

Form ADV Part 2A: Firm brochure

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This brochure provides information about the qualifications and business practices of Macquarie Infrastructure Partners Inc. If you have any questions about the contents of this brochure, please contact us at +1 212 231 1000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Macquarie Infrastructure Partners Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Referring to Macquarie Infrastructure Partners Inc. as a registered investment adviser does not imply a certain level of skill or training of its officers.

## **Item 2: Material Changes**

This page contains the following material changes relevant to Macquarie Infrastructure Partners Inc. ("the Registrant") since the completion of its last annual update to Form ADV Part 2A dated June 26, 2015.

There have been no material changes. However, we have added references throughout to certain clients that co-invest with MIP III. In addition, Items 5 and 6 have expanded upon the description of certain fees and expenses, Item 8 has expanded upon potential risk of loss and methods of analysis and investment strategies, and Item 11 has expanded upon the description of certain potential conflicts of interest and the allocation of co-investment opportunities, respectively.

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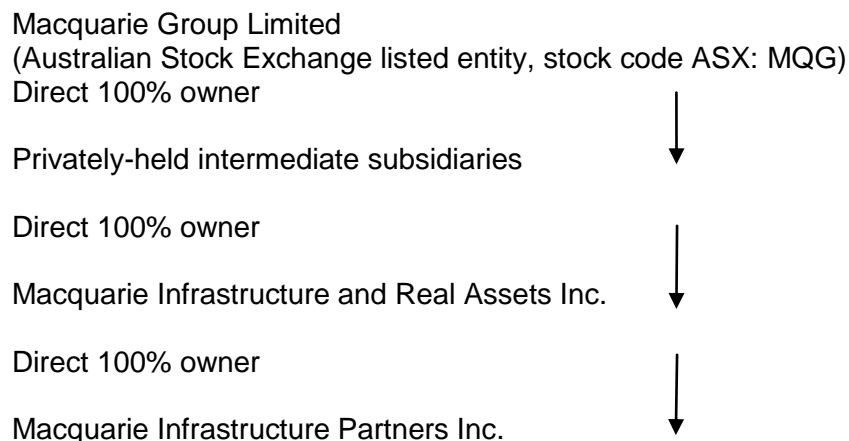
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## Item 4: Advisory Business

### ***A. Advisory Firm***

Macquarie Infrastructure Partners Inc. (the “Registrant”), the registered investment adviser, is a Delaware corporation. It was incorporated on January 3, 2006 and has been registered since April 11, 2008.

The Registrant is ultimately owned by Macquarie Group Limited (“MGL”), the ultimate parent of the Macquarie Group, a multi-national financial services company, via the following holding structure:



### ***B. Advisory Services Provided***

The Registrant’s investment advisory services to the Partnerships (as defined below) consist of providing day-to-day managerial and administrative services to the Partnerships and holding companies through which co-investors co-invest with MIP III (as defined below) or to co-investors directly (“Co-Investment Clients”, and together with the Partnerships, “Clients”, and each a “Client”), including investigating, analyzing, structuring and negotiating potential investments, monitoring the performance of portfolio companies, and advising the Partnerships regarding disposition opportunities. These tailored services are outlined in the respective management agreements in place between the Registrant and the Partnerships and for the Co-Investment Clients are outlined in the respective advisory agreements in place between the Registrant and the Co-Investment Clients.

The Registrant provides discretionary and non-discretionary investment supervisory services to Co-Investment Clients and discretionary investment supervisory services to private investment-related funds including:

Macquarie Infrastructure Partners A, L.P., a Delaware limited partnership ("MIP A"), Macquarie Infrastructure Partners B, L.P., a Delaware limited partnership ("MIP B"), Macquarie Infrastructure Partners Canada, L.P., an Ontario limited partnership ("MIP Canada"), and Macquarie Infrastructure Partners International, L.P., a Delaware limited partnership ("MIP International", and collectively with MIP A, MIP B, MIP Canada and any parallel funds or alternative investment vehicles then in existence in respect of any of them, "MIP I");

Macquarie Infrastructure Partners II U.S., L.P., a Delaware limited partnership ("MIP II U.S.") and Macquarie Infrastructure Partners II International, L.P., a Delaware limited partnership ("MIP II International", and collectively with MIP II U.S. and any parallel funds or alternative investment vehicles then in existence in respect of either of them, "MIP II").

Macquarie Infrastructure Partners III, L.P., a Delaware limited partnership ("MIP III LP"), and Macquarie Infrastructure Partners III (PV), L.P., a Delaware limited partnership ("MIP III PV", and collectively with MIP III LP and any parallel funds or alternative investment vehicles then in existence in respect of MIP III LP or MIP III PV, "MIP III").

MIP I, MIP II and MIP III are no longer accepting capital commitments from new investors.

MIP A, MIP B, MIP Canada, MIP International, MIP II U.S., MIP II International, MIP III LP, MIP III PV and any parallel funds or alternative investment vehicles then in existence in respect thereof are each referred to herein as a "Partnership" or "Client" and collectively as the "Partnerships" or "Clients".

The Partnerships and Co-Investment Clients invest in and divest interests in infrastructure assets through negotiated transactions in operating entities (or holding companies thereof). Macquarie Infrastructure Partners U.S. GP LLC, a Delaware limited liability company, is the general partner of MIP A, MIP B and MIP International. Macquarie Infrastructure Partners Canada GP Ltd., a Canadian corporation, is the general partner of MIP Canada. Macquarie Infrastructure Partners II GP LLC, a Delaware limited liability company, is the general partner of MIP II U.S., MIP II International and Macquarie Infrastructure Partners II AIV, L.P., an alternative investment vehicle of MIP II US and MIP II International. Macquarie Infrastructure Partners III GP LLC, a Delaware limited liability company, is the general partner of MIP III LP, MIP III PV MIP III GB AIV, L.P., and MIP III (REIT) AIV, L.P., alternative investment vehicles of MIP III LP and MIP III PV. MIP III (ECI) GP LLC, a Delaware limited liability company, is the general

partner of MIP III (ECI) AIV, L.P., an alternative investment vehicle of MIP III LP and MIP III PV. MIP III Tigerfish (Canada) GP LLC, a Delaware limited liability company, is the general partner of MIP III (Canada) AIV, L.P., an alternative investment vehicle of MIP III LP and MIP III PV. These general partners (each, a "General Partner", and collectively the "General Partners") are 100% commonly controlled affiliates of the Registrant. When Co-Investment Clients invest in infrastructure assets through holding companies of operating entities ("Holding Companies" and each a "Holding Company"), MIP III GP or an affiliate thereof will typically be the general partner or similar controlling entity of such vehicle.

The Registrant advises on privately-negotiated acquisitions and dispositions of securities of core and core-plus infrastructure and infrastructure-related companies and the acquisition and disposition of infrastructure and infrastructure-related assets ("Portfolio Investments"). Portfolio Investments may include, without limitation, gas and electricity distribution and transmission networks; midstream energy; renewable energy projects; toll roads; airports and related infrastructure; telecommunications infrastructure; point-to-point rail links; marine container terminals and reload infrastructure; ports; waste management; and water and waste-water related businesses which are, in the case of MIP I, principally located in the U.S. and Canada, in the case of MIP II, principally located in North America, and in the case of MIP III, predominantly in the U.S. and Canada. Equity-related securities may include preferred stock, warrants, convertible debt or preferred stock, partnership or similar interests in operating entities (or holding companies thereof), options and other derivative type securities. While not its principal focus, the Registrant may from time to time advise Clients on investments in (a) cash instruments or short-term debt instruments, pending investment, reinvestment or distribution to its investors or (b) real estate-related securities. Each Client will hold a substantial portion of its assets in restricted securities, but generally will seek registration rights or other liquidity features in connection with investments to enable it to exit the investment at an appropriate point under the individual circumstances of each investment. Clients will typically, directly or through Holding Companies or portfolio companies, use leverage in connection with their investments.

Employees of the Registrant or affiliates will typically serve on a portfolio company's board of directors (or similar governing body) or otherwise act to influence control or management of companies held by the Clients. Co-Investment Clients will typically delegate to the Registrant, MIP III GP or a designee thereof the right to appoint directors to the boards of directors (or the equivalent representatives of equivalent governing bodies) of portfolio companies and, to the extent applicable, Holding Companies.

From time to time, the Registrant may engage in derivatives transactions for the Clients, including option, currency and similar transactions. Derivatives transactions will generally be used for hedging purposes and are intended to be de minimis.

### ***C. Tailored Advisory Services and Restrictions***

The Registrant provides services tailored to the specific needs of each Partnership based on the investment objectives, and applicable restrictions, set forth in each Partnership's limited partnership agreement and, in the case of Co-Investment Clients, the applicable restrictions set forth in individual advisory agreements. The Registrant does not tailor its services to individual investors in the Partnerships.

### ***D. Wrap Fee Programs***

The Registrant does not participate in wrap fee programs.

### ***E. Assets under Management***

The amount of assets under management ("AUM") as at March 31, 2016 is:

	AUM \$US
Discretionary:	\$8,454,398,462
Non-Discretionary:	\$0.00
Total:	\$8,454,398,462

## **Item 5: Fees and Compensation**

### ***A. Compensation***

The Registrant is entitled to receive an asset-based management fee ("Management Fee") from each of the Partnerships as described in the private placement memoranda of MIP I, MIP II and MIP III.

