless the general partner of such funds elects to waive such withdrawal fee in whole or in part in its sole discretion. Please refer to the Private Funds' private placement memoranda for more information.

Item 6 – Performance-Based Fees and Side-By-Side Management

In some cases, BIM has entered into performance fee arrangements with qualified clients: such fees are subject to individualized negotiation with each such client. BIM will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisers Act of 1940 ("the Advisers Act"), as amended, in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, BIM shall include realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for BIM to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. BIM has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Item 7 – Types of Clients

BIM provides portfolio management services to individuals, banks or thrift institutions, registered investment companies, pension and profit sharing plans, trusts, estates, or

charitable organizations, corporations or business entities other than those listed above, and foreign institutions.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

TYPES OF INVESTMENTS

BIM and its affiliates may provide investment advice regarding partnerships that invest in real estate and in partnership entities that issue mortgage-related securities and asset-backed securities.

In addition, BIM is the general partner/managing member to certain Private Funds organized as limited partnerships and limited liability companies that invest in various types of investment strategies including fixed income, real estate and infrastructure securities. The Private Funds are not registered with the SEC and are only offered to "qualified purchasers," as such term is defined in the 1940 Act, as amended and the rules thereunder, in confidential private placement transactions.

OTHER TYPES OF INVESTMENTS

BIM and its affiliates will offer advice in the areas of U.S. and non-U.S. dollar denominated asset-backed securities and synthetic guaranteed investment contract ("GIC") investments and non-U.S. dollar denominated fixed income assets.

BIM may provide investment advisory services with respect to strategic merger and acquisitions advice and mortgage-related securities including:

- a. mortgage pass-through securities, collateralized debt securities and mortgage derivatives.
- b. asset-backed securities which may include pass-through securities, collateralized debt securities and asset-backed derivatives.
- c. derivative products such as interest rate swaps, caps, collars and floors.
- d. secured borrowings such as reverse repurchase agreements and dollar rolls.

BIM and its affiliates also offer advice on:

- a. Global listed securities of companies in the real estate industry, including real estate investment trusts, real estate operating companies, companies

whose value is significantly affected by the value of such companies' real estate holdings, and related entities and structures; and

- b. Global listed securities of companies in the infrastructure industry, including companies with direct involvement in the infrastructure industry through development, construction or operation of infrastructure assets, and related entities and structures.
- c. Foreign currencies

With respect to mortgage-related securities, BIM's other sources of information and methods of analysis include:

- a. Proprietary computerized scenario analysis, which predicts cash flows and total returns under different interest rate forecasts, and simulation analysis providing a broader array of potential patterns of return over different interest rate scenarios. Such analysis may be applied to individual securities and investments or to client portfolios in total.
- b. Relative value analysis of individual securities based on yield, quality, average life, duration, option-adjusted spreads, and total return expectations (current and yield-to-maturity).
- c. Economic analysis directed at projection of interest rate trends and concurrent strategies for hedging against market volatility in general or a change in trend in the board markets.

With respect to equities, BIM follows a value-based stock selection methodology and utilizes a portfolio model as the basis for analysis. The stock research and selection process is a bottom-up with primary research done by BIM's portfolio management team. BIM's proprietary quantitative screening model attempts to forecast multiples and target prices for the investment universe of each client. This model helps to focus and prioritize the research of holdings and prospective holdings of each client to both identify new ideas and to assess quantitatively the rationale for continuing to own existing holdings. BIM primarily relies on in-house research for all companies in the universe with particular attention paid to real estate operations and their implications on future earnings.

BIM's portfolio management team meets regularly with managements of companies in its investment universe either in person or via conference calls in order to assess the prospects for the companies and their share prices, the health of the real estate markets in which they operate, their external growth possibilities, and their financial health. The team undertakes property tours with local property operations officers from companies they follow in addition to independent local sources such as real estate brokers. Through this research, adjustments are made to earnings estimates where appropriate when different assumptions are believed to be warranted relative to management's assumptions. In

addition, this research helps better formulate the subjective criteria in the portfolio model, such as management score, asset quality and prospects for internal and external growth.

Risk attributes of individual securities are also monitored and evaluated within BIM's quantitative model. These include pricing relative to net asset value, pricing relative to average funds from operations, quality of income, balance sheet strength, management conflicts of interest, payout ratios and expected earnings growth rates. BIM tracks market conditions that may affect the performance of the portfolio and related investment activity.

With respect to other real estate-related securities, such as shares in real estate limited partnerships and REITs, BIM's analytical method is primarily fundamental. The investment quality of such securities is generally considered to depend on the quality of the underlying real estate assets. Therefore, particular attention is given to the capacity of said real estate to provide current rental income and the ability of the real estate's surrounding market to sustain growing property values.

BIM utilizes research prepared by (i) in-house research and the research divisions of related persons, (ii) the regional and divisional offices of related persons, (iii) the acquisitions, evaluations, sales and portfolio management departments of related persons, and (iv) outside brokerage, consulting and investment research firms. In addition, BIM and its related persons utilize electronically delivered information including news services, market quotations from online data information sources and securities analytics providers.

BIM's investment strategies are generally guided by (i) the investment objectives, policies, strategies, and restrictions as set forth in the applicable advisory agreements with its clients, (ii) the limits or restrictions set forth in any disclosure document or trust document applicable to a client for which BIM serves as investment advisor or otherwise provides advisory services, and (iii) the applicable legal and regulatory requirements.

BIM is a global investment manager focused on specialized equity and fixed income securities investments.

BIM's investment strategies are generally guided by (i) the investment objectives, policies, strategies, and restrictions as set forth in the applicable advisory agreements with its clients, (ii) the limits or restrictions set forth in any disclosure document or trust document applicable to a client for which BIM serves as investment advisor or otherwise provides advisory services, and (iii) the applicable legal and regulatory requirements.

FIXED INCOME STRATEGIES

Core Fixed Income

BIM's fixed income investment philosophy is predicated on the concept of relative value. Specifically within the Core Fixed Income product, BIM employs a relative value philosophy

based on preservation of capital, diversification and deep credit research. BIM imposes diversification limits to minimize downside risk while our deep credit research allows us to find and exploit inefficiencies not apparent to the rest of the market.

The components of our Core Fixed Income investment approach that add the most value over time are sector and sub-sector allocation and security selection decisions. To a lesser extent, yield curve and duration management also contribute. BIM's Core Fixed Income investment process encompasses extensive analyses to isolate relative value opportunities among sectors and issuers, as well as to determine tactical sector allocation weightings. Additionally, decisions are made regarding relative value of securities among credit ratings and various security structures, such as callable and putable issues, to optimize a portfolio's return. These decisions focus on determining the optimal time to purchase or sell securities with varying credit or structure risks based on historical analyses and technical conditions within the marketplace.

High Yield

BIM's High Yield Strategy seeks to provide investors with consistent returns across the broad corporate high yield market. The objective is to provide these returns with less than market volatility over a credit market cycle. The key component of the strategy is to capture the yield advantage that the asset class offers, while minimizing losses associated with credit distress.

BIM's general philosophy is centered around capturing yield with a focus on preservation of capital. BIM does that by building highly diversified portfolios with rigorous surveillance processes that provide a system of checks and balances to evaluate risks in the portfolios. BIM diversification tends to increase as our assessment of risk increases. BIM has a bias toward building portfolios with core holdings that are higher quality to provide a stable base for income, and then taking advantage of opportunities in markets where BIM sees value.

BIM's process focuses on sector allocation, extensive research of solvent corporate credits at the security level by our highly experienced team, prudent portfolio construction and rigorous risk control through a dedicated surveillance process. Portfolios are tailored to clients' risk preferences and may range from conservative B and BB rated portfolios to the broader spectrum of high yield credits, including CCC rated securities. BIM's investment strategy emphasizes the preservation of capital, focusing on longer-term credit prospects and diversified portfolio holdings.

Residential Mortgage Back and Commercial Mortgage Back and Asset Back Securities

BIM's Structured Products Investments team manages our commercial mortgage backed securities ("CMBS") and residential mortgage backed securities strategies ("RMBS") along with asset backed securities strategies ("ABS"). BIM employs a cohesive and broad-based approach to relative value analysis and risk management to best suit the needs of our clients.

The investment approach begins with the identification of fundamental and technical factors responsible for performance in each sector of the securitized market. After identifying areas of opportunity, we perform in-depth security analyses to build portfolios. BIM believes that BIM can consistently find attractive value in specific securities after first identifying the particular sectors, structures, originators, collateral and servicers that are likely to outperform. Even in our favored sectors, we believe that not all issues will perform equally well. Furthermore, among distressed sectors and issuers, it is possible to identify securities that have attractive upside to downside ratios, as well as those mispriced assets that should be sold.

BIM is continually involved in the new-issue and secondary CMBS/MBS/ABS markets. BIM maintains proprietary databases of all primary issuance and related pricing; BIM constantly assess the characteristics of markets, loans and securities. BIM's extensive market knowledge provides a solid foundation for comparing issuers and vintages. BIM's market experience also serves to establish a basis for understanding changing prepayment scenarios and loss curve assumptions given current originations, loan rates and credit trends. Further, BIM's well developed surveillance process is key to both tracking our holdings versus expectations, and providing key inputs to our asset selection process.

BIM maintains distinct default, loss and prepayment models for various asset classes, including RMBS and CMBS. Using loan level data and information from both Loan Performance and Intex, our systems provide assessments of cumulative defaults, losses, loss timing and prepayment speeds. This powerful credit analysis tool is also paired with Intex and proprietary programs to identify cash flow weaknesses as well as terminal points of credit and structural idiosyncrasies.

Additionally, BIM's credit filter and surveillance system allows us to proactively manage our portfolios by identifying upgrade/downgrade candidates, thereby controlling the level of credit exposure. The issuer, servicer, and underlying collateral of each security under consideration are evaluated. Existing holdings are reassessed as part of BIM's on-going surveillance process to insure they continue to meet investment objectives.

Distressed/Opportunistic MBS

BIM's distressed/opportunistic MBS portfolios aim to take advantage of the recent re-pricing of MBS credit risk and capture high loss adjusted returns. BIM places emphasis on purchasing deeply discounted securities across all mortgage sectors. Investments can be made across the credit spectrum with an emphasis on opportunities that present high loss-adjusted yields and total return opportunities. In the current market environment, BIM

anticipates a significant portion of returns are derived from buying deeply discounted cash-flows. BIM's analysis is very credit intensive, rather than technical in nature. BIM's extensive market knowledge provides a solid foundation for comparing issuers and vintages. BIM's market experience also serves to establish a basis for understanding changing prepayment scenarios and loss curve assumptions given current originations, loan rates and credit trends.

EQUITY STRATEGIES

BIM is an experienced manager of domestic and global equity strategies, with a specialization in real estate and infrastructure securities and a strong long-term track record.

BIM has adopted a value-based approach and a long-term investment horizon. Primary emphasis is placed on bottom-up stock selection, with stock research and selection conducted by our investment teams.

REIT Strategy

BIM has adopted a long-term investment horizon as BIM believes investing in REITs can enhance the risk-adjusted performance of a balanced portfolio and provide an efficient, liquid way for investors to get exposure to real estate.

BIM utilizes a value-based stock selection methodology. The primary emphasis is on bottom-up stock selection. Fundamental stock research and selection is undertaken by our investment teams. BIM's proprietary quantitative screening tool attempts to forecast multiples and target prices for a universe of REITs by scoring individual companies in a number of different areas. These include balance sheet strength, quality of income, quality of management, trend in earnings estimates, liquidity, internal and external growth, and asset quality.

US REITs Strategy

BIM's Value Income Strategy invests in publicly traded real estate securities, primarily real estate investment trusts (REITs). These portfolios are concentrated and seek to combine the most attractively priced core real estate companies with a mix of under-followed, out-of-favor and out-of-cycle companies.

Global REIT Strategy

BIM and its affiliates utilize a globally integrated value approach and have regional investment management teams located in Chicago, Hong Kong, London and Sydney.

Global Long Short REIT Strategy

BIM's global long/short REIT strategy has a total return orientation and a global investment universe. These portfolios comprise a concentration of core real estate companies as well as non-traditional property and asset-rich operating companies with potential to deliver higher returns.

The key components of the investment strategy include:

- Targeting the portfolio in the best investment themes, locations and ideas in the global real estate securities universe which have attractive, risk adjusted total return potential.
- Implementing a disciplined investment process designed to achieve superior stock selection in both long and short ideas based on detailed, fundamental research by experienced analysts in regional locations around the globe.
- Capitalizing on tactical investment opportunities which may include deep value/discounted securities, debt and preferred securities, derivatives, special situations, and trading, offering and other arbitrage opportunities.

RISKS

Investing in securities involves risk of loss that clients should be prepared to bear.

Asset Backed Securities

Risks include the effects of general and local economic conditions on asset values, the conditions of specific industry segments, the ability of the obligors to make payments including such factor as the level of personal income and the unemployment rate. As well, investments in ABS rely, to some extent, on the representations and warranties of the seller. In some cases, seller fraud can occur and there can be no assurance that the seller has adequate resources to compensate investors for their losses.

Commercial Mortgage Backed Securities

Risks include the effects of general and local economic conditions on real estate values, the conditions of specific industry segments, the ability of tenants to make lease payments and the ability of a property to attract and retain tenants, which in turn may be affected by local conditions such as oversupply of space or a reduction of available space, the ability of the owner to provide adequate maintenance and insurance, changes in management of the underlying commercial property, energy costs, government regulations with respect to environmental, zoning, rent control, bankruptcy and other matters, real estate and other taxes, and prepayments of the underlying commercial mortgage loans (although such

prepayments generally occur less frequently than prepayments on residential mortgage loans).

Residential Mortgage Backed Securities

The investment characteristics of residential mortgage backed securities (“RBMS”) differ from those of traditional debt securities. The major differences include the fact that, on certain RMBS, prepayments of principal may be made at any time. Prepayment rates are influenced by changes in current interest rates and a variety of economic, geographic, social and other factors and cannot be predicted with certainty.

High Yield

Debt securities rated below investment grade quality are regarded as having predominantly speculative characteristics with respect to capacity to pay interest and repay principal. The prices of these lower-grade bonds are generally more volatile and sensitive to actual or perceived negative developments, such as a decline in the issuer’s revenues or a general economic downturn, than are the prices of higher-grade securities. In addition, the secondary market on which high yield securities are traded may be less liquid than the market for investment grade securities, meaning these securities are subject to greater liquidity risk than investment grade securities.

Corporate Bonds

In general, debt securities are subject to two principal types of risks: credit risk and interest rate risk, as follows:

Credit Risk

If the issuer of a debt obligation (or the counterparty to a derivatives contract or other obligation) is, or is perceived to be, unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. The downgrade of a security may further decrease its value.

Interest Rate Risk

Interest rate risk is the risk that debt obligations will decline in value because of changes in interest rates. Generally, debt securities will decrease in value when interest rates rise and increase in value when interest rates decline.

Infrastructure

Investment Volatility and Market Risk

BIM or its affiliates generally expect to invest the client accounts’ assets primarily in publicly-traded Infrastructure securities. Consequently, the value of an Interest in the client accounts will be subject to the general volatility and swings of the securities markets, interest rates and economic cycles. In addition, the profitability of a significant portion of

the client accounts' investment program depends to a great extent upon BIM or its affiliates correctly assessing the future course of price movements. BIM or its affiliates' failure to either formulate its investment thesis correctly or to implement its strategy effectively could result in substantial and even total losses to the client accounts. Market volatility or other factors may not be as expected, thereby affecting the success of investment strategies. Although BIM or its affiliates may attempt to mitigate market risk through the use of long and short positions, hedging activities or other methods, there is always some, and occasionally a significant, degree of market risk.

Infrastructure – General

Investments will be subject to risks incidental to the ownership and operation of Infrastructure assets; such risks include risks associated with general economic climates (for example unemployment, inflation and recession); fluctuations in interest rates and currency; availability and attractiveness of secured and unsecured financing; compliance with relevant government regulations; environmental liabilities; various uninsured or uninsurable unforeseen events; Infrastructure development and construction and the ability of the relevant operating company to manage the relevant Infrastructure business. These risks and the risk factors and other factors discussed in this Memorandum, either individually or in combination, may cause, among other things, a reduction in income, an increase in operating costs and an increase in costs associated with investments in Infrastructure assets, which may materially affect the financial position and returns of specific investments and the client accounts generally.

Emerging Markets

The client accounts may invest in emerging markets, including both more liquid emerging markets and less liquid emerging markets. The risks of investments in non-U.S. securities described below apply to an even greater extent to investments in emerging markets. These risks include: greater fluctuations in currency exchange rates; increased risk of default (by both government and private issuers); greater social, economic, and political uncertainty and instability (including the risk of war or natural disaster); increased risk of nationalization, expropriation or other confiscation; greater governmental involvement in the economy; less governmental supervision and regulation of the securities markets and participants in those markets; controls on foreign investment, capital controls and limitations on repatriation of invested capital and on the client accounts' ability to exchange local currencies for U.S. dollars; inability to purchase and sell investments or otherwise settle security or derivative transactions (i.e., a market freeze); unavailability of currency hedging techniques; companies that are smaller and more recently organized; differences in, or lack of, auditing and financial reporting standards and resulting unavailability of material information about issuers; slower clearance; difficulties in obtaining and/or enforcing legal judgments; and significantly smaller market capitalizations of issuers.

The securities and currency markets of emerging market countries are generally smaller, less developed, less liquid, and more volatile than the securities and currency markets of the United States and other developed countries. Disclosure and regulatory standards in

many respects are less stringent than in developed countries. There also may be a lower level of monitoring and regulation of securities markets in emerging market countries, and the activities of investors in such markets and enforcement of existing regulations may be extremely limited. Many emerging market countries have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and fluctuations in inflation rates have had, and may continue to have, very negative effects on the economies and securities markets of certain emerging market countries. Economies in emerging markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values, and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of emerging market countries also have been and may continue to be adversely affected by economic conditions in the countries with which they trade. In addition, custodial services and other investment-related costs may be more expensive in emerging markets than in many developed markets.

In many cases, governments of emerging market countries continue to exercise significant control over their economies. There can be no assurance that adverse political changes will not cause the client accounts to suffer a loss of any or all of its investments.

Regulatory Risks Relating to Infrastructure

Investments in Infrastructure and Infrastructure-related assets, including the client accounts' investments, will be subject to substantial governmental regulation, and governments have considerable discretion in implementing regulations that could impact the business of portfolio investments. In addition, the operations of the issuers of the client accounts' investments may rely on government permits, licenses, concessions, leases or contracts. Government entities generally have significant influence over such companies in respect of the various contractual and regulatory relationships they may have, and these government entities may exercise their authority in a manner that causes delays in the operation of the business of the issuers of the client accounts' investments, obstacles to pursuit of such issuers' strategy or increased administrative expenses, all of which could materially and adversely affect the business and operations of the client accounts.

Infrastructure assets may be subject to rate regulation by government agencies because of their unique position as the sole or predominant providers of services that are often essential to the community. As a result, certain portfolio investments might be subject to unfavorable price regulation by government agencies. For example, Infrastructure companies engaged in businesses with monopolistic characteristics, such as electricity distribution, could face caps placed by regulators on allowable returns. Often these price determinations are final with limited or no right of appeal. Given the public interest aspect of the services that Infrastructure assets provide, political oversight of the sector is likely to remain pervasive and unpredictable and, for political reasons, governments may attempt to take actions which may negatively affect the operations, revenue, profitability or contractual relationships of portfolio investments, including through expropriation.

Certain portfolio investments may need to use public ways or may operate under easements. Under the terms of agreements governing the use of public ways or easements, government authorities may retain the right to restrict the use of such public ways or easements or to require portfolio companies to remove, modify, replace or relocate their facilities at the company's expense. If a government authority exercises these rights, the Infrastructure company could incur significant costs and its ability to provide service to its customers could be disrupted, which could adversely impact the performance of the relevant portfolio investment.

Environmental Risk

Infrastructure assets may be subject to numerous laws, rules and regulations relating to environmental protection. Under various environmental statutes, rules and regulations, 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 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 or 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 these materials at the disposal or treatment facility, whether or not that facility is or ever was owned or operated by that person. The client accounts may be exposed to substantial risk of loss from environmental claims arising in respect of its investments, and such loss may exceed the value of such investments. Furthermore, changes in environmental laws or in the environmental condition of a portfolio investment may create liabilities that did not exist at the time of acquisition of an investment and that could not have been foreseen. For example, new environmental regulations may create costly compliance procedures for Infrastructure assets.

In addition, portfolio investments can have a substantial environmental impact. As a result, community and environmental groups may protest about the development or operation of Infrastructure assets, and these protests may induce government action to the detriment of the owner of the Infrastructure asset. Ordinary operation or occurrence of an accident with respect to Infrastructure assets could cause major environmental damage, which may result in significant financial distress to the particular asset. In addition, the costs of remediation of, to the extent possible, the resulting environmental damage, and repairing relations with the affected community, could be significant.