The Registrant has agreed to a reduced Management Fee rate with certain investors in the Partnerships, including in the case of MIP III, employees of the Macquarie Group (as defined below) or a feeder fund formed therefor, based on factors such as the timing of the investor's capital commitment to a Partnership, the size of the investor's commitment or its investment relationship with the Macquarie Group or other funds managed by entities that are part of the Macquarie Group (see also *Co-Investment Arrangements* under Item 11). The MIP III management fee payable by certain MIP III limited partners is based in part on the amount of co-investment offered to or made by those MIP III limited partners. As used herein, the "Macquarie Group" means MGL and its worldwide subsidiaries and affiliates.



The Registrant typically charges Co-Investment Clients asset-based management fees that can be determined as a percentage of invested capital, which may vary over time ("Co-Investment Management Fee"). Co-Investment Management Fees are separately negotiated with each Co-Investment Client. The Registrant's fees are paid pursuant to advisory agreements entered into between the Registrant and its Co-Investment Clients. Co-Investment Clients' Co-Investment Management Fees will vary based on factors such as the size of the investor's commitment to a transaction or its investment relationship with the Macquarie Group, including MIP III, or other funds managed by entities that are part of the Macquarie Group.

Refer also to Item 6 below for a discussion of performance based fees charged by affiliates of the Registrant.

### ***B. Payment of Fees***

In the case of MIP I and MIP II, the Management Fee will be paid out of current income and disposition of proceeds of the Partnerships and, to the extent necessary, from called capital commitments to the Partnerships which will reduce unfunded capital commitments. In the case of MIP III, Management Fees are currently being paid by drawing on MIP III's credit facility which causes MIP III to incur expenses borne by MIP III limited partners. MIP III Management Fees may also be paid out of current income and disposition of proceeds of MIP III and, to the extent necessary, from called capital commitments to MIP III, which will not reduce unfunded capital commitments. In the case of Co-Investment Clients, Co-Investment Management Fees are either paid by Co-Investment Clients or investors in the Co-Investment Clients.

### ***C. Other Fees***

The Registrant or the General Partners (or, in the case of MIP III, any of their affiliates within the Macquarie Infrastructure and Real Assets division ("MIRA") or any MIRA employee) may receive (1), in the case of MIP I and MIP II, directors' fees, transaction fees and monitoring fees from persons in which the Partnerships acquire or hold investments and, (2) in the case of MIP III, set-up, arranging, funding, monitoring, organization, directors', break-up, topping, commitment and other similar fees from persons in which the Partnerships acquire or hold investments (or seek to acquire or hold investments) ("Other Fees") but, for the avoidance of doubt, excluding fees, commissions and mark-ups paid to affiliates of the Registrant (including, with respect to (a)-(d) below the Macquarie Capital division of the Macquarie Group, and with respect to (e) below those businesses currently conducting business under the Macquarie Services and Macquarie Insurance Facility business units), with respect to (a) financial advisory, investment banking, commercial banking, mergers and acquisitions advice, (b) restructuring or other similar advisory services, (c) lending or providing debt facilities, (d) debt or equity underwriting services, hedging or other services related to foreign exchange, interest rates or commodities, (e) vendor, insurer or broker commissions and rebates, (f) payments for services

provided by Macquarie, the General Partner, the Manager or any of their respective Affiliates to portfolio companies which, if such services had been provided to the Partnership, would have constituted partnership expenses, and (g) any salary, bonus, stock options or other compensation granted or paid by portfolio companies to employees within the MIRA Division who serve in a bona fide, non-director management capacity at any such portfolio company. Such Other Fees are netted of amounts otherwise payable by the Partnerships, first by reducing reimbursed Partnership expenses incurred by the General Partners or Registrant, and second reducing future Management Fees. In addition, the Partnerships pay certain fees to third party consultants (including consultants introduced or arranged by the Registrant and/or its affiliates that regularly provide services to one or more Partnerships or portfolio companies), and such fees are borne by the Partnership or portfolio company, as applicable, without offset against the Management Fee as described herein and, thus, are not covered by the Management Fee. These third party consulting services may be provided exclusively from the offices of the Registrant. The Registrant and/or the applicable General Partners generally have discretion over whether to charge fees to or require other compensation from (or seek reimbursement from) a Partnership or portfolio company in connection with services provided by such third party consultants. The receipt by third party consultants of such fees or other compensation may give rise to conflicts of interest between the Partnerships, on the one hand, and the Registrant and/or its affiliates, on the other hand. The Co-Investment Management Fees will be offset in a manner separately negotiated with certain investors of the Co-Investment Client, and are typically similar to the arrangement described above for MIP III.

Moreover, the Registrant and its affiliates can be expected to receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of Clients which will not be subject to the management fee offset or otherwise shared with the Clients and/or their limited partners. For example, airline travel or hotel stays incurred as Client expenses typically may result in "miles" or "points" or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to personnel of the Registrant and its affiliates (and not the Clients or their limited partners) even though the cost of the underlying service is borne by the Clients and/or the portfolio companies.

Similarly, non-committed co-investors or co-investment vehicles generally do not bear broken-deal expenses for unconsummated transactions in which they would have participated if the relevant transaction had been consummated. As such, the full amount of any such expenses relating to such proposed but not consummated transaction would, therefore, be borne by MIP III, absent a specific agreement to the contrary with a prospective co-investor.

#### ***D. Payment of Fees in Advance***

Management Fees and Co-Investment Management Fees are payable by Clients to the Registrant quarterly in advance.

Management agreements may be terminated for cause by the Partnerships in certain circumstances such as the commission of fraud or gross negligence, criminal conduct, a material breach of the agreement, a breach of fiduciary duty or bankruptcy. Additionally, for MIP III, the management agreement shall be terminated if the MIP III General Partner is removed with or without cause by the MIP III limited partners. In such case that a management agreement is terminated and a Client has paid fees in advance, the Registrant will electronically refund those fees to the Client on a pro rata basis.

#### ***E. Compensation for Sale of Securities or Other Investment Products***

Neither the Registrant nor any of its supervised persons receives any compensation for the sale of securities or other investment products. All forms of compensation are outlined in Item 5.A and Item 5.C.

### **Item 6: Performance-Based Fees and Side-By-Side Management**

The General Partners are entitled to receive a performance allocation ("Performance Allocation") from each applicable Partnership pursuant to the Partnerships' limited partnership agreements among the General Partner and the investors. For MIP III, the General Partner has agreed to a reduced Performance Allocation rate with certain investors in MIP III based on factors such as the timing of the investor's capital commitment to MIP III, the size of the investor's commitment, the amount of co-investment offered to or made by those investors or its investment relationship with other funds managed by entities that are part of the Macquarie Group. (see also *Co-Investment Arrangements* under Item 11).

In addition, in the event that interests in a MIP I or MIP II Partnership are listed on a nationally recognized stock exchange in Canada and/or the U.S., the Registrant will be entitled to a listing performance fee based on such Partnership's market capitalization and periodic performance fees based upon the performance of the Partnership compared to a benchmark. In addition, in the event that interests in MIP III are listed on a United States or non-U.S. securities exchange or comparable trading market, the General Partner, the Registrant or their affiliates shall have the right to be appointed as investment advisor or investment manager of such listed vehicle or other entity and in either case, with the consent of at least a majority in interest of the MIP III

investors or the Limited Partner Advisory Committee, to earn fees and/or incentive compensation in connection therewith.

The existence of the General Partners' carried interest could be viewed as an incentive for a General Partner and the participants in such program, respectively, to make or recommend riskier or more speculative investments for a Client than would be the case in the absence of these arrangements. However, the capital commitment by Macquarie to the Clients should help to mitigate such incentive. In addition, the manner in which a General Partner's entitlement to carried interest is determined may result in a conflict between its interests and the interests of investors in Clients with respect to the sequence and timing of disposals of investments. If distributions are made of property other than cash, the amount of any such distribution will be accounted for at the fair market value of such property as determined by the applicable General Partner in accordance with procedures set forth in the applicable partnership agreement. An independent appraisal may not be required or obtained.

MIP III GP or its designee will typically be entitled to a Performance Allocation from certain investors in the Co-Investment Clients. In addition, the manner in which MIP III GP's or its designees' entitlement to performance compensation is determined may result in a conflict between the Registrant's interests and the interests of Co-Investment Clients with respect to the sequence and timing of disposals of investments.

## **Item 7: Types of Clients**

The only investment advisory service provided by the Registrant is to act as the investment advisor to the MIP I, MIP II and MIP III private Partnerships and Co-Investment Clients. All MIP I Partnerships are Delaware limited partnerships, with the exception of one Ontario limited partnership. The MIP II Partnerships are both Delaware limited partnerships. The MIP III Partnerships are all Delaware limited partnerships, with the exception of one Ontario limited partnership. Investment advisory services are provided directly to the MIP I Partnerships, MIP II Partnerships and MIP III Partnerships and not individually to the Partnerships' limited partners. The limited partners investing as Clients typically include unions and Taft Hartley plans, corporate, public and other pensions, insurance companies, foundations and endowments, other financial institutions and high net worth individuals, which, in the case of MIP III, include, directly or indirectly, senior executives or other employees of the Registrant and its affiliates.

While the Registrant does not impose a minimum balance as a condition to receiving advisory services, each Partnership generally imposes a \$10 million minimum investment for its investors, which may be, and has in the past been, waived in the sole discretion of the General Partners, including for Macquarie Group employees.

## **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

### ***A. Methods of Analysis and Investment Strategies***

The Registrant has a well-defined process for evaluating investment opportunities and making investment decisions on behalf of Clients.

A. Investment Sourcing. Access to deal flow is one of the key factors of successful infrastructure investing. MIP I is fully invested, MIP II is 94.6% invested/committed and MIP III is 46.3% invested/committed as of March 31, 2016, however, for MIP III, the Registrant expects investment opportunities to arise from a number of sources, including: (i) relationships the Registrant's senior professionals maintain with industry participants, governments and other sources; (ii) active dialogue with leading investment bankers and other professional advisors in the industry and (iii) attracting counterparties and unsolicited opportunities as a result of MIRA's reputation as a leading global infrastructure investor and responsible manager of infrastructure assets. These opportunities are expected to arise through government commercialization, public-private partnerships, private transactions and companies restructuring their business activities, for example, to direct capital towards core customer services.

B. Investment Screening. After becoming aware of an investment opportunity, the Registrant will apply its investment screening process. During the process, the Registrant will test the characteristics of the business against the investment objectives of the applicable Client. Investments that do not fit the objective will be rejected, unless the Registrant receives approval from the Investor Advisory Committee ("IAC") of MIP I or MIP II or the Limited Partner Advisory Committee ("LPAC") of MIP III to amend the investment objective so as to permit the investment; the IAC/LPAC is a committee comprised of representatives of a Partnership's non-Macquarie Group investors organized to make certain decisions on behalf of the investors in accordance with procedures specified in each Partnership's limited partnership agreement (pre-approvals may be obtained on a case-by-case basis or categorically for certain types of services, provided they are within an approved fee range). The Registrant will undertake an assessment of the key investment characteristics, including: (i) stability of the forecast cash flows of the business and key factors influencing the future revenue and cash flow generated by the business (including product offering, competitive dynamics, legal and regulatory framework), (ii) capability and experience of existing management, including recent performance, expertise, experience, culture, business planning initiatives and incentives to perform; (iii) current financial position of the infrastructure business and projections for significant items of operating and

capital expenditure; (iv) current capital structure and any potential optimization opportunities, (v) tax considerations and treatment; (vi) investment structure, expected yield and IRR, as well as opportunities for enhanced performance to improve the cash flow or risk profile; and (vii) other key investment risks.

C. Due Diligence. The Registrant will conduct a detailed review and analysis of key business plan assumptions and material risks as part of its due diligence process. The Registrant will look to draw from MIRA's investment experience gained from managing similar assets in North America and globally, including input from in-house personnel with expertise in operating infrastructure assets in the applicable sub-sector. The Registrant will also engage subject matter experts at the appropriate time to review key diligence areas, including legal, tax, accounting, insurance, environmental and technical matters relevant to the investment.

The due diligence process will typically involve reviewing relevant public and confidential target information, having detailed discussions with operational management and commissioning additional analysis of key investment drivers and dynamics where required. For example, in the case of regulated assets, a review of the relevant legislation and regulatory requirements may be undertaken to assess the potential impact on future operations of the business, capital structure requirements and any additional approvals or licenses that may be required prior to completion of the acquisition. For volume-driven assets, sector experts such as independent traffic consultants are generally retained.

D. Detailed Financial Analysis. The Registrant will incorporate its due diligence findings into the investment business plan and forecast cash flows over an extended ownership period (typically, at least 20 years is used for financial modeling purposes). The assumptions made by the Registrant are based on its due diligence and the experience of professionals managing similar investment assets. Scenario and sensitivity analyses will be conducted on key value drivers to quantify risk and confirm that the risks associated with the investment are consistent with the applicable Client's investment objectives and that the financing structure for the investment is appropriate. In addition, the financial modeling for the investment will reflect the proposed legal and tax structure for the investment and key commercial initiatives the Registrant expects the business to implement.

E. Investment Structuring. The Registrant will draw on its experience in negotiating infrastructure acquisitions and its knowledge of current market precedents to execute investments and obtain necessary approvals. The Registrant is involved in the negotiation of all key legal, financing and other documents required to complete the acquisition of each Portfolio Investment and will engage advisors as necessary to assist in this process. The Registrant believes that it is well regarded as a manager of infrastructure investments, which is a key factor

in obtaining approvals from government entities and regulatory bodies, especially for businesses that directly interface with the community.

The Registrant believes another competitive advantage is its ability to access global capital markets to identify the most efficient sources of debt financing, both at acquisition and during the ownership period for Partnership investments. The Registrant will draw on its considerable experience to determine the appropriate financing structures for investments, and, typically, debt financings are sized to achieve investment-grade credit ratings and permit distributions through time.

F. Acquisition Approval Process. The Registrant's Investment Committee will be briefed throughout the investment screening and due diligence process. Prior to submission of a binding bid or execution of definitive transaction documentation, the Registrant will prepare an investment proposal for the Investment Committee summarizing all relevant aspects of the investment and transaction, including an overview of the asset, due diligence, financial model results and forecast investment returns. Subject to the approval of the Investment Committee, the Registrant will determine whether or not to make a formal offer or a binding commitment to invest, or, if necessary, request additional information or conduct further negotiations. Where binding documents are executed, the Registrant will move forward to complete the acquisition within the parameters approved by the Investment Committee.

G. Asset Management. The Registrant has an established asset management framework that it seeks to implement for all portfolio companies. The framework is focused on ensuring that appropriate business planning, performance reporting, governance and risk management are put in place and maintained. Members of each sector team are assigned to each portfolio company. The Registrant strives to implement a transition plan, including the implementation of key business plan initiatives, in conjunction with management as soon as practicable after financial close. The Registrant aims to add value to its portfolio companies through: (i) representation on the boards and management committees; (ii) leading the development and review of strategy, business and financial plans; (iii) positioning experienced MIRA executives to assist in the management of the business; (iv) aligning management compensation with the achievement of key goals; (v) implementing effective performance reporting tools to monitor key indicators and to allow the identification of any performance issues on a timely basis; (vi) leading material M&A growth initiatives; (vii) assisting management in considering potential procurement initiatives to reduce costs, including insurance; (viii) focusing on reducing occupational health and safety and other operational risks; (ix) requiring responsible contractor practices at all majority-owned projects in the United States; (x) assisting to maintain and enhance regulatory relationships; (xi) assessing additional capital investment where appropriate; (xii) implementing efficient capital structures at acquisition and completing subsequent refinancings to optimize returns to investors; and (xiii) introducing management

teams to other industry participants, potential strategic partners and management teams of other businesses owned by vehicles managed by Macquarie, in an effort to enhance performance and practices.

H. Realization. MIP I, MIP II and MIP III each have a ten-year term with possible extensions. In order to maximize returns to investors and ensure capital is used efficiently, the Registrant may employ the following liquidity strategies for the Partnerships: (i) selling individual portfolio investments, or parts thereof, or the whole portfolio; (ii) securitizing some or all of the portfolio investments; (iii) refinancing portfolio investments; and/or (iv) listing an individual portfolio investment or the whole portfolio on an appropriate stock exchange.

The Registrant generally applies the same methods of analysis and investment strategies with respect to its Co-Investment Clients, but is limited to one investment instead of a portfolio of assets. While investors in Co-Investment Clients make their own investment decision to invest in a Co-Investment Client or Holding Company, such investors will typically have access to diligence performed by the Registrant on behalf of the Partnerships, subject to confidentiality and other restrictions.

Additional sources of information employed by the Registrant in assessing investment opportunities for its Clients include: financial newspapers and magazines, research materials, corporate rating services, annual reports, prospectuses and filings with the SEC and company press releases.

## ***B. & C. Risk of Loss***

The Registrant will advise Clients primarily in operating or holding companies in the infrastructure and other industries whose principal place of business, in the case of MIP I and MIP II, is located in North America, and in the case of MIP III and Co-Investment Clients, is located in the U.S. or Canada. Investments will be subject to the risks incidental to the ownership, construction and operation of infrastructure assets, including risks associated with the general economic climate, geographic or market concentration, the ability of the Partnerships and Co-Investment Clients to manage the investment, technical problems, financial failures of operating or construction sub-contractors, government regulations, and fluctuations in interest rates. Since investments in infrastructure and similar assets, like many other types of long term investments, have historically experienced significant fluctuations and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of a Portfolio Investment.

In addition, general economic conditions in the U.S. and Canada, as well as conditions of domestic and international financial markets, may adversely affect operations. In particular,



because of the long lead-time between the inception of a project and its completion, a well-conceived project may, as a result of changes in investor sentiment, the financial markets, economic or other conditions prior to its completion, become an economically unattractive investment.

Investment in a Partnership or Co-Investment Clients involves a high degree of risk. There can be no assurance that any Partnership's or Co-Investment Client's investment objective will be achieved, or that an investor therein will receive a return of its capital. The following are some, but not all, of the considerations regarding risk factors that should be carefully evaluated related to an investment in a Partnership or a parallel or alternative investment vehicle thereof or a Co-Investment Client.

#### Lack of Operating History

With regard to MIP III, the fund has recently commenced operations and therefore has limited operating history upon which prospective investors may evaluate its performance. The prior investment performance of Macquarie and its managed or sponsored investment funds, vehicles or accounts, as with all performance data, can provide no assurance of future results. Moreover, MIP III is subject to all of the business risks and uncertainties associated with any new fund, including the risk that it will not achieve its investment objective and that the value of an interest in MIP III could decline substantially. Accordingly, investors should not expect MIP III or any Co-Investment Client to achieve results similar to prior Macquarie-managed or sponsored investment funds, vehicles or accounts.

#### Risk of Limited Number of Investments; Lack of Diversity

Clients may participate in a limited number of investments, and, as a consequence, the aggregate return of a Client may be substantially and adversely affected by the unfavorable performance of even a single investment. With regard to MIP III, investors have no assurance as to the degree of diversification in MIP III's investments, either by the sector, geographic region or asset type (although MIP III is subject to certain investment guidelines as described in its partnership agreement). To the extent a Client concentrates investments in a particular company, security, asset class or geographic region, its overall performance may become more susceptible to fluctuations in value resulting from adverse economic and business conditions with respect thereto. Such concentration may involve risks greater than those generally associated with more diversified funds, including significant fluctuations in returns.