Generally, the client accounts will conduct environmental due diligence before making an investment to assess the status of environmental regulatory compliance. There can be no assurance, however, that such due diligence will reveal all environmental liabilities relating to an investment.

Usage Charges

Some investments may derive substantial revenues from collecting usage charges from public and/or private users (such as rates charged for usage of toll roads, bridges, tunnels and water utilities). Patronage forecasts are inherently uncertain. There is no guarantee that forecast patronage levels for an investment will be achieved. The applicable usage charges are generally set out in the relevant concession agreements entered into by the relevant company and the relevant government body. Public and/or private users may react negatively to any adjustments in the applicable usage charges. Further, public pressures may cause relevant governmental authorities to challenge usage charges. The client accounts cannot guarantee that government bodies will not, in relation to concession agreements, negotiate for lower usage charges or exemptions from usage charges for certain types or classes of users. If public pressure or government action forces a restriction on usage charges, for which adequate compensation to restore the economic balance of the relevant concession agreement cannot be secured, then the client accounts' business, financial conditions and results of operations could be materially and adversely affected.

Inflation and Interest Rate Risk

Inflation could directly adversely affect the client accounts' investments. If a portfolio investment is unable to increase its revenue in times of higher inflation, its profitability and ability to distribute dividends may be adversely affected. Many of the entities in which the client accounts invest may have long-term rights to income linked to some extent to inflation, whether by government regulations, contractual arrangement or other factors. Typically, as inflation rises, the entity will earn more revenue, but will incur higher expenses; as inflation declines, the entity may not be able to reduce expenses in line with any resulting reduction in revenue. Many Infrastructure businesses rely on concessions to mitigate the inflation risk to cash flows through escalation provisions linked to the inflation rate (e.g., the toll set on a toll road). While these provisions may protect against certain risks, they do not protect against the risk of a rise in real interest rates, which is likely to create higher financing costs for Infrastructure businesses and a reduction in the amount of cash available for distribution to investors. Most Infrastructure projects are highly geared and therefore subject to interest rate risk. In addition, the market value of portfolio investments may decline in times of higher inflation rates given that the most commonly used methodologies for valuing investments (e.g., discounted cash flow analysis) are sensitive to rising inflation and real interest rates. Finally, wage and price controls have been imposed at times in certain countries in an attempt to control inflation, which could significantly affect the operation of portfolio investments. Accordingly, changes in the rate of inflation may affect the forecast profitability of the investment.

Construction and Development Risk

Where the client accounts invest in new or development stage Infrastructure projects, it is likely to retain some risk that the project will not be completed within budget, within the agreed time frame and to the agreed specification. During the construction or development phase, the major risks of delay include political opposition, regulatory and permitting delays, delays in procuring sites, strikes, disputes; environmental issues, force majeure, or failure by one or more of the Infrastructure investment participants to perform in a timely

manner their contractual, financial or other commitments. These delays in the projected completion of the project could result in delays in the commencement of cash flow and an increase in the capital needed to complete construction, which may have a material adverse effect on the client accounts' financial performance.

In addition, actual construction and development costs may exceed estimates for various reasons, including inaccurate engineering and planning, labor and building material costs in excess of expectations and unanticipated problems with project start-up. Such unexpected cost increases may result in increased debt service costs and the inability of project owners to meet the higher interest and principal repayments arising from the additional debt requirement. In addition, there may be insufficient client accounts to complete construction. Delays in project completion may also affect the scheduled flow of project revenues necessary to cover the debt service costs, operation and maintenance expenses and damage payments for late delivery. Construction risk is frequently reduced through contract penalty clauses such as liquidated damage provisions, but such provisions may not mitigate the risk of insolvency and other residual risks to investors.

Commodity Risk

Some of the investments of the client accounts will be subject to commodity price risk, including, without limitation, the price of electricity and the price of fuel. The operation and cash flows of certain of the client accounts' portfolio investments may depend, in substantial part, upon prevailing market prices for electricity and fuel, and natural gas. These market prices may fluctuate materially depending upon a wide variety of factors, including, without limitation, weather conditions, foreign and domestic market supply and demand, force majeure events, changes in law, governmental regulations, price and availability of alternative fuels and energy sources, international political conditions including those in the Middle East, actions of the Organization of Petroleum Exporting Countries (and other oil and natural gas producing nations) and overall economic conditions.

Operational Risk and Catastrophic and Force Majeure Events

The long-term profitability of Infrastructure assets, once they are constructed, is partly dependent upon the efficient operation and maintenance of the assets and asset-owning companies. Inefficient operation and maintenance may reduce the profitability of the client accounts' investments, adversely affecting the client accounts' financial returns. Notwithstanding their proper and efficient operation and maintenance, the use of Infrastructure assets may be interrupted or otherwise affected by a variety of events outside the client accounts' control, including serious traffic accidents, natural disasters (such as fire, floods, earthquakes and typhoons), man-made disasters, 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 investments could be

reduced, the costs of maintenance or restoration may increase, and the overall public confidence in such Infrastructure assets could be reduced. While the client accounts will seek to make investments where insurance and other risk management products (to the extent available on commercially reasonable terms) are utilized to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance, this may not always be practicable or feasible. Moreover, it will not be possible to insure against all such risks, and such insurance proceeds as may be derived in a timely manner from covered risks may be inadequate to completely or even partially cover a loss of revenues, an increase in operating and maintenance expenses and/or a replacement or rehabilitation.

In addition, investments in Infrastructure assets may involve significant strategic assets (assets that have a national or regional profile and may have monopolistic characteristics). The nature of these assets could expose them to a greater risk of being the subject of a terrorist attack than other assets or businesses. Insurers have significantly reduced the amount of insurance coverage available for liability to persons other than employees or passengers for claims resulting from acts of terrorism, war or similar events. A terrorist attack involving the property of a portfolio investment, or property under control of a portfolio investment, may result in liability far in excess of available insurance coverage. A terrorist attack on a portfolio investment may also have adverse consequences for all portfolio investments of that type.

Highly Competitive Market for Investment Opportunities

The business of identifying and structuring investments of the types contemplated by the client accounts is competitive and involves a high degree of uncertainty. In certain instances, the client accounts may be competing for investments with operating companies, financial institutions and other institutional investors as well as private equity, hedge, and other investment client accounts. Further, over the past several years, an ever-increasing number of investment client accounts that invest in Infrastructure assets (including private equity and hedge funds) have been formed (and many such existing client accounts have grown in size), and additional client accounts with similar investment objectives may be formed in the future. These other investors may make competing offers for investment opportunities identified by BIM or its affiliates. Even where the client accounts are successful in executing a definitive agreement with respect to an investment opportunity, completing the transaction may be subject to conditions and uncertainties, only some of which are foreseeable or within the control of BIM or its affiliates. In addition to competition from other investors, the availability of investment opportunities generally will be subject to market conditions as well as, in many cases, the prevailing regulatory or political climate.

Other Legal Risks

It is not uncommon for Infrastructure assets to be exposed to a variety of legal risks. These can include, but are not limited to, environmental issues, land expropriation and other property-related claims, industrial action and legal action from special interest groups.

Special interest groups may use legal processes to seek to impede particular projects to which they are opposed.

Investment in Non-U.S. Securities

The client accounts may invest in securities issued by non-U.S. governments or securities of companies not domiciled in the U.S. These securities may be denominated in non-U.S. currencies. Such investments may be subject to a greater risk than U.S. investments due to non-U.S. economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), political and social instability, expropriation of assets or nationalization, imposition of taxes on dividends, interest payments, or capital gains, the need for approval by government or other authorities to make investments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities and other factors beyond the control of BIM or its affiliates. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive accounting, reporting or disclosure requirements than U.S. issuers. The securities markets of some countries in which the client accounts may invest have substantially less volume than those in the United States, and securities of certain companies in these countries are less liquid and more volatile than securities of comparable U.S. companies. Accordingly, these markets may be subject to greater influence by adverse events generally affecting the market, and by large investors trading significant blocks of securities, than is usual in the United States. Brokerage commissions and other transaction costs on securities exchanges in non-U.S. countries are generally higher than in the United States. Non-U.S. securities settlements may in some instances be subject to delays and related administrative uncertainties. In some countries, there are restrictions on investments or investors such that the only practicable way for the client accounts to invest in such markets is by entering into swaps or other derivative transactions with its prime brokers or others. Such transactions involve counterparty risks which are not present in the case of direct investments and which may not be controllable by BIM or its affiliates. A significant portion of the client accounts may be invested in non-U.S. securities and therefore subject to the above risks.

Exchange Rate Risk

The investments of the client accounts that are not denominated in the U.S. dollar are subject to the risk that the value of a particular currency will change in relation to the U.S. dollar. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. Officials in foreign countries may from time to time take actions in respect of their currencies that could significantly affect the value of the client accounts' assets denominated in those currencies or the liquidity of such investments. For example, a foreign government may unilaterally devalue its currency against other currencies, which would typically have the effect of reducing the U.S. dollar value of investments denominated in that currency. A foreign government may also limit the convertibility or repatriation of its currency or assets denominated in that currency. Changes in currency values may affect the Net Asset Value of the client accounts and hence the overall value of a

Limited Partner's Interest. The client accounts may, but are not required to, invest in foreign currencies, foreign currency futures contracts and options thereon, forward foreign currency exchange contracts, or any combination thereof for hedging purposes, but there can be no assurance that such strategies will be implemented, or if implemented, will be effective.

Other Clients of BIM or its Affiliates

BIM or its affiliates' advice to certain clients and the action of BIM or its affiliates for those and other clients are frequently premised not only on the merits of a particular investment but on the suitability of that investment for the particular client in light of its applicable investment objective, guidelines and circumstances and thus, any action of BIM or its affiliates with respect to a particular investment may, for a particular client, differ or be opposed to, either the recommendation, advice, or actions of BIM or its affiliates to, or on behalf of, other clients.

Counterparty and Settlement Risk

The client accounts may utilize swaps and other derivative transactions to some degree where it believes doing so will further the objectives of the client accounts. Notional amounts of swap transactions are not subject to any limitations, and swap contracts may expose the client accounts to unlimited risk of loss. Swaps may be used as an alternative to futures contracts. To the extent the client accounts invest in repos, swaps, forwards, futures, options, and other synthetic or derivative instruments, counterparty exposures can develop and the client accounts take the risk of nonperformance by the other party on the contract. This risk may differ materially from those entailed in exchange-traded transactions which generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. In the international securities markets, the existence of less mature settlement structures and systems can result in settlement default and exposure to counterparty credits.