#### Environmental Risks

The operations of Portfolio Investments are subject to numerous statutes, rules and regulations relating to environmental protection. There is the possibility of existing or future environmental contamination, including soil and groundwater contamination, as a result of the spillage of hazardous materials or other pollutants.

Under various environmental statutes, rules and regulations of the appropriate jurisdiction, a current or previous owner or operator of real property may be liable for non-compliance with applicable environmental and health and safety requirements and for the costs of investigation, monitoring, removal or remediation of hazardous materials. These laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of hazardous materials. The presence of these hazardous materials on a property could also result in personal injury, property damage or similar claims by private parties.

Persons who arrange for the disposal or treatment of hazardous materials may also be liable for the costs of removal or remediation of those materials at the disposal or treatment facility, whether or not that facility is or ever was owned or operated by that person.

Any liability of Portfolio Investments resulting from non-compliance or other claims relating to environmental matters could have a material adverse effect on the value of a Client's investments in such Portfolio Investments.

#### Toll Rates Risk

Users of the toll roads, bridges, tunnels and subways operated by Portfolio Investments may react negatively to any adjustments to the applicable toll rates, or public pressure may cause relevant government authorities to challenge the toll rates. Motorists may react adversely to toll rates, for example, by avoiding tolls or refusing to pay tolls, resulting in lower traffic volumes and reduced toll revenues. In addition, adverse public opinion, or lobbying efforts by specific interest groups, could result in governmental pressure on Portfolio Investments to reduce their toll rates, or to forego planned rate increases. The Registrant cannot guarantee that government bodies with which Portfolio Investments have concession agreements will not try to exempt certain vehicle types or classes of users from tolls or negotiate lower toll rates. If public pressure or government action forces Portfolio Investments to restrict their toll rate increases or reduce their toll rates, and they are not able to secure adequate compensation to restore the economic balance of the relevant concession agreement, Clients' business, financial condition and results of operations could be materially and adversely affected.

Clients may invest in Portfolio Investments that derive substantially all of their revenues from collecting tolls from vehicles using such roads, tunnels or bridges. The toll rates that are applicable to such roads, tunnels or bridges are set forth in the respective concession agreements entered into by the relevant company and the relevant government body. In the future, the relevant government bodies may seek to limit such Portfolio Investments' ability to increase, or may seek to reduce, toll rates outside the scope of the respective concession agreements, as a result of factors such as general economic conditions, negative consumer

perceptions of increases in toll rates, the prevailing rate of inflation, traffic volume and public sentiment about prevailing toll rates.

#### Unforeseen Events Risk

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

#### Change of Law and Sovereign Risk

The concessions of certain Portfolio Investments are granted by government bodies and are subject to special risks, including the risk that the relevant government bodies will exercise sovereign rights and take actions contrary to the Portfolio Investment's rights under the relevant concession agreement. There can be no assurance that the relevant government bodies will not legislate, impose regulations or change applicable laws or act contrary to the law in a way that would materially and adversely affect the business of such Portfolio Investments.

#### Enhanced Scrutiny and Potential Regulation of the Private Investment Fund Industry and the Financial Services Industry

The Fund's ability to achieve its investment objectives, as well as the ability of the Fund to conduct its operations, is based on laws and regulations which are subject to change through legislative, judicial or administrative action. Future legislative, judicial or administrative action could adversely affect the Fund's ability to achieve its investment objectives, as well as the ability of the Fund to conduct its operations.

There continues to be significant legislative and regulatory developments affecting the regulation of the alternative asset management industry. On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law. A key feature of the Dodd-Frank Act is the extension of prudential regulation by the Board of

Governors of the Federal Reserve System (the “Federal Reserve”) to financial institutions that are not currently subject to such regulation but that potentially pose risk to the financial system. The Dodd-Frank Act defines a “nonbank financial company” as a company that is substantially engaged in activities that are financial in nature. The Financial Stability Oversight Council (the “FSOC”), an interagency body created to monitor and address systemic risk, has the authority to subject such a company to regulation by the Federal Reserve (including capital, leverage and liquidity requirements) if the FSOC determines that such company is systemically important. The Dodd-Frank Act does not contain any minimum size requirements for such a designation, and it is possible that it could be applied to private funds, particularly large, highly leveraged funds. On December 18, 2014, the FSOC released a notice seeking public comment on the potential risks posed by aspects of the asset management industry, including whether asset management products and activities may pose potential risks to the U.S. financial system in the areas of liquidity and redemptions, leverage, operational functions, and resolution, or in other areas.

The Dodd-Frank Act also imposes a number of restrictions on the relationship and activities of banking organizations with private equity funds and hedge funds and other provisions that will affect the alternative asset management industry, either directly or indirectly. Included in the Dodd-Frank Act is the so-called “Volcker Rule,” which takes the form of new Section 13 of the Bank Holding Company Act of 1956. Among other things, the Volcker Rule prohibits any “banking entity” (generally defined as any insured depository institution, any company that controls such an institution, a non-U.S. bank that is treated as a bank holding company for purposes of U.S. banking law and any affiliate or subsidiary of the foregoing entities) from sponsoring or acquiring or retaining an ownership interest in a private equity fund or hedge fund that is not subject to the provisions of the 1940 Act in reliance upon either Section 3(c)(1) or Section 3(c)(7) of the 1940 Act. The Volcker Rule also requires certain nonbank financial companies that have been designated as systemically important by the FSOC and subject to supervision by the Federal Reserve (as discussed above) to comply with additional capital requirements and comply with certain other quantitative limits on such activities, although such entities are not expressly prohibited from engaging in proprietary trading or sponsoring or investing in such funds. The Volcker Rule became effective as a matter of statute on July 21, 2012, but banking entities had an initial so-called “conformance period,” which ran until July 21, 2015, to wind down, sell, transfer or otherwise conform their investments and activities to the Volcker Rule, absent an extension by the Federal Reserve or an exemption for certain “permitted activities.” On December 10, 2013, the Federal Reserve and other federal regulatory agencies issued final rules implementing the principal components of the Volcker Rule. Prospective investors in the Fund that are banking entities should consult their bank regulatory counsel prior to making an investment. The Dodd-Frank Act, as well as future related legislation, may have an adverse effect on the private equity industry generally and/or on Macquarie, MIRA or the Fund, specifically. Therefore, there can be no assurance that any continued regulatory

scrutiny or initiatives will not have an adverse impact on Macquarie, MIRA or otherwise impede the Fund's activities.

#### Alternative Investment Fund Managers Directive

The European Union Alternative Investment Fund Managers Directive (the "Directive"), as transposed into national law within the member states of the European Union (the "EU"), imposes requirements on non-EU alternative investment fund managers ("AIFM") which market alternative investment funds ("AIF") to professional investors within the EU. It is intended that all member states of the European Economic Area ("EEA"), namely, Norway, Iceland and Liechtenstein will transpose and apply the Directive, but to date it has not yet been referenced in the Agreement on the European Economic Area (expected in 2016).

The Directive allows member states to permit the marketing of non-EEA AIFs by non-EEA AIFMs in accordance with local laws, provided that local laws meet the requirements of article 42 (the so-called national private placement regimes). There is no requirement for member states to operate or maintain a national private placement regime and, if they do, the member state is free to impose stricter rules than the minimum requirements of article 42. Where national private placement is permitted, amongst other things:

- the AIFM must comply with article 22 (requirements relating to an annual report), article 23 (pre-investment and periodic disclosure to investors), article 24 (periodic reporting to regulators); and articles 26 to 30 if applicable (the provisions relating to the acquisition and control of non-listed companies and issuers, including the anti-asset-stripping rules which apply restrictions on early distributions or reductions in capital in respect of EEA portfolio companies); and
- appropriate cooperation arrangements must be in place for the purposes of systemic risk oversight between the competent authorities of the member states where the Fund is marketed and the supervisory authorities of the third country where the Manager is established and, if applicable, those of the country where the Fund is established.

#### Competition Risk and Alternative Infrastructure Assets

Clients may invest in Portfolio Investments that construct or maintain and operate infrastructure assets in a competitive environment. Clients will compete with other consortia and companies for infrastructure investments. These competitors, which include large construction and engineering groups and financial investors, may have significant financial resources and may be able to present bids with competitive terms. As a result of such competition, Clients may have difficulty in making certain infrastructure investments, or, alternatively, Clients may make investments on economic terms less favorable than anticipated. If Clients fails to make new

Portfolio Investments or makes Portfolio Investments under less favorable terms, Clients' financial condition and results of operations could be materially and adversely affected.

Furthermore, once infrastructure assets of Portfolio Investments become operational, they will face competition from other infrastructure assets in the vicinity of the assets they operate, the presence of which depends in part on government plans and policies. For example, an increase in the number and convenience of alternative routes and competition from other modes of transportation could reduce traffic on toll roads operated by Portfolio Investments thus materially and adversely affecting Clients' performance. Such competition may materially and adversely affect Clients' business, financial conditions and results of operations.