The client accounts may only close out a swap or contract for differences with the consent of the particular counterparty, may only transfer a position with the consent of the particular counterparty, and following transfer of a position, may only close out the transaction with the new counterparty. Also, if the counterparty defaults, the client accounts will have contractual remedies pursuant to the agreement related to the transaction, but there is no assurance that contract counterparties will be able to meet their obligations pursuant to such contracts or that, in the event of default, the client accounts will succeed in enforcing its contractual remedies. There also may be documentation risk, including the risk that the parties may disagree as to the proper interpretation of the terms of a contract. If such a dispute occurs, the cost and unpredictability of the legal proceedings required to enforce its contractual rights may lead the client accounts to decide not to pursue its claims against the counterparty. The client accounts thus assume the risk that it may be unable to obtain payments owed to it under

swap contracts, over-the-counter options, and other two-party contracts, or that those payments may be delayed or made only after the client accounts have incurred the costs of litigation.

Certain markets in which the client accounts may effect transactions are over-the-counter or interdealer markets, and may also include unregulated private markets. The participants in such markets typically are not subject to the same level of credit evaluation and regulatory oversight as are members of exchange-based markets. This exposes the investor to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the client accounts to suffer a loss. Such counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the client accounts have concentrated its transactions with a single or small group of counterparties. The client accounts may also be exposed to similar risks with respect to non-U.S. brokers in jurisdictions where there are delayed settlement periods. The client accounts are not restricted from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty. The ability of the client accounts to transact business with any one of a number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities, and the absence of a regulated market to facilitate settlement may increase the potential for losses by the client accounts.

Short Sales

The client accounts' investment strategy will include short selling. Short selling involves selling securities not owned by the client accounts, typically securities borrowed from a broker or dealer. Because the client accounts remain liable to return the underlying security that it borrowed from the broker or dealer, the client accounts must purchase the security prior to the date on which delivery to the broker or dealer is required. As a result, the client account expects to engage in short sales only where it believes the value of the security will decline between the date of the sale and the date the client accounts are required to return the borrowed security. The making of short sales exposes the client accounts to the risk of liability for the market value of the security that is sold, which is an unlimited risk due to the lack of an upper limit on the price to which a security may rise. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase or that securities will be available to be borrowed by the client accounts at reasonable costs. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a short squeeze can occur, and the client accounts may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short.

The SEC has in the past adopted interim rules requiring reporting of all short positions above a certain de minimis threshold and has indicated its intent to adopt further reporting requirements. In addition, other non-U.S. jurisdictions where the client accounts may trade

have adopted reporting requirements. If the client accounts' short positions or its strategy become generally known, it could have a significant effect on BIM or its affiliates' ability to implement its investment strategy. In particular, it would make it more likely that other investors could cause a short squeeze in the securities held short by the client accounts, forcing the client accounts to cover its positions at a loss. Such reporting requirements may also limit BIM or its affiliates' ability to access management and other personnel at certain companies where BIM or its affiliates seeks to take a short position. In addition, if other investors engage in copycat behavior by taking positions in the same issuers as the client accounts, the cost of borrowing securities to sell short could increase drastically and the availability of such securities to the client accounts could decrease drastically. Such events could make the client accounts unable to execute its investment. If the SEC were to adopt additional restrictions regarding short sales, they could restrict the client accounts' ability to engage in short sales in certain circumstances, and the client accounts may be unable to execute its investment strategy as a result.

The SEC and regulatory authorities in other jurisdictions may adopt bans on short sales of certain securities in response to market events. Bans on short selling may make it impossible for the client accounts to execute certain investment strategies and may have a material adverse effect on the client accounts' ability to generate returns.

Hedging

The client accounts may hedge some or all of its portfolio by taking long and short positions in related securities or through the use of futures, swaps, and other derivative instruments, involving, among other things, securities, interest rates or currencies. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of such position or prevent losses if the value of such position declines, but establishes other positions designed to gain from those same developments, thus seeking to partially mitigate such decline in value. Such hedging transactions may also limit the opportunity for gain if the value of the portfolio position should increase. In the event of an imperfect correlation between a position in a hedging instrument and the portfolio position that it is intended to protect, the desired protection may not be obtained, and the client accounts may be exposed to risk of loss. It is not possible to hedge fully or perfectly against any risk, and a hedged transaction might nevertheless produce a net loss. In addition, hedges entail their own costs and may be more difficult to implement than many other transactions and possibilities for errors may be greater than for other transactions. The client accounts may determine in its sole discretion not to hedge its portfolio against certain risks or may not anticipate certain risks, and certain risks may exist that cannot be hedged.

Leverage

BIM or its affiliates may utilize leverage in investing the client accounts' assets, including through engaging in trading on margin by borrowing client accounts and pledging securities as collateral. While such use of borrowed client accounts increases returns if the client accounts earn a greater return on the incremental investments purchased with borrowed client accounts than it pays for such client accounts, the use of leverage decreases returns if the client accounts fail to earn as much on such incremental

investments as it pays for such client accounts. The effect of leverage may, therefore, result in a greater decrease in the Net Asset Value of the client accounts than if the client accounts were not so leveraged. Any use by the client accounts of short-term margin borrowings may result in certain additional risks to the client accounts. For example, the securities pledged to brokers to secure the client accounts' margin accounts could be subject to a margin call, pursuant to which the client accounts would be required to either deposit additional client accounts with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. A sudden, precipitous drop in value of the client accounts' assets accompanied by corresponding margin calls could force the client accounts to liquidate assets quickly, and not for what BIM or its affiliates perceives to be their fair value, in order to pay off its margin debt. In addition, the client accounts may engage in certain derivative transactions which implicitly contain leverage and subject the client accounts to the same risks discussed above.

Other Instruments and Future Developments

The client accounts may take advantage of opportunities in the area of swaps, options on various underlying instruments, and swaptions and certain other customized synthetic or derivative investments in the future. In addition, the client accounts may take advantage of opportunities with respect to certain other synthetic or derivative instruments which are not presently contemplated for use by the client accounts or which are currently not available, but which may be developed to the extent such opportunities are both consistent with the client accounts' investment objective and legally permissible for the client accounts. Special risks may apply to the client accounts' investments in the future.

Possible Lack of Product

The client accounts' investment strategy is based upon the purchase and sale of Infrastructure and Infrastructure-related securities. However, given the fluctuating nature of the securities markets and interest rates, it may not be advantageous for new issuers to sell these types of securities. Accordingly, the availability of product may vary over time. BIM or its affiliates believes that it will have access to a sufficient transaction flow to invest the capital of the client accounts. However, there can be no assurances that BIM or its affiliates will be able to locate investment opportunities that satisfy the investment objectives of the client accounts or that it will be able to fully invest the capital of the client accounts. This may adversely affect the overall return of the client accounts.

Concentration

In implementing the client accounts' investment strategy, BIM or its affiliates will generally not attempt to diversify the client accounts' portfolio either directly or synthetically. Accordingly, the investment portfolio of the client accounts may be subject to more rapid change in value than would be the case if the client accounts were required to maintain a wide diversification among companies, securities, and industry groups. The client accounts will be investing primarily in Infrastructure securities, a small segment of the securities market, which sometimes experiences relatively low daily trading volumes and is therefore illiquid. It is expected the client accounts will be concentrated in a single small market segment and may be concentrated in a small number of securities therein.

Restricted Withdrawals and Transfers; Illiquidity

An investment in the client accounts are a relatively illiquid investment because Interests are not generally transferable and the withdrawal rights of the Limited Partners are subject to certain restrictions. Withdrawals will be subject to a Withdrawal Fee as set forth in Summary of Principal Terms Withdrawals. As set forth in the Partnership Agreement, payment may be delayed under certain circumstances and may be made in kind rather than in cash. Further, the Interests have not been registered under the securities laws of any jurisdiction and may therefore be subject to statutory restrictions on transfer in any such jurisdiction. There is no secondary market for the Interests, and no market is expected to develop. Transfers are prohibited except with the prior approval of the General Partner, which may be withheld in its sole discretion, and in accordance with the Partnership Agreement. The client accounts may not approve any transfer of Interests not made in accordance with the provisions of Regulation S under the Securities Act or pursuant to an available exemption from registration under the Securities Act. Any purported transfer of Interests not made in accordance with the terms and conditions of the Partnership Agreement is null and void. Limited Partners may be unable to liquidate their investment promptly in the event of an emergency or for any other reason. The client accounts are not intended as a complete investment program and are designed only for persons who are able to bear economic risk of investment and are sophisticated persons in connection with financial and business matters who do not need liquidity with respect to their investments. Investors should be fully aware of the long-term nature of an investment in the client accounts.

Tax Risks

Pension and profit-sharing plans, Keogh plans, individual retirement accounts and other tax-exempt investors may realize unrelated business taxable income as a result of an investment in the client accounts since the client accounts may employ leverage. Any tax-exempt investor should consult its own tax adviser with respect to the effect of an investment in the client accounts.

The IRS has recently announced an intention to examine certain practices of hedge client accounts and private equity managers to ensure proper reporting of federal taxes. While the client accounts have no reason to believe that it would be a specific target of audit or examination, the IRS's increased attention to practices of hedge client accounts and private equity client accounts managers may increase the risk of audit.

Other Possible Risks

There is no assurance that the above list is complete or that there are not other risks that may exist now or may arise in the future.

Real Estate

Investment Volatility and Market Risk

BIM or its affiliates generally expects to invest the client accounts' assets primarily in publicly-traded real estate securities, including through direct investments in such securities and indirect investments through the use of derivative instruments. Consequently, the value of Participating Shares will be subject to the general volatility and swings of the securities markets, interest rates and economic cycles. In addition, the profitability of a significant portion of the client accounts' investment program depends to a great extent upon BIM or its affiliates correctly assessing the future course of price movements. BIM or its affiliates' failure to either formulate its investment thesis correctly or to implement its strategy effectively could result in substantial and even total losses to the client accounts. Market volatility or other factors may not be as expected, thereby affecting the success of investment strategies. Although BIM or its affiliates may attempt to mitigate market risk through the use of long and short positions or other methods, there is always some, and occasionally a significant, degree of market risk.

Real Estate Market Risk

The client accounts will not invest in real estate directly. Instead, the client accounts expect to invest in publicly-traded real estate securities and real estate investment trusts and related instruments, including through direct investments in such securities and indirect investments through the use of derivative instruments. Since the client accounts concentrate its investments in the real estate industry, an investment in the client accounts may be linked to the performance of the real estate markets, and, therefore, subject to certain risks associated with direct ownership of property. These include the effects of local and general economic conditions upon real estate values, and upon the ability of tenants to make lease payments; competition from other real estate properties; the scarcity of capital needed to fund capital improvements (if and when necessary); the risks inherent in development and renovation activities; the risk of potential uninsured losses; the risk of incurring operating expenses in excess of amount collectable from tenants; the risk of environmental claims; and the risk of economic loss from required compliance with government regulations.