#### Development and Construction Risk

The successful development and construction of new or expansion infrastructure projects entails a variety of risks (some of which may be unforeseeable at the time a project is commenced) and may require or result in the involvement of a broad and diverse group of stakeholders who will either directly influence or potentially be capable of influencing the nature and outcome of the project. Such factors may include: political or local opposition, receipt of regulatory approvals or permits, site or land procurement, environmentally related issues, construction risks and delays (such as late delivery of necessary equipment), labor disputes (such as work stoppages), counterparty non-performance, project feasibility assessment, less than optimal coordination with public utilities in the relocation of their facilities, dealings with and reliance on third-party consultants, slower than projected construction progress and the unavailability or late delivery of necessary equipment, legal action from special interest groups and adverse weather conditions and unexpected construction conditions. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of construction activities once undertaken, any of which could have an adverse effect on a Client. Construction risk may be mitigated by provisions in the construction contract for payment of liquidated damages by the construction contractor, however, Clients may be exposed to any losses not covered by such provisions or to the financial failure of the contractor. Market conditions may change during the course of development that makes such development less attractive than at the time it was commenced.

#### Demand and Usage Risk

Although Clients will target (and Co-Investment Clients investing alongside MIP III will be expected to target) assets with low demand, usage and throughput risk, residual demand, usage and throughput risk can affect the performance of Portfolio Investments. To the extent that the Registrant's assumptions regarding the demand, usage and throughput of assets prove incorrect, returns to Clients could be adversely affected.

#### Operations and Maintenance Risk

The long-term profitability of the assets in which Clients invest will be dependent upon the efficient operation and maintenance of such assets. Inefficient operations and maintenance may reduce returns to Clients' investors. The operations of infrastructure assets and businesses are exposed to unplanned interruptions caused by significant catastrophic events, such as cyclones, earthquakes, landslides, floods, explosions, fires, terrorist attacks, major plant breakdowns, pipeline or electricity line ruptures or other disasters. Operational disruption, as well as supply disruption, could adversely impact the cash flows available from these assets. In addition, the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged interruption may result in permanent loss of customers, substantial litigation or penalties for regulatory or contractual non-compliance. Moreover, any loss from such events may not be recoverable under relevant insurance policies. Business interruption insurance is not always available, or economical, to protect the business from these risks. Industrial action involving employees or third parties may also disrupt the operations of infrastructure projects. Infrastructure projects are exposed to the risk of accidents that may give rise to personal injury, loss of life, damage to property, disruption to service and economic loss.

#### Documentation and Other Legal Risk

Infrastructure assets and investments in or financing thereof, are usually governed by a complex series of legal documents and contracts. As a result, the risk of dispute over interpretation or enforceability of the documentation may be higher than for other investments.

#### Inflation Risk

Depending on the inflation assumptions relating to anticipated cash flows from a Portfolio Investment, as well as the manner in which asset revenue is determined with respect to such Portfolio Investment, returns from a Portfolio Investment may vary from those projected by the Registrant as a result of changes in the rate of inflation.

#### Valuation Risk

Clients will rely upon the Registrant for valuation of their assets. The Registrant may engage qualified valuation professionals to assist in this determination, however, it is not required to do so. Given the nature of the proposed Portfolio Investments, valuation may be difficult. There may be a relative scarcity of market comparables on which to base the value of Clients' assets.

#### Leverage Risk

Clients may invest in Portfolio Investments the capital structure of which may have significant leverage. While investments in leveraged companies offer the opportunity for capital appreciation, such investments may also involve a high degree of risk. Although the Registrant will seek to use leverage in a manner it believes is appropriate under the circumstances, the leveraged capital structure of such Portfolio Investments will increase the exposure of such Portfolio Investments to adverse economic factors such as rising interest rates, downturns in the

economy or deteriorations in the condition of Portfolio Investments and which may impair such Portfolio Investments' ability to finance their future operations and capital needs and result in restrictive financial and operating covenants, including those that may prevent distributions to Clients. These restrictive financial covenants may limit such Portfolio Investments' flexibility to respond to changing business and economic conditions. If a Portfolio Investment is unable to generate sufficient cash flow to meet principal and/or interest payments on its indebtedness or make regular dividend payments, the value of Clients' investment in such Portfolio Investment could be significantly reduced or even eliminated. Moreover, Clients may invest in securities that are not protected by financial covenants or limitations on additional indebtedness.

#### Investment in Restructurings

The success of a Client's investment strategy will, in some cases, depend, in part, on the ability of the Client to restructure and effect improvements in the operations of a Portfolio Investment or expand the operations of a Portfolio Investment. The activity of identifying and implementing restructuring programs and operating improvements at Portfolio Investments entails a high degree of uncertainty. There can be no assurance that a Client will be able to successfully identify and implement such restructuring programs and improvements.

#### Bridge Financings

From time to time, Clients may lend funds to portfolio entities on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt securities. Such bridge loans typically would be convertible into a more permanent, long-term security; however, for reasons not always in the Client's control, such long-term securities may not be issued and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Client. The Client's bridge financings may be entered into at prospective returns below the Client's target investment returns. Therefore, a bridge financing that is not exited as originally anticipated, even if successfully recovered by the Client, could significantly reduce the Client's overall investment returns.

#### Additional Capital

Certain of the Portfolio Investments, including those holding, directly or indirectly, infrastructure concessions, can be expected from time to time to require additional financing to satisfy their working capital or capital expenditure requirements or acquisition strategies. The amount of such additional financing needed will depend upon the maturity and objectives of the particular Portfolio Investment. Each round of financing (whether from a Client or other investors) is typically intended to provide a Portfolio Investment with enough capital to achieve specific corporate objectives or to reach the next major corporate growth or development milestone. As a result, a Portfolio Investment may have to raise additional capital, which may occur at a price unfavorable to the existing investors, including the Client.



#### Illiquid Investment Risk

Although Clients' investments may generate current income, the return of capital and the realization of gains, if any, from a Portfolio Investment generally will most likely occur only upon the partial or complete disposition of such Portfolio Investment. While a Portfolio Investment may be sold at any time, it is generally expected that the disposition of most of the Portfolio Investments will not occur for a number of years after such investments are made. Since investments in infrastructure assets are generally not liquid, it is unlikely that there will be a public market for the securities held by Clients at the time of their acquisition. Clients may make investments that may not be disposed of prior to the date the Client will be dissolved, either by expiration of a Partnership's term or otherwise. The applicable General Partner has a limited ability to extend the term of the Client, and the Client may be required to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution and, such disposition may, based on contractual provisions such as "drag-along rights" set forth in applicable operating or other agreements between MIP III, MIP III GP, Holding Companies and Co-Investment Clients, require Co-Investment Clients to dispose of their investments in Portfolio Investments, directly or through Holding Companies, simultaneously with MIP III. In addition, there can be no assurance with respect to the time frame in which the winding up and the final distribution of proceeds to the investors in Partnerships and Co-Investment Clients will occur. The Client may be listed on a stock exchange in the future and may continue to be managed by a member of the Macquarie Group.

#### Currency Risk

Clients' businesses will be subject to risks typical of an international business including, but not limited to, differing tax structures, and general foreign exchange rate volatility. To the extent the income and assets of a Portfolio Investment are denominated in local currencies, if the U.S. dollar appreciates relative to these currencies, including as a result of the devaluation of the non-U.S. currency, the U.S. dollar value of these investments is likely to be adversely affected. In addition, the ability to convert freely between the U.S. dollar and the local currencies may be restricted or limited from time to time, and there may be significant transaction costs associated with conversions between currencies. Finally, in certain jurisdictions, exchange rates and currency conversion may be controlled directly or indirectly by governments or other regulatory bodies. Entering into hedging transactions to mitigate the effects of currency and exchange rate risk may be impractical and expensive.

#### Commodity Price Risk

Portfolio Investments may be subject to commodity price risk, including, without limitation, the price of electricity and the price of fuel. The operation and cash flows of any Portfolio Investment may depend, in some cases to a significant extent, upon prevailing or improving market prices

for energy commodities (such as oil, gas, coal and power). Commodity prices have been, and are likely to continue to be, volatile and subject to wide fluctuations in response a variety of factors beyond the control of the Registrant or a Client, including, without limitation, weather conditions, foreign and domestic supply and demand, force majeure events, changes in law, governmental regulations, prices 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.

#### Risks Associated With Ongoing Changes in the Power Generation and Utility Industry

Clients may make certain investments in the utility industry. In many regions, including the United States, the electric utility industry is experiencing increasing competitive pressures, primarily in wholesale markets, as a result of consumer demands, technological advances, greater availability of natural gas and other factors. Deregulation is fueling the current trend toward consolidation among U.S. utilities, but also the disaggregation of many vertically integrated utilities into separate generation, transmission and distribution businesses. As a result, additional significant competitors could become active in the independent power industry. In addition, utility asset owners may find it increasingly difficult to negotiate long-term procurement or sales agreements with counterparties, which may affect their profitability and financial stability.

#### Rate Regulation Risk

Certain infrastructure assets may be subject to rate regulations that determine or limit the prices they may charge, particularly if a portfolio entity is the sole or predominant service provider in its service area or provides services that are essential to the community. Unfavorable price determinations that may be final with no right of appeal or that, despite a right of appeal, could result in its profits being negatively affected and portfolio entities not meeting initial return expectations.

#### Uncertainty of Natural Resource Estimates

Estimates of natural resources reserves by qualified engineers are often a key factor in evaluating certain infrastructure investments. The process of estimating natural resources reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, weather, engineering, economic and other data for each reservoir or location. These estimates are subject to wide variances based on, among others, changes in commodity prices and certain technical assumptions. Accordingly, it is possible for such reserve estimates to be significantly revised from time to time, which may create significant changes in the value of infrastructure assets utilized by the owners or buyers of such natural resources reserves.

### Real Estate Risks

Some or all of a Client's Portfolio Investments may be subject to the risks inherent in the ownership and operation of assets or business that derive a substantial amount of their value from real estate and real estate-related interests. These types of underlying interests are typically illiquid. Deterioration of real estate fundamentals may negatively impact the performance of such Portfolio Investments. Such changes in fundamentals could involve fluctuations as a result of general and local economic conditions, overbuilding and increased competition, increases in property taxes and operating expenses, changes in environmental and zoning laws, casualty or condemnation losses, environmental liability, regulatory limitations on rents, changes in neighborhood values, changes in the appeal of properties to tenants, the availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable, natural disasters, increase in interest rates and other factors that are beyond the control of the Registrant or the Clients.

### Land Title Risk

Certain Portfolio Investments may require large areas of land to install and operate their equipment and associated infrastructure. The rights to use the necessary land may be obtained through freehold title, easements, leases and other rights of use. Different jurisdictions adopt different systems of land title, and in some jurisdictions it may not be possible to ascertain definitively who has the legal right to enter into land tenure arrangements with Portfolio Investments. In addition, the grantor's fee interests in the land which is the subject of such easements and leases are or may become subject to mortgages securing loans, other liens (such as tax liens) and other lease rights of third parties (such as leases of oil, gas, coal or other mineral rights). As a result, a Portfolio Investment's rights under such leases or easements are or may be subject and subordinate to the rights of third parties. It is also possible that a default by the grantor under any mortgage could result in a foreclosure on the grantor's interest in the property and thereby terminate the Portfolio Investment's right to the leases and easements required to operate such Portfolio Investment.

### Portfolio Investment Management Risk

With respect to management at the Portfolio Investment level, many Portfolio Investments may rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the Portfolio Investment's performance. Although the Registrant expects to monitor the management of each Portfolio Investment, the management of each Portfolio Investment will have day-to-day responsibility with respect to the business of such Portfolio Investment. Clients may contract the day-to-day operational management of a Portfolio Investment's business to a third-party management company unrelated to the Registrant. Although the Portfolio Investment would generally have the ability to replace any such operator,

the failure of such an operator to adequately perform operations, an operator's breach of the applicable agreements, or an operator's failure to act in ways that are in the Portfolio Investment's best interest, could have a material adverse effect on the Portfolio Investment's financial condition or results of operations. The failure of the third-party operator to make decisions, perform its services, discharge its obligations, deal with regulatory agencies or comply with laws, rules and regulations affecting the particular business, including environmental laws and regulations, in a proper manner could result in material adverse consequences to the Portfolio Investment and adversely affect the Portfolio Investment's financial condition or results of operations.

#### Misconduct of Employees and of Third-Party Service Providers

There have been a number of highly publicized cases involving fraud or other misconduct by employees in the financial services industry in recent years, and there is a risk that employee misconduct could occur with respect to a Client or Holding Company. Misconduct by employees or by third-party service providers could cause significant losses to a Client. Employee misconduct may include binding a Client or Holding Company to transactions that exceed authorized limits or present unacceptable risks and other unauthorized activities or concealing unsuccessful investments (which, in either case, may result in unknown and unmanaged risks or losses). Losses could also result from actions by third-party service providers. In addition, employees and third-party service providers may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting a Client's or Holding Company's business prospects or future activities. It is not always possible to deter misconduct by employees or service providers, and the precautions the Registrant takes to detect and prevent this activity may not be effective in all cases.

#### Disposition of Private Investments Risk

Many of Clients' investments will involve private securities. In connection with the disposition of an investment in private securities, Clients may be required to make representations about the business and financial affairs of the Portfolio Investment typical of those made in connection with the sale of a business. Clients also may be required to indemnify the purchasers of such investment to the extent that any such representations are found to be inaccurate. These arrangements may result in the incurrence of contingent liabilities that may ultimately yield funding obligations that must be satisfied by the Clients' investors to the extent of distributions made to such Client investors or any unfunded Commitments.

#### Control Position Risk

Clients may obtain a majority ownership position or otherwise seek board representation and requisite shareholder rights that allow them to have input in decisions that potentially affect the operating value of each investment. As a result, Clients could, in some circumstances, be deemed to have control or be exercising influence over management and the strategic direction

of Portfolio Investments in which it invests. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management and other types of liability in which the limited liability characteristic of business operations generally may be ignored. The exercise of control over a Portfolio Investment could expose the assets of Clients to claims by such Portfolio Investment, its security holders and its creditors. While the General Partners intend to manage the Clients in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.

Clients may also make minority equity investments in Portfolio Investments where they may have limited influence. Such Portfolio Investments may have economic or business interests or goals that are inconsistent with those of Clients and Clients may not be in a position to limit or otherwise protect the value of their investment in such Portfolio Investments. Clients' control over the investment policies of such Portfolio Investments may also be limited. This could result in Clients' investments being frozen in minority positions that incur substantial losses.

#### Regulatory and Legal Risks

Many, if not all, of Clients' Portfolio Investments will be in entities that are subject to substantial regulation by governmental agencies. In addition, their operations may often rely on governmental licenses, concessions, leases or contracts that are generally very complex and may result in disputes over interpretation or enforceability. If any Portfolio Investments fail to comply with these regulations or contractual obligations, they could be subject to monetary penalties or they may lose their rights to operate the underlying infrastructure assets, or both. Where their ability to operate an infrastructure asset is subject to a concession or lease from the government, the concession or lease may restrict their ability to operate the asset in a way that maximizes cash flows and profitability. The lease or concession may also contain clauses more favorable to the government counterparty than a typical commercial contract. For instance, the lease or concession may enable the government to terminate the lease or concession in certain circumstances (such as default by the Portfolio Investment) without requiring it to pay adequate compensation. In addition, government counterparties also may have the discretion to change or increase regulation of the operations of the Portfolio Investments or to implement laws, regulations or policies affecting their operations, separate from any contractual rights that the government counterparties may have. Governments have considerable discretion in implementing regulations and policies that could impact these Portfolio Investments, and may be influenced by political considerations and make decisions that adversely affect these companies and their operations.

Further, Clients' ability to acquire Portfolio Investments will often require consent of numerous government regulators. Increased regulation restricting the ownership or management of U.S. assets, particularly infrastructure assets, by non-U.S. persons, given the non-U.S. ultimate ownership of the Registrant, may limit Clients' ability to pursue acquisitions. Any such regulation

may also limit the Registrant's ability to continue to advise its Clients, which could cause disruption to its business and a decline in its performance. In addition, any required government consents may be costly to seek and Clients may not be able to obtain them.

#### Public Disclosure Obligations

A Client may be required to disclose confidential information relating to its Portfolio Investments and its financial results to third parties that may request such information if and to the extent required by federal, state or local law or regulation (either U.S. or non-U.S.) applicable to the Client or its investors, including those investors that are public agencies or governmental bodies. Such disclosure obligations may adversely affect certain investors, particularly investors who are not otherwise subject to public disclosure of information relating to the private holdings of funds in which they invest.

#### Risks Arising from Provision of Managerial Assistance; Certain ERISA Considerations

The Registrant will use reasonable efforts to avoid having the assets of a Client constitute "plan assets" of any plan subject to Title I of ERISA or Section 4975 of the Code and may, in this regard, elect to operate a Client as a "venture capital operating company" (a "VCOC") within the meaning of regulations promulgated under ERISA. Operating a Client as a VCOC would require that the Client obtain rights to substantially participate in or influence the conduct of the management of a number of the Portfolio Investments. A Client may designate one or more directors to serve on the board of directors of one or more Portfolio Investments as to which it obtains such rights. The designation of directors and other measures contemplated could expose the assets of a Client to claims by a Portfolio Investment, any external security holders and its creditors. While the Registrant intends to minimize exposure to these risks, the possibility of successful claims cannot be precluded. In the event a Client is operated to qualify as a VCOC in order to avoid holding "plan assets" within the meaning of ERISA, the Client may be restricted or precluded from making certain investments. In addition, it could be necessary for the Registrant to liquidate Portfolio Investments at a disadvantageous time in order to avoid holding ERISA "plan assets," resulting in lower proceeds to the Client than might have been the case without the need to qualify as a VCOC.

The foregoing discussion of certain risk factors attempts to identify the material risks related to an investment in a Client but does not purport to be an exhaustive list or a complete explanation of all of the risk involved in an investment in a Client.

## **Item 9: Disciplinary Information**

### ***A. Criminal or Civil Action***

There is no such action with respect to the Registrant or any of its management persons.

### ***B. Administrative Proceedings before a Regulatory Agency***

There are no such proceedings with respect to the Registrant or any of its management persons.

### ***C. Proceedings before a Self-Regulatory Agency***

There are no such proceedings with respect to the Registrant or any of its management persons.

## **Item 10: Other Financial Industry Activity and Affiliations**

### ***A. & B. Other Registrations***

Neither the Registrant nor any of its management persons are registered, or have an application pending to register, as a broker-dealer, a futures commission merchant, a commodity pool operator, a commodity trading advisor, or a registered representative or associated person of the foregoing entities.

### ***C. Affiliations***

#### **Broker-dealers**

In the regular course of business, Macquarie Capital (USA) Inc., an affiliated broker-dealer, assists the Registrant in advising on the sourcing, funding and executing private transactions in the U.S. and, primarily in the case of MIP III, raising funds from third party investors to co-invest alongside MIP III. From time-to-time, the Registrant may also use affiliated entities in foreign jurisdictions for similar purposes, including the following: (i) Canada – Macquarie Infrastructure and Real Assets (Sales) Canada Ltd., (ii) the European Union and the UK – Macquarie Infrastructure and Real Assets (Europe) Ltd., (iii) Hong Kong – Macquarie Capital Ltd., (iv) Korea – Macquarie Securities Korea Ltd., and (v) Australia – Macquarie Fund Advisers Pty Ltd.