Investment in Non-U.S. Securities

The client accounts may invest in securities issued by non-U.S. governments or securities of companies not domiciled in the U.S. These securities may be denominated in non-U.S. currencies. Such investments may be subject to a greater risk than U.S. investments due to non-U.S. economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), political and social instability, expropriation of assets or nationalization, imposition of taxes on dividends, interest payments, or capital gains, the need for approval by government or other authorities to make investments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities and other factors beyond the control of BIM or its affiliates. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive accounting, reporting or disclosure requirements than U.S. issuers. The securities markets of some countries in which the client accounts may

invest have substantially less volume than those in the United States, and securities of certain companies in these countries are less liquid and more volatile than securities of comparable U.S. companies. Accordingly, these markets may be subject to greater influence by adverse events generally affecting the market, and by large investors trading significant blocks of securities, than is usual in the United States. Brokerage commissions and other transaction costs on securities exchanges in non-U.S. countries are generally higher than in the United States. Non-U.S. securities settlements may in some instances be subject to delays and related administrative uncertainties. In some countries, there are restrictions on investments or investors such that the only practicable way for the client accounts to invest in such markets is by entering into swaps or other derivative transactions with its prime brokers or others. Such transactions involve counterparty risks which are not present in the case of direct investments and which may not be controllable by BIM or its affiliates. A significant portion of the client accounts may be invested in non-U.S. securities and therefore subject to the above risks.

Exchange Rate Risk

The investments of the client accounts that are not denominated in the U.S. dollar are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. Officials in foreign countries may from time to time take actions in respect of their currencies that could significantly affect the value of the client accounts' assets denominated in those currencies or the liquidity of such investments. For example, a foreign government may unilaterally devalue its currency against other currencies, which would typically have the effect of reducing the U.S. dollar value of investments denominated in that currency. A foreign government may also limit the convertibility or repatriation of its currency or assets denominated in that currency. Changes in currency values may affect the Net Asset Value of the client accounts and hence the overall value of a Shareholder's Participating Shares. The client accounts may, but are not required to, invest in foreign currencies, foreign currency futures contracts and options thereon, forward foreign currency exchange contracts, or any combination thereof for hedging purposes, but there can be no assurance that such strategies will be implemented, or if implemented, will be effective.

Other Clients of BIM or its Affiliates

BIM or its affiliates' advice to certain clients and the action of BIM or its affiliates for those and other clients are frequently premised not only on the merits of a particular investment but on the suitability of that investment for the particular client in light of its applicable investment objective, guidelines and circumstances and thus, any action of BIM or its affiliates with respect to a particular investment may, for a particular client, differ or be opposed to, either the recommendation, advice, or actions of BIM or its affiliates to, or on behalf of, other clients.

Counterparty and Settlement Risk

The client accounts may utilize swaps and other derivative transactions to some degree where it believes it will further the objectives of the client accounts. Notional amounts of swap transactions are not subject to any limitations, and swap contracts may expose the client accounts to unlimited risk of loss. Swaps may be used as an alternative to futures contracts. To the extent the client accounts invest in repos, swaps, forwards, futures, options, and other “synthetic” or derivative instruments, counterparty exposures can develop and the client accounts take the risk of nonperformance by the other party on the contract. This risk may differ materially from those entailed in exchange-traded transactions which generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. In the international securities markets, the existence of less mature settlement structures and systems can result in settlement default and exposure to counterparty credits.

The client accounts may only close out a swap or contract for differences with the consent of the particular counterparty, may only transfer a position with the consent of the particular counterparty, and following transfer of a position, may only close out the transaction with the new counterparty. Also, if the counterparty defaults, the Client accounts will have contractual remedies pursuant to the agreement related to the transaction, but there is no assurance that contract counterparties will be able to meet their obligations pursuant to such contracts or that, in the event of default, the client accounts will succeed in enforcing its contractual remedies. There also may be documentation risk, including the risk that the parties may disagree as to the proper interpretation of the terms of a contract. If such a dispute occurs, the cost and unpredictability of the legal proceedings required to enforce its contractual rights may lead the client accounts to decide not to pursue its claims against the counterparty. The client accounts thus assume the risk that it may be unable to obtain payments owed to it under swap contracts, over-the-counter options, and other two-party contracts, or that those payments may be delayed or made only after the client accounts have incurred the costs of litigation.

Certain markets in which the client accounts may affect transactions are over-the-counter or “interdealer” markets, and may also include unregulated private markets. The participants in such markets typically are not subject to the same level of credit evaluation and regulatory oversight as are members of “exchange-based” markets. This exposes the investor to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the client accounts to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the client accounts have concentrated its transactions with a single or small group of counterparties. The Client

accounts may also be exposed to similar risks with respect to non-U.S. brokers in jurisdictions where there are delayed settlement periods. The client accounts are not restricted from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty. The ability of the client accounts to transact business with any one of a number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities, and the absence of a regulated market to facilitate settlement may increase the potential for losses by the client accounts.

Short Sales

The client accounts' investment strategy will include short selling. Short selling involves selling securities not owned by the client accounts, typically securities borrowed from a broker or dealer. Because the client accounts remain liable to return the underlying security that it borrowed from the broker or dealer, the client accounts must purchase the security prior to the date on which delivery to the broker or dealer is required. As a result, the client accounts expect to engage in short sales only where it believes the value of the security will decline between the date of the sale and the date the client accounts are required to return the borrowed security. The making of short sales exposes the client accounts to the risk of liability for the market value of the security that is sold, which is an unlimited risk due to the lack of an upper limit on the price to which a security may rise. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase or that securities will be available to be borrowed by the client accounts at reasonable costs. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, and the client accounts may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short.

The SEC has in the past adopted interim rules requiring reporting of all short positions above a certain de minimis threshold and has indicated its intent to adopt further reporting requirements. In addition, other non-U.S. jurisdictions where the client accounts may trade have adopted reporting requirements. If the client accounts' short positions or its strategy become generally known, it could have a significant effect on BIM or its affiliates' ability to implement its investment strategy. In particular, it would make it more likely that other investors could cause a "short squeeze" in the securities held short by the client accounts forcing the client accounts to cover its positions at a loss. Such reporting requirements may also limit BIM or its affiliates' ability to access management and other personnel at certain companies where BIM or its affiliates seeks to take a short position. In addition, if other investors engage in copycat behavior by taking positions in the same issuers as the client accounts, the cost of borrowing securities to sell short could increase drastically and the availability of such securities to the client accounts could decrease drastically. Such events could make the client accounts unable to execute its investment strategy. If the SEC were to adopt additional restrictions regarding short sales, they could restrict the client accounts' ability to engage in short sales in certain circumstances, and the client accounts may be unable to execute its investment strategy as a result.

The SEC and regulatory authorities in other jurisdictions may adopt bans on short sales of certain securities in response to market events. Bans on short selling may make it impossible for the client accounts to execute certain investment strategies and may have a material adverse effect on the client accounts' ability to generate returns.

Hedging

The client accounts may hedge some or all of its portfolio by taking long and short positions in related securities or through the use of futures, swaps, and other derivative instruments, involving, among other things, securities, interest rates or currencies. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of such position or prevent losses if the value of such position declines, but establishes other positions designed to gain from those same developments, thus seeking to partially mitigate such decline in value. Such hedging transactions may also limit the opportunity for gain if the value of the portfolio position should increase. In the event of an imperfect correlation between a position in a hedging instrument and the portfolio position that it is intended to protect, the desired protection may not be obtained, and the client accounts may be exposed to risk of loss. It is not possible to hedge fully or perfectly against any risk, and a hedged transaction might nevertheless produce a net loss. In addition, hedges entail their own costs and may be more difficult to implement than many other transactions and possibilities for errors may be greater than for other transactions. The client accounts may determine in its sole discretion not to hedge its portfolio against certain risks or may not anticipate certain risks, and certain risks may exist that cannot be hedged.

Leverage

BIM or its affiliates may utilize leverage in investing the client accounts' assets, including through engaging in trading on margin by borrowing client accounts and pledging securities as collateral. While such use of borrowed client accounts increases returns if the client accounts earn a greater return on the incremental investments purchased with borrowed client accounts than it pays for such client accounts, the use of leverage decreases returns if the client accounts fail to earn as much on such incremental investments as it pays for such client accounts. The effect of leverage may, therefore, result in a greater decrease in the Net Asset Value of the client accounts than if the client accounts were not so leveraged. Any use by the client accounts of short-term margin borrowings will result in certain additional risks to the client accounts. For example, the securities pledged to brokers to secure the client accounts' margin accounts could be subject to a "margin call," pursuant to which the client accounts would be required to either deposit additional client accounts with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. A sudden, precipitous drop in value of the client accounts' assets accompanied by corresponding margin calls could force the client accounts to liquidate assets quickly, and not for what BIM or its affiliates perceives to be their fair value, in order to pay off its margin debt. In addition, the client accounts may engage in certain derivative transactions which implicitly contain leverage and subject the client accounts to the same risks discussed above.

Other Instruments and Future Developments

The client accounts may take advantage of opportunities in the area of swaps, options on various underlying instruments, and swaptions and certain other customized “synthetic” or derivative investments in the future. In addition, the client accounts may take advantage of opportunities with respect to certain other “synthetic” or derivative instruments which are not presently contemplated for use by the client accounts or which are currently not available, but which may be developed to the extent such opportunities are both consistent with the client accounts’ investment objective and legally permissible for the client accounts. Special risks may apply to the client accounts’ investments in the future.

Competition

Competition among REIT-related investors, including hedge client accounts, are significant, and the client accounts will compete with other investment advisory and securities firms, private investment firms, risk arbitrage client accounts and institutional investors, many of which will have greater financial resources than the client accounts. While size is not necessarily an indication of a firm’s success in managing market risk, many firms have substantially greater ability to absorb losses and, consequently, to take greater investment risks than the client accounts. While BIM or its affiliates believes that it will have access to a sufficient transaction flow to enable it to invest the client accounts’ capital, there can be no assurances that BIM or its affiliates will be able to locate investment opportunities which satisfy the client accounts’ investment strategy or that it will be able to fully invest all of the client accounts’ capital.

Possible Lack of Product

The client accounts’ investment strategy is based upon the purchase and sale of REIT securities and other real estate related securities, including through direct investments in such securities and indirect investments through the use of derivative instruments. However, given the fluctuating nature of the securities markets and interest rates, it may not be advantageous for new issuers to sell these types of securities. Accordingly, the availability of product may vary over time. BIM or its affiliates believes that it will have access to a sufficient transaction flow to invest the capital of the client accounts. However, there can be no assurances that BIM or its affiliates will be able to locate investment opportunities that satisfy the investment objectives of the client accounts or that it will be able to fully invest the capital of the client accounts. This may adversely affect the overall return of the client accounts.

Concentration

In implementing the client accounts’ investment strategy, BIM or its affiliates will generally not attempt to diversify the client accounts’ portfolio either directly or synthetically. Accordingly, the investment portfolio of the client accounts may be subject to more rapid change in value than would be the case if the client accounts were required to maintain a wide diversification among companies, securities, and industry groups. The client accounts will be investing primarily in real estate securities, including through direct investments in such securities and indirect investments through the use of derivative instruments. Real

estate securities constitute a small segment of the securities market, which sometimes experiences relatively low daily trading volumes and is therefore illiquid. It is expected the client accounts will be concentrated in a single small market segment and may be concentrated in a small number of securities therein.

Illiquidity

An investment in the client accounts is a relatively illiquid investment because Participating Shares are not generally transferable and the redemption rights of the Shareholders are subject to certain restrictions. In addition, transfer of the Participating Shares may be affected by restrictions on resales imposed by U.S. federal and state securities laws and/or similar laws of other jurisdictions, and the requirement that the Board of Directors or BIM or its affiliates consent. The client accounts are not intended as a complete investment program and are designed only for persons who are able to bear economic risk of investment and are sophisticated persons in connection with financial and business matters who do not need liquidity with respect to their investments.

Credit Market Illiquidity

Since mid-2007, the credit markets have experienced a significant lack of liquidity. This lack of liquidity creates a number of risks. There can be no assurance that the market will, in the future, become more liquid and it may well continue to be volatile for the foreseeable future. It is also possible that illiquidity in the market could cause prices to decline further, which may have the result of forcing the client accounts or other leveraged investment vehicles to sell assets to satisfy requirements under its borrowing arrangements or to meet margin calls, which could, in turn, create further downward price pressure. If there is a substantial decline in the market value of the client accounts' portfolio of investments, investments may need to be liquidated quickly, and perhaps not at fair value. Upheavals in the credit markets may cause margin borrowing costs and securities borrowing costs to increase. Such increases in borrowing costs may impact the client accounts' ability to generate returns.

Market Disruption and Geopolitical Risk

The client accounts are subject to the risk that war, terrorism, and related geopolitical events may lead to increased short-term market volatility and have adverse long-term effects on the U.S. and world economies and markets generally, as well as adverse effects on issuers of securities and the value of the client accounts' investments. War, terrorism, and related geopolitical events have led, and in the future may lead, to increased short-term market volatility and may have adverse long-term effects on U.S. and non-U.S. economies and markets generally. Those events as well as other changes in U.S. and non-U.S. economic and political conditions also could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment, and other factors affecting the value of the client accounts' investments. At such times, the client accounts' exposure to a number of other risks described elsewhere in this section can increase.

Tax Risks

There are a number of tax considerations with respect to an investment in the Client accounts. Tax laws are subject to change, and tax liabilities could be incurred by investors as a result of changes thereto. Further, there can be no assurance that the IRS will not contend successfully that the client accounts are engaged in a U.S. trade or business. If the Client accounts were deemed to be engaged in a U.S. trade or business, income effectively connected with such trade or business would be subject to U.S. federal income taxation on a net income basis and at regular corporate tax rates (and possibly a 30% branch profits tax on certain earnings that were not reinvested in the United States). If the client accounts were subject to these taxes, it would be required to file a U.S. federal corporate income tax return. Income of the client accounts could also be subject to state and local tax. Investors should consult their own tax advisers to determine the tax effects of an investment in the client accounts, especially in light of their particular financial situations.

Legislation has been proposed from time to time in Congress that could cause the Client accounts to be subject to U.S. federal income tax on all of its income and gains. Under one bill proposed in 2009, generally, a foreign corporation that is “managed and controlled” primarily within the U.S. would be taxed as a U.S. corporation if it is publicly traded or has more than \$50 million in gross assets in the current or preceding year. The proposed legislation would, if enacted, instruct the Treasury to issue regulations to the effect that a corporation will be treated as managed and controlled primarily within the U.S. if the corporation’s assets consist primarily of assets managed on behalf of investors and decisions about how to invest the assets are made in the United States. It is not clear whether or in what form any such proposed legislation will be enacted and what the effective date of it would be.

The IRS has recently announced an intention to examine certain practices of hedge fund and private equity managers to ensure proper reporting of federal taxes. While the client accounts have no reason to believe that it would be a specific target of audit or examination, the IRS’s increased attention to practices of hedge fund and private equity fund managers may increase the risk of audit.

Other Possible Risks

There is no assurance that the above list is complete or that there are not other risks that may exist now or may arise in the future.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of BIM or the integrity of BIM’s management. BIM has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

BAM is a global asset manager offering investment strategies in property, renewable power, infrastructure, timberlands, agrilands and private equity to institutional investors. Brookfield currently has more than \$100 billion of assets under management, over 500 investment professionals and approximately 18,000 operating employees in over 100 offices and operating locations around the world. Throughout its 100-year history, BAM has maintained a focus on real assets such as commercial real estate, power generation, electricity transmission and distribution, natural resources and timberlands on a worldwide basis.

BIM is affiliated with Brookfield Financial Corp., a foreign broker-dealer, Brookfield Financial US LLC, a US-registered broker-dealer, and the following investment advisory firms: Crystal River Capital Advisors, LLC, Brookfield Investment Management (UK) Limited, Brookfield SoundVest Capital Management Ltd., Brookfield Real Estate Financial Partners LLC, Tricap Partners Ltd., Brookfield Investment Management (Canada) Inc., Brookfield Crystal River Capital LP, AMP Capital Brookfield (US) LLC, AMP Capital Brookfield (UK) Ltd., AMP Capital Brookfield (HK) Limited, AMP Capital Brookfield Pty Limited, Brookfield Investment Partners, LLC, Brookfield Asset Management Private Institutional Capital Adviser Canada LP and Brookfield Asset Management Private Institutional Capital Advisor US, LLC. BIM's arrangements with its affiliates may or may not be material to its advisory business at any particular time. BIM and its affiliates may refer clients and offer investment opportunities to each other. BrookfieldTS LLC is another affiliate which provides technology support for BIM and its affiliates.

BIM has entered into Administration Agreements with several registered investment companies to perform administrative services necessary for the operation of the investment companies. These services include maintaining certain books and records, preparing reports and other documents required by federal, state, and other applicable laws and regulations, and providing the investment companies with administrative office facilities.

BIM serves as investment advisor and administrator to several investment companies. In addition, several officers and directors of BIM also serve as officers and directors/trustees of these investment companies.

BIM has entered into a sub-advisory agreement with Crystal River Capital Advisors, LLC ("Crystal River Advisors"). Crystal River Advisors is a Delaware limited liability company formed to provide investment management advice to a real estate investment trust. BIM and Crystal River Advisors share office space in New York.

Brookfield Investment Management (Canada) Inc. ("BIM Canada") and Brookfield Investment Management (UK) Limited ("BIM UK") are not registered with the SEC as investment advisors but may be providing advice or research to BIM for use with BIM's U.S.

clients (in such capacity, "Participating Affiliates"). The Participating Affiliates will act in accordance with a series of SEC no-action relief letters mandating that Participating Affiliates remain subject to the regulatory supervision of BIM. Investment professionals from BIM Canada and BIM UK may render portfolio management or research services to clients of BIM and are subject to supervision by BIM.

BIM also provides investment supervisory services to AMP Capital Brookfield Pty Limited ("ACB"), an affiliated investment advisor, with respect to several private investments funds and separate accounts ("Indirect Clients"). Investment advice is provided to the Indirect Clients, subject to the supervision of BIM or ACB, as applicable, and not individually to the underlying investors in the Indirect Clients. Investors in the Indirect Clients include institutional investors and high net worth individuals.

Entities affiliated with Brookfield Asset Management Inc. ("BAM"), BIM's ultimate corporate owner, may from time to time serve as a general partner of limited partnerships in which advisory clients may invest. These partnerships typically invest in high quality commercial real estate and/or commercial loans.

In addition, entities under common control with BIM may serve as general partner of certain subadvisory funds managed by BIM.

BIM, including its subsidiaries, its affiliates and subsidiaries, officers, directors and employees, may be engaged and may have interests in businesses that provide investment advisory services to registered and unregistered investment companies in the United States and foreign jurisdictions and to separately managed accounts. These activities and interests create the potential for conflicts of interest. For example, conflicts may be created in advisory, transactional, financial and other interests in securities that are purchased or sold in client accounts.

BIM seeks to manage all accounts in accordance with each account's investment objectives and guidelines, and pursuant to the applicable legal and regulatory requirements. However, BIM may have a conflict of interest arising from the investment allocations or transaction decisions in client accounts when BIM or its affiliates have an interest in the investments being allocated or when they receive allocations of investments.

BIM and its affiliates may receive greater fees or other compensation, including performance based fees, from certain client accounts and its affiliated accounts. Performance based fees are described further in Section 6 of this document.

The advice BIM provides to certain client accounts or its affiliated accounts may compete or conflict with the advice BIM provides to other client accounts. The advice may involve different timing or course of action when compared with other client accounts. For

example, certain client accounts may compete for investment opportunities with BIM's own accounts, with BIM affiliated accounts and with other client accounts when there are limited investment opportunities.

BIM or its affiliates may acquire confidential or material, non-public information pertaining to an issuer or the issuer's securities, which may prevent or prohibit BIM from providing investment advice to client accounts and BIM affiliate accounts with respect to such issuer or with respect to such issuer's securities irrespective of an account's investment objectives or guidelines. Moreover, BIM and its affiliates may have ownership interests in issuers that may prevent BIM or its affiliates from purchasing securities or other instruments from such issuers.

BIM may cause certain client accounts to adopt a differing strategy than other client accounts or BIM affiliated accounts, which may disadvantage such client accounts. For example, certain client accounts may buy a security (*i.e.* long position) while BIM affiliated accounts or other client Accounts may establish short positions in the same security, and subsequent short sales may decrease the price of the security. Conversely, certain client accounts may establish a short position in a security while BIM affiliated accounts or other client accounts may be long the same security, and subsequent purchase(s) may result in a price increase.