#### **Other investment advisers**

Certain clients of Macquarie Infrastructure and Real Assets Inc. ("MIRA Inc."), the parent company of the Registrant, invest in and co-invest alongside the MIP I, MIP II and MIP III Partnerships in certain investments. Certain employees of MIRA Inc. are seconded to the

Registrant. The Macquarie Group controls other related persons that may meet the definition of investment adviser but do not have a direct business relationship with the applicant and are not listed in Form ADV Part 1, sections 7A and 7B.

Banking or thrift institution

The Clients may borrow from Macquarie Bank Limited, an Australian bank affiliated with the Registrant.

Refer to Item 11 B., C. & D: Potential Conflicts of Interest, for a description of material conflicts potentially created by these relationships and how such conflicts are addressed by the Registrant.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### ***A. Code of Ethics***

All officers, directors and employees of the Registrant are subject to the provisions contained in the Registrant's Code of Ethics ("Code"). The Code outlines the Registrant's policies and procedures regarding standards of conduct, personal investment transactions, and handling of material, non-public information.

The Code contains several restrictions and procedures designed to eliminate conflicts of interest surrounding personal investment transactions including: (i) filing of initial and annual holdings reports; (ii) a prohibition against personally acquiring securities in an initial public offering or private placement without prior approval; (iii) a prohibition against supervised persons purchasing or selling any security on a day during which there is a "buy" or a "sell" order from a client for that security until such order is executed or withdrawn; (iv) a prohibition against supervised persons purchasing or selling a security within seven days before or after that security is bought or sold by a client; and (v) a prohibition against supervised persons profiting from the purchase and sale, or sale and purchase, of the same (or equivalent) securities within 30 days.

If an employee possesses non-public price-sensitive information about or affecting a financial product, or the issuer of any financial product, that employee is prohibited from buying or selling



such financial product, or advising or procuring any other person to buy or sell such financial product.

A copy of the Code will be provided to any client or prospective client upon request.

### ***B., C. & D. Potential Conflicts of Interest***

The Registrant is a wholly-owned subsidiary of Macquarie Group Limited, the ultimate parent of the Macquarie Group. As a diversified global investment, financial, advisory and funds management firm, the Macquarie Group engages in a broad range of financial activities including securities underwriting, sales and trading, lending, financial advisory services, investment research, asset management and other activities. Notwithstanding the Macquarie Group's commitment to the Clients, investors should be aware that in the ordinary course of business, the Macquarie Group engages in activities where its interests or the interests of its clients may conflict with the interests of a Client or an investor therein, and that such conflicts may not always be resolved in favor of a Client or an investor therein.

Furthermore, as the Registrant will provide advisory services to the Partnerships and Co-Investment Clients related to the same investments, Clients and investors therein should be aware that in the ordinary course of business, the interests of MIP III or an investor therein may conflict with the interests of an investor in a Co-Investment Client, and that such conflicts may not always be resolved in favor of a Client or an investor in a Partnership.

As MIRA Inc., an affiliate of the Registrant, will provide advisory services to multiple co-investment clients related to the same investments and also invested in by Clients, Clients should be aware that in the ordinary course of business, the interests of Clients may conflict with the Registrant and MIRA Inc., and that such conflicts may not always be resolved in favor of a Client.

### ***Investment by the Registrant, Macquarie Investment Vehicles and Macquarie Group Clients***

Under certain circumstances, the Clients may be offered an opportunity to make an investment in which the Macquarie Group, a Macquarie Group client or a specialized investment vehicle managed by the Macquarie Group ("Macquarie Investment Vehicle") is expected to, seeks to or already has, or concurrently will invest. Conflicts of interest may exist between the Clients' interests and the interests of such co-investors in managing these investments and approving significant corporate matters. For example, the other Macquarie Investment Vehicle may have a term that expires before or after that of a Partnership and therefore may have a differing interest regarding the timing of disposition of a shared portfolio investment. In addition, the other Macquarie Investment Vehicle may have a different capability to participate in follow-on

investments and otherwise provide financial support for the portfolio company. In addition, conflicts may arise in determining the amount of an investment, if any, to be allocated among potential investors and the respective terms thereof. There can be no assurance that the return on a Client's investment will be equivalent to or better than the returns obtained by the other affiliates participating in the transaction.

In certain instances, the Clients make an equity or other subordinated investment in a Portfolio Investment that has issued or is issuing a senior mezzanine or debt security to the Macquarie Group, a Macquarie Group client or a Macquarie Investment Vehicle. For example, another Macquarie Investment Vehicle with a similar investment objective may make a mezzanine investment or a loan to a Portfolio Investment in which the Clients have an equity investment. In negotiating the terms and conditions of any such mezzanine investment or loan or in addressing any subsequent amendments, such Macquarie Investment Vehicle will have interests that will conflict with those of the Clients (see also *Conflicts with Portfolio Investments* below).

If an issuer in which the Clients (directly or through Holding Companies) and the Macquarie Group, a Macquarie Group client or a Macquarie Investment Vehicle hold different classes of securities encounters financial problems, decisions over the terms of any workout will raise conflicts of interest (including conflicts over proposed waivers and amendments to debt covenants). For example, a debt holder may be better served by a liquidation of the issuer in which it will be paid in full, whereas an equity holder would prefer a reorganization that could create value for the equity holders.

Co-investment arrangements typically include pre-emption and tag-along and drag-along rights in favor of other members of the Macquarie Group or a Partnership, including rights which are triggered on removal of the Macquarie Group companies as manager or advisor or if the manager or advisor ceases to be part of the Macquarie Group. Where such arrangements are put in place they are approved by the Client. In addition, contract counterparties such as lenders may impose similar conditions of ongoing involvement by the Macquarie Group and its removal may have adverse consequences such as an acceleration of loan repayments.

### ***Conflicts with Portfolio Investments***

Officers and employees of the Macquarie Group will serve as directors of certain Portfolio Investments and, in that capacity, will be required to make decisions that they consider to be in the best interests of such Portfolio Investments and their shareholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a Portfolio Investment, actions that may be in the best interest of the Portfolio Investment may not be in the best interests of the Clients, and vice versa. Accordingly, in these situations, there will be conflicts of interests between such individual's duties as an officer or employee of the

Macquarie Group and such individual's duties as a director of the Portfolio Investment. Conflicts will also arise in cases where the Clients make an equity or other subordinated investment in a Portfolio Investment that has issued or is issuing a senior mezzanine or debt security to the Macquarie Group or one or more Macquarie Investment Vehicles. In negotiating the terms and conditions of any such mezzanine investment or loan or in addressing any subsequent amendments, the Macquarie Group or such Macquarie Investment Vehicle will have interests that will conflict with those of the Clients. If an issuer in which the Clients and the Macquarie Group or one or more Macquarie Investment Vehicles hold different classes of securities encounters financial problems, decisions over the terms of any workout will raise conflicts of interest (including conflicts over proposed waivers and amendments to debt covenants and other terms).

### ***Principal & Affiliate Transactions and Brokerage***

The Macquarie Group or a Macquarie Investment Vehicle may sell securities or other financial instruments to or buy them from a Client or act as a counterparty to a Client or Holding Company in foreign exchange, financing, swap and derivative transactions ("Principal Transactions"). To the extent that the Registrant exercises any discretion on behalf of the MIP I Partnerships or MIP II Partnerships in these transactions, any of these transactions would require the consent of the IAC of the relevant Partnership. For MIP I and MIP II, the Registrant or an affiliate of the Registrant may engage in swap, derivative and foreign exchange transactions solely for hedging purposes that are not classified as Principal Transactions and therefore are subject to categorical pre-approvals if certain conditions are met. Generally, MIP III shall not purchase or sell any portfolio investment to or from, as the case may be, Macquarie Group and its affiliates or any Macquarie Investment Vehicle.

With regard to MIP III, apart from (i) transactions (including service contracts) that are expressly contemplated or approved by the MIP III partnership agreement (including, without limitation, co-investment, the receipt of, or contracts providing for, the Management Fee and carried interest, insurer/vendor/broker rebates and commissions described in Item 5.C herein and any transaction approved by the LPAC or MIP III investors holding a majority of the MIP III interests ("majority in interest of the MIP III investors") and (ii) any investment that is underwritten or warehoused by the Macquarie Group for acquisition by MIP III where MIP III's acquisition of such investment was made with the prior written consent of a majority in interest of the MIP III investors or the LPAC, the MIP III General Partner shall cause MIP III and any controlled Portfolio Investment not to engage in any transaction (including services or contracts for which advisory fees are received by Macquarie and its affiliates) that (x) provides for a cash payment or exchange of other consideration with Macquarie or an affiliate having a value in excess of \$250,000 (in a single transaction or a series of related transactions) or (y) is otherwise

reasonably determined by the MIP III General Partner to be material, with Macquarie and its affiliates.

Clients may execute securities transactions with affiliated broker-dealers if the Registrant determines that the use of such broker-dealers is in the best interest of the Clients.

### ***Allocation of Investment Opportunities***

Macquarie manages, on an independent and autonomous basis, several public and private equity funds which it is currently investing on behalf of third-party investors, Macquarie and/or eligible employees, and will raise other public and private funds and other investment funds, vehicles and accounts in the future. Such funds may from time-to-time make investments that would be suitable for MIP I, MIP II or MIP III, however, given that MIP I is fully invested, MIP II is 94.6% invested/committed and MIP III is 46.3% invested/committed as of March 31, 2016, the Registrant believes a discussion of the allocation of investment opportunities is most relevant to MIP III.

With regard to MIP III, except under limited exceptions set forth in the MIP III partnership agreement, the MIP III General Partner, the Registrant and their affiliates within MIRA will not invest outside MIP III in any privately-negotiated equity and equity-related investments in infrastructure and infrastructure related assets and businesses and related companies predominantly in the United States and Canada until the earlier of the end of the MIP III investment period or the time at which more than over 75% of MIP III's commitments are invested, applied or reserved for investments, fees and expenses; provided that the foregoing shall not apply to: (a) any investment under \$50 million in any issuer or group of affiliated issuers or any underlying asset or group of related underlying assets in any 12-month period, (b) passive personal investments, if such passive personal investments are not made in Portfolio Investments (including for this purpose any such investment made through a "blind pool" investment fund), (c) any investment made by MIP I or MIP II, (d) any investment by Macquarie Infrastructure Company ("MIC") in accordance with the priority set forth below, unless the Registrant objects in good faith that such investment is not subject to the priority set forth below, (e) any investment that constitutes compensation for providing financial advisory or other services provided by Macquarie, (f) any investment involving any assets or businesses to be operated, occupied or otherwise used in connection with any existing or new business of Macquarie (other than MIRA with respect to its investment management activities on behalf of its clients), or (g) any portion of an investment opportunity with respect to which the MIP III General Partner shall have determined in good faith that (i) MIP III lacks the capacity (taking into account amounts committed to other Portfolio Investments and indebtedness to be repaid by capital contributions) to make the portion of such investment opportunity, (ii) MIP III is legally or contractually prohibited from making such Portfolio Investment, or (iii) it would not be in the best

interests of MIP III to take such investment opportunity in view of, among other things, the diversification objectives of the fund, the geographic and asset class concentration of the Portfolio Investments or other proposed Portfolio Investments, and the risk return and yield/cash flow characteristics of the Portfolio Investments or other proposed Portfolio Investments in the context of MIP III's overall portfolio at the time such investment opportunity arises.

MIC is a MIRA-managed corporation listed on the New York Stock Exchange that went public in December 2004. MIC owns, operates and invests in a diversified group of infrastructure investments in the United States. These investments include airport services, energy generation, gas production and distribution and bulk liquid storage terminals. MIC has first right of refusal over several categories of infrastructure investment opportunities in the United States and thus will have a priority allocation of such opportunities over MIP III. To make new investments, MIC relies on its own cash resources, as well as capital raised from the public markets. As of March 31, 2016, MIC had a market capitalization of \$5.301 billion.

Subject to MIC's priority, and as further set forth in the MIP III partnership agreement, investment opportunities will be allocated by MIRA to MIP III based on several factors including, without limitation, fund investment objectives, capital availability, investment diversification, investment return and yield profile and geographic mandate. In particular, MIC has first priority ahead of MIP III in (a) each of the following infrastructure acquisition opportunities that are within the United States and that are made available to MIRA: (i) airport fixed based operations, (ii) district energy, (iii) airport parking, and (iv) "User Pays Assets (i.e., businesses that are transportation-related and derive a majority of their revenues from a per use fee or charge), "Contracted Assets" (i.e., businesses that derive a majority of their revenues from long-term contracts with other businesses and governments) and "Regulated Assets" (i.e., businesses that are the sole or predominant providers of at least one essential service in their service areas and where the level of revenue earned or charges imposed are regulated by government entities) that represent an investment of greater than AUD 40 million and (b) all investment opportunities originated by a party other than MIC's manager or any affiliate of MIC's manager where such party offers the opportunity exclusively to MIC and not to MIP III. The foregoing first priority of MIC does not apply to any investment opportunity if MIC's chief executive officer waives any MIC interest in such opportunity.

Further, the MIP III General Partner has and intends to from time to time offer certain persons, including existing MIP III limited partners who are strategic or large investors or other strategic third parties, the opportunity to co-invest in particular investments alongside MIP III. Under the MIP III partnership agreement, the MIP III General Partner has discretion over the allocation of co-investment opportunities, and the MIP III general partner has entered into side letter arrangements with certain MIP III limited partners entitling them to preferential or priority access to co-investment opportunities before any other MIP III limited partners. In addition, the MIP III

management fee and carried interest, as well as any transaction-based fees earned by an affiliate of the Registrant payable by certain MIP III limited partners are based in part on the amount of co-investment offered to or made by those MIP III limited partners, creating an incentive for the MIP III General Partner to offer co-investment opportunities to those MIP III limited partners rather than offering such opportunities to other MIP III limited partners or MIP III.

### ***Advisory Activities***

In the regular course of business, affiliates of the Registrant may be engaged to act, or may seek to act, as a financial advisor to third parties in connection with the sale or purchase of securities or businesses meeting the Clients' investment objectives. If a Client acted as a buyer, notwithstanding the retention of an affiliate of the Registrant by any other party to the transaction, certain conflicts of interest would be inherent in the situation, including those involved in negotiating a purchase price. Macquarie will be under no obligation to decline such engagements in order to make the investment opportunity available to a Client. In connection with its advisory business, Macquarie may come into possession of information that limits its and a Client's ability to engage in potential transactions. A Client's activities may be constrained as a result of a General Partner's ability to use such information. In certain sale assignments, the seller may permit a Client to act as a buyer or investor, which would raise certain conflicts of interest inherent in such a situation. Macquarie has long-term relationships with a significant number of corporations and their senior management. In addition, Macquarie advises and provides investment banking, debt and equity capital market and other services to a large number of institutional clients, including leveraged buy-out and other private equity funds with investment objectives similar to or the same as those of the Clients and strategic buyers, both of which may be in a position to compete with the Clients for an investment opportunity. Moreover, the Macquarie Asset Management Group (formerly the Macquarie Funds Group), an operating group within Macquarie, manages private equity and hedge fund-of-funds, and as a result Macquarie maintains a number of relationships across the alternative asset class, including with potential buyers and sellers in private equity transactions. In determining whether to pursue a particular transaction on behalf of a Client, these relationships will be considered by Macquarie, and there may be certain potential transactions which will not be pursued on behalf of a Client in view of such relationships. For example, when Macquarie represents a buyer seeking to acquire a particular business, a Partnership may be precluded from investing in that business. There can be no assurance that all potentially suitable investment opportunities which come to the attention of Macquarie will be made available to Clients.

Macquarie may provide a broad range of pre- and post-acquisition advisory and consulting services to the Clients and companies in which Clients invests, and may receive compensation from purchasers, sellers or other parties prior to or upon the closing of certain investments by a Client as compensation for services, including advice on valuing, structuring, negotiating and

arranging financing for such transactions and may earn fees in connection with unconsummated transactions. Other compensation may include warrants to purchase an equity interest or other securities in the company for which the transaction is being undertaken. Generally, none of Macquarie's fees for any of the foregoing will be shared with any Client. In addition, Macquarie may act as underwriter or placement agent in connection with an offering of securities by Portfolio Investments in which a Client has invested or as underwriter, placement agent or financial adviser in connection with the public or private sale of a Client's investments and Macquarie generally will be paid customary fees for such services. A General Partner, the Registrant or any of their affiliates within MIRA or any other Macquarie entity may engage and retain strategic advisers, consultants and other similar professionals who are employees or affiliates of Macquarie and who may, from time-to-time, receive payments from, or allocations with respect to, Portfolio Investments. In such circumstances, such amounts will not be deemed paid to or received by such General Partner, the Registrant and their affiliates or personnel within MIRA and will not be subject to a Management Fee offset. The Macquarie Group typically receives arms-length fees for such services, which may be paid by Clients or the Portfolio Investments. To the extent that the Registrant exercises discretion in the engagement of any member of the Macquarie Group on behalf of the Partnerships, the Registrant's procedures with regard to MIP I and MIP II require that such transactions be approved as being on arms-length terms by the relevant Partnership's IAC, unless they meet certain requirements set forth in the applicable Partnerships' limited partnership agreements.

In addition, with regard to MIP III after the end of each fiscal year, the MIP III General Partner shall send to the LPAC an expense report describing the services rendered to MIP III by the Registrant, the MIP III General Partner or any affiliate thereof during such fiscal year and the amounts billed for such services.

### ***Other Activities***

Members of the Registrant's team will devote such time to the Registrant's clients as the Registrant, in its sole discretion, deems necessary to carry out the Registrant's responsibilities with respect to its clients. A number of members of the Registrant's team may spend a portion of their time on matters unrelated to the Registrant's clients, including as officers or employees of affiliates of the Registrant and related to Macquarie's existing investments and other investment funds. As a result of the foregoing, conflicts of interests may arise in allocating the time of the members of the Registrant's team. The possibility exists that the companies with which one or more of such persons is involved could engage in transactions that would be suitable for a Client, but in which a Client might be unable to invest.

Officers, employees and affiliates of the Registrant may invest, directly or indirectly, and in some cases have invested, in certain Partnerships and Portfolio Investments.

Macquarie Insurance Facility ("MIF"), a program run by affiliates of the General Partners and the Registrant, may leverage the combined purchasing demand of the Macquarie Group and its portfolio businesses (which may include Portfolio Investments) and third-party clients to negotiate agreements with unaffiliated vendors such as insurance companies and brokers, and when a Portfolio Investment participates, may receive a commission or other payment from the vendor and/or a broker involved in obtaining the business, subject to percentage caps on such commissions and rebates that have been approved by the IACs of MIP I and MIP II and, in the case of MIP III, by the LPAC on or prior to the receipt of any such commissions and rebates. The amounts received by MIF will not be subject to the offset provisions