Conflicts of interest may also arise when investment decisions regarding client accounts benefit BIM affiliated accounts or other client accounts. In addition, transactions in investments by certain client accounts or BIM affiliated accounts may have the effect of diluting or otherwise disadvantaging the values, prices or investment strategies of other client accounts. When BIM, its affiliates or the BIM affiliated accounts implement an investment decision or strategy ahead of, or contemporaneously with, client accounts, market impact, liquidity constraints, or other factors could result in the client accounts receiving less favorable trading results in the increased costs of implementing the investment decisions or strategies and in other disadvantages. BIM or its Affiliates may elect to implement internal policies and procedures designed to limit such consequences to the client accounts and its affiliated accounts, although such policies may cause client accounts to be unable to engage in certain activities, such as purchasing or selling the securities, when it might otherwise be desirable for it to do so.

BIM or its affiliates, BIM affiliated accounts and client accounts may pursue or enforce rights with respect to an issuer or security in which other client accounts have interest in. Such activities may have an adverse effect on the client accounts. Prices, liquidity and

returns on the client accounts' investments may be negatively impacted by the activities of BIM or its affiliates, BIM affiliated accounts and other client accounts.

BIM's management of client accounts may benefit BIM, its affiliates, affiliated accounts and other client accounts. For example, the purchase, holding and sale of investments by certain client accounts may enhance the profitability of BIM, its affiliates or other client accounts' own investments. Client accounts may also be adversely affected by cash flows and market movements arising from purchase and sale transactions, as well as capital influx and withdrawals from BIM affiliated accounts and other client accounts.

Due to factors noted above, the investment and performance results of client accounts may differ significantly from the results achieved by BIM affiliate accounts and other client Accounts that follow the same or similar investment objective and/or strategy.

BIM and its affiliates may also have business relationships with third parties that facilitate procurements and may recommend BIM and its affiliates to provide advisory or other services to client accounts. As a result, such third parties may have conflicts associated with their promotion of, or other dealings with, BIM and its affiliates or client accounts, and such conflicts may incentivize the third parties to promote BIM, its affiliates, certain affiliated accounts, certain client accounts and certain investment transactions.

BIM may, from time to time, engage in principal securities transactions where it purchases or sells securities between a BIM account or affiliate accounts, on the one hand, and client accounts, on the other hand. Execution of principal securities transactions is subject to the applicable client and regulatory requirements.

BIM and its affiliates may have other affiliated persons that serve as general partners in real estate limited partnerships, securities limited partnerships, or other real estate-related partnerships. Such related persons may perform property management and mortgage servicing functions, and may provide investment advice to BIM affiliated accounts and client accounts for a fee. BIM and its affiliates may also advise BIM affiliated accounts and client accounts to transact in securities issued or sponsored by the partnerships aforementioned, although potential conflicts of interest will be fully disclosed in advance to affiliate accounts and client accounts.

BIM and its affiliates may have other affiliated persons that serve as special servicer to mortgage backed securities held in client accounts or BIM affiliated accounts. Special servicers are charged with the management, resolution or disposition of non-performing loans, and owe a duty to the trust to maximize net recoveries through the resolution of

non-performing loans and the management and liquidation of real estate owned (REO) properties. Depending on the portfolio holdings, BIM and its affiliates may be the controlling class representatives of the trust and may have the right to appoint special servicers on behalf of the trust. The controlling class representatives typically also receive additional information and may have the right to direct or consent to specified actions of the special servicers. Such rights may create conflicts of interest between the controlling class and holders of the remainder of the trust.

BIM may serve as investment advisor, sub-advisor or administrator to one or more registered investment companies (“RICs”) and REITs. As a general rule, BIM does not recommend that client accounts participate in such affiliated RICs or REITs. However, there may be occasions where the investment objectives of certain client accounts may be best served by investing in such affiliated RICs or REITs. If assets of BIM affiliated accounts or client accounts were invested in such affiliated RICs or REITs, BIM would do so free of the investment advisory fee that would otherwise be charged on the affiliated accounts or client accounts.

BIM personnel may engage in certain outside business activities that may conflict with its performance of services to its client accounts and BIM affiliated accounts. BIM has implemented controls to mitigate any potential conflict of interest that may occur with a client account or BIM affiliated account.

BIM personnel may have family members or close relationships that may be employed in the securities industry that could potentially create a conflict of interest. BIM has implemented controls to mitigate any potential conflict of interest that may occur with a client account or BIM affiliated account.

BIM personnel may have family members that are on the board of directors of publicly traded companies. BIM has implemented controls to mitigate any potential conflict of interest that may occur with a client account or BIM affiliated account.

BIM may, from time to time, purchase or sell publicly traded securities affiliated with its parent company, BAM. BIM operates independently of BAM and in particular, communication regarding any material, non-public BAM information is restricted. The transfer of confidential information is generally restricted between BIM and other business units of BAM.

Item 11 – Code of Ethics

BIM's employees are subject to policies and procedures regarding confidential or proprietary information and personal trading. In addition, BIM has adopted a Code of Ethics (the "Code") that applies to its officers and employees as required by the Advisers Act, as amended and the 1940 Act, as amended and monitoring procedures relating to activities by BIM employees that BIM believes may involve potential conflicts between BIM employees and Client Accounts.

The Code specifies and prohibits certain types of personal securities transactions deemed to create a conflict of interest and to establish reporting requirements and preventive procedures pursuant to the provisions of Rule 204A-1 of the Advisers Act, as amended and Rule 17j-1 under the 1940 Act, as amended. Under the Code, all employees are prohibited from purchasing or selling, directly or indirectly, any security in which he or she has, or by reason of such transaction, acquires any direct or indirect beneficial ownership and which to his or her actual knowledge at the time of such purchase or sale, is being considered for purchase or sale by or for any client. All employees are also subject to BIM insider trading policies and procedures which prohibit employees from trading, either personally or on behalf of others, while in possession of material, nonpublic information. Employees are also prohibited from communicating material nonpublic information to others in violation of the law.

The Code includes certain personal trading restrictions and reporting requirements of the Code that apply to "access persons". Access Persons generally include, any trustee, director, officer or advisory person of BIM or of any company in a control relationship to BIM or (ii) any trustee, director, officer or advisory person of BIM who, with respect to advisory clients, makes any recommendation, or participates in the determination of which recommendation shall be made, or whose principal function or duties relate to the determination of which recommendation shall be made to the advisory clients or who, in connection with his or her duties, obtains any information concerning securities recommendations being made by BIM to the advisory clients or (iii) any trustee, director, officer or advisory person of BIM who has access to information regarding the portfolio holdings of any reportable fund.

A summary of the restrictions and reporting requirements on the personal investing activities of Access Persons is set forth below. Generally, Access Persons are prohibited from purchasing a security in an initial public offering or in a private placement (unless prior approval of the Chief Compliance Officer is received and other conditions are satisfied). An Access Person may not, directly or indirectly, acquire or dispose of beneficial ownership of a security except when such purchase or sale has been precleared and approved by the Chief Compliance Officer or his designee.

The Code also includes certain procedures relating to reporting and recordkeeping of personal securities transactions by Access Persons, including disclosure of personal holdings, quarterly reporting of transactions and annual certification of compliance with the Code. All employees also must submit an initial acknowledgment of receipt, compliance and understanding of the Code.

A copy of the BIM Code of Ethics is available to clients upon written request.

BIM or its affiliates, may, from time to time, engage in principal securities transactions where it purchases or sells securities between its own or an affiliate account, on the one hand, and a client account, on the other hand. Execution of principal securities transactions is subject to the applicable client and regulatory requirements.

BIM, or its affiliates, may, from time to time, engage in a cross transaction between two client accounts. A cross trade is generally defined as pre-arranged transaction between two or more different funds or accounts, each of which is managed by the same adviser. For example, one account managed by adviser has cash and needs to be invested. Another account managed by the adviser has redemptions that need to be met by selling. In certain circumstances and subject to applicable client and regulatory requirements, BIM may cross the transaction between the two accounts.

Item 12 – Brokerage Practices

INVESTMENT, BROKERAGE AND TRADE ALLOCATION GUIDELINES

BIM has adopted investment, brokerage and trading allocation guidelines that set out standards that portfolio managers, traders and other personnel involved in the purchase and sale of securities on behalf of clients must follow when:

- Determining which client accounts will participate in an investment opportunity;
- Seeking best execution for client transactions;
- Using client commissions to acquire brokerage and research services that are provided by broker-dealers (*i.e.*, entering into “soft dollar arrangements”); and
- Aggregating client orders and allocating securities and other instruments among clients that participate in aggregated orders.

A committee composed of personnel with responsibilities in the operation of investment or trading (“Trade Management Oversight Committee”) oversees the implementation and monitoring of these investment, brokerage and trading allocation guidelines.

BEST EXECUTION

BIM’s investment advisory agreements typically authorize BIM to employ broker-dealers to effect portfolio transactions. Unless a client specifically requests otherwise and in accordance with a client’s investment guidelines, BIM intends to retain authority without

obtaining specific client consent to determine: (i) what securities are to be bought or sold, (ii) amount of securities to be bought or sold, (iii) the broker or dealer to be used, and (iv) the commission to be paid. BIM will seek best execution for client transactions.

In evaluating the best execution of client transactions, BIM will consider the full range and quality of a broker's services, taking into account all relevant factors. Although it is not possible to create a definitive list of factors to guide this determination, BIM may consider some or all of the following:

- Price of security;
- Commission rate;
- Execution capability, including execution speed and reliability;
- Trading expertise and knowledge of the other side of the trade;
- Financial responsibility;
- Responsiveness;
- Reputation and integrity;
- Capital commitment;
- Value of research or brokerage services or products provided;
- Access to underwritten and secondary market offerings;
- Confidentiality;
- Reliability in keeping records;
- Fairness in resolving disputes;
- Market depth and available liquidity;
- Recent order flow;
- Timing and size of an order; and
- Current market conditions.

In selecting broker-dealers to execute client transactions, BIM will bear in mind that no factor is necessarily determinative and that seeking to obtain best execution for all client trades must take precedence over all other considerations.

DIRECTED BROKERAGE ARRANGEMENTS

In some circumstances, a client may designate a particular broker or dealer through which trades are to be effected or through which transactions may be introduced, typically under such terms as the client negotiates with the particular broker or dealer. Where a client has directed the use of a particular broker or dealer, BIM generally will not be in a position to negotiate commission rates or spreads freely or, depending on the circumstances, to select brokers or dealers based on the most favorable price execution for a transaction. Additionally, transactions for a client that has directed that BIM use a particular broker or dealer may lose the possible advantage that clients who do not direct BIM to use a particular broker or dealer may derive by BIM commingling or "bunching" multiple orders into a single order for the purchase or sale of a particular security and that any such "non-bunch" orders for clients may be executed after or follow any "non-bunched" orders for non-directed client accounts. Moreover, there may be times when the trading activity in a

security for a client that has directed BIM to use a particular broker or dealer occurs at a time after BIM has completed the execution of all other transactions in that security for all other accounts managed or traded by BIM and its subsidiaries. Accordingly, directed transactions may be subject to price movements, particularly in volatile markets, that may result in the client receiving a price that is less favorable than the price obtained for comparable bunched orders. Under these circumstances, the direction by a client to use a particular broker or dealer to execute transactions may result in higher commissions, greater spreads, or less favorable net prices than might be the case if BIM were empowered to negotiate commission rates or spreads freely, or to freely select brokers or dealers.

ALLOCATION AND AGGREGATION

The overriding principle governing BIM's allocation process with respect to securities is the fair and equitable treatment of all clients that receive an allocation of securities or transaction proceeds. Where a portfolio manager is managing accounts with similar investment objectives and strategies, the portfolio manager will endeavor to allocate investment opportunities to all such accounts pro rata based on either, depending on the investment strategy, (i) the current equity of each account or (ii) current demand after giving effect to any cumulative over/under allocation in previous deals and provided that such shares results in a marketable parcel or round-lot. Some client orders may not be filled due to the specific client's risk tolerance, available cash, investment objectives, restrictions or strategy. When orders are not entirely filled, allocations are made either, depending on the investment strategy, (i) *pari passu* based on orders received from the portfolio managers or (ii) on a rotating basis factoring in past allocations.

BIM performs investment management services for various clients. BIM may, in its sole discretion, aggregate purchases or sales of any security, instrument or obligation effected for client accounts with purchases or sales, as the case may be, of the same security, instrument or obligation effected on the same day for the accounts of one or more of BIM's other clients. Although such concurrent aggregations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they will be effected only when BIM believes that to do so will be in the best interest of the affected accounts. When transactions are so aggregated, (a) the actual prices applicable to the aggregated transaction will be averaged, and each client account participating in the aggregated transaction will be deemed to have purchased or sold its share of the security, instrument or obligation involved at that average price and (b) all transaction costs incurred in effecting the aggregated transaction shall be shared on a pro rata basis among all accounts participating in such aggregated transaction, except to the extent that certain broker-dealers that also furnish custody services may impose minimum transaction charges applicable to some of the participating accounts. When such concurrent aggregations occur, the objective will be to allocate the executions in a manner that is deemed equitable to the accounts involved. Aggregated orders may include transactions for accounts for registered investment companies and Private Funds, in which BIM's principals or employees are among the investors.

INITIAL PUBLIC OFFERING ALLOCATIONS

Although many BIM client accounts have customized features, BIM currently employs multiple investment strategies. The investment strategies may vary by, among other factors, aggressiveness, degree of intended capital appreciation, investment horizon, amount of concentration, types of position held (*i.e.* in some instances, short position may be held), or leverage utilized. When allocating shares in an initial public offering (“IPO”), BIM may allocate a different percentage or amount of shares for accounts, depending on each account’s strategy, investment objectives, aggressiveness and risk tolerance. All else being equal, BIM generally allocates IPO shares pro rata among all accounts using the investment strategy. However, BIM may also take into account client-specific factors, including, but not limited to, the appropriateness of the IPO in light of a specific client’s risk tolerance, available cash, investment objectives, restrictions and strategy. Consequently, some accounts may be allocated more or less IPO shares than others depending upon the circumstances. BIM generally determines the allocation of IPO shares before the public offering occurs unless circumstances require a post offering allocation or adjustment.

SOFT DOLLAR PRACTICES

BIM has adopted use of client commission policies and procedures (“Soft Dollar Procedures”) to guide BIM’s use of soft dollars. Soft dollars involves the use of client commissions when obtaining brokerage and research services for the client accounts over which BIM exercises investment discretion. BIM may receive research that is produced by a commission broker-dealer or its affiliate. BIM may also engage in third party “soft dollar” practices, in which BIM receives brokerage and research products and services in exchange for the direction of brokerage business to a particular broker or brokers. Such products and services include eligible research and brokerage services clarified by the Interpretive Release issued by the SEC on July 18, 2006. Eligible research services include materials, or equipment and software allowing access to research related computer services such as quotation services and which reflect substantive content and relate to the subject matter. BIM also uses soft dollars to pay for software, data feeds from securities exchange, tracking data settlements, and other eligible research and brokerage services only to the extent that BIM has made a determination that such services are client-related.

Whenever BIM decides to use products or services that benefit both BIM and Client Accounts, BIM will make good faith effort to determine the relative proportion of such products or services which may be attributed to research. The portion attributable to eligible research or brokerage services may be paid through client brokerage commissions and the non-research portion will be directly paid by BIM. BIM keeps adequate records as it pertains to the payment of soft dollars and their allocation between research and non-research portions. BIM analyzes its use of client brokerage commissions annually to determine whether its use of soft dollar falls within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934.

Although the allocations between research and non-research portions will be made in accordance with BIM's overall fiduciary responsibilities, clients should be aware of the potential conflicts of interest created by the use and allocations of soft dollar arrangements.

Upon request, additional information will be made available to any client regarding brokerage arrangements, including "soft dollar" arrangements.

BIM acts in accordance with its duty to seek best execution and will not continue any arrangements if BIM determines that such arrangements are no longer in the best interest of BIM client accounts.

Item 13 – Review of Accounts

BIM will periodically review its client accounts (i) daily through the actions of portfolio managers and their associates, and (ii) periodically in preparation for meetings with clients. The portfolio managers or analysts will review each of their accounts on a continuous basis and will be responsible for selecting investments in accordance with each client's investment objectives, strategies, guidelines and restrictions. Each investment team will meet with a supervisory group periodically. Account trading is monitored periodically by compliance personnel. The number of accounts assigned to each reviewer in the compliance department depends on the nature and size of the accounts under management.

The review may relate to the entire portfolio, specific portions of the portfolio, or specific transactions or investments. Triggering factors will include changes in market conditions or investment objectives or other arrangements with the client.

The primary reviewer of an account relationship is the portfolio manager responsible for the relationship, but may also include research personnel or management personnel from BIM.

Instructions relating to performance of reviews with respect to timing, level and scope of reviews will be determined by the portfolio managers in light of the particular needs and arrangements made with each client. Reviews will encompass comprehensive evaluations of performance to date, including past transactions, policies and strategies, and future policies, strategies and tactics.

From time to time, BIM engages in a firm-wide review of portfolios or accounts with similar investment objectives or investment strategy. In all cases, the portfolio managers directly responsible for the accounts involved participate in the review along with other professionals within BIM. BIM's Chief Risk Officer and Investment Committee are responsible for conducting these firm-wide reviews.

BIM's Investment Committee is comprised of members of the portfolio management team and senior management.

The nature and frequency of reports to clients are predicated on the requirements of each client and will be determined in accordance with the specific needs of, and arrangements made with, each client. BIM typically renders reports monthly and provides comprehensive quarterly reports; weekly reports are produced for some clients. BIM also may furnish special reports to the Board of Directors of registered investment companies for which BIM provides investment advisory services. Annual and semi-annual reports are issued to investors in closed-end funds in accordance with the Investment Company Act of 1940, as amended.

BIM urges you to carefully review your account statements and compare them to the custodial records provided to you by the broker dealer, bank or other qualified custodian. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 14 – *Client Referrals and Other Compensation*

BIM has written agreements with unaffiliated third parties for the referral of investment advisory clients in accordance with the requirements of Rule 206 (4)-3 under the Advisers Act. Under certain circumstances, BIM may pay third party marketing and similar firms a fee for providing various introductory services pursuant to solicitation agreements. The fees paid pursuant to these arrangements are disclosed to clients and do not impact fees that BIM charges to their clients.

In the ordinary course of business, BIM may send corporate gifts or pay for meals and entertainment such as reasonable golfing and tickets to sporting and cultural events for individuals at firms that do business with BIM or its affiliates. BIM's employees also may be the recipients of reasonable corporate gifts, meals and entertainment. The giving and receipt of gifts and other benefits are subject to limitations under BIM's Code of Ethics and BIM Gift Policy.

BIM also may pay fees to consultants for their advice and services, industry information and data. If a particular payment constitutes in BIM's judgment, a client solicitation arrangement under Rule 206(4)-3 of the Advisers Act, BIM will comply with the rule.

Item 15 – *Custody*

BIM and its affiliates may be deemed to have custody of client funds or securities due to its role as general partner of a partnership or managing member of a limited liability company. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. BIM urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

BIM usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, BIM observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, BIM's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to BIM in writing.

Item 17 – Voting *Client* Securities

BIM owes a fiduciary duty to its clients to monitor corporate events and to vote portfolio proxies consistent with the best interests of its clients. In this regard, BIM seeks to ensure that all votes are free from unwarranted and inappropriate influences. For clients with equity mandates or large equity holdings, BIM has retained the Riskmetrics Group to receive, catalogue, vote and report proxies.

A client may retain proxy powers, give particular proxy voting instructions to BIM or have a third party fiduciary agent vote on proxies. BIM's Proxy Policies and Procedures are subject to change as necessary to remain current with applicable rules and regulations and BIM's internal procedures.

BIM votes portfolio proxies without regard to any other business relationship between BIM and the company to which the portfolio proxy relates. To this end, BIM must identify material conflicts of interest that may arise between a Client and BIM, such as the following relationships:

- BIM provides significant investment advisory or other services to a portfolio company or its affiliates (the “Company”) whose management is soliciting proxies or BIM is seeking to provide such services;
- BIM serves as an investment adviser to the pension or other investment account of the Company or BIM is seeking to serve in that capacity; or
- BIM and the Company have a lending or other financial-related relationship.

In each of these situations, voting against the Company management’s recommendation may cause BIM a loss of revenue or other benefit.

BIM generally seeks to avoid such material conflicts of interest by maintaining separate investment decision-making and proxy voting decision-making processes. To further minimize possible conflicts of interest, BIM and the Committee employ the following procedures, as long as BIM determines that the course of action is consistent with the best interests of the Clients:

- If the proposal that gives rise to a material conflict is specifically addressed in the Guidelines, BIM will vote the portfolio proxy in accordance with the Guidelines, provided that the Guidelines do not provide discretion to BIM on how to vote on the matter (i.e., case-by-case); or
- If the previous procedure does not provide an appropriate voting recommendation, BIM may retain an independent fiduciary for advice on how to vote the proposal or the Committee may direct BIM to abstain from voting because voting on the particular proposal is impracticable and/or is outweighed by the cost of voting.

BIM Proxy Policies and Procedures are available upon request.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about BIM’s financial condition. BIM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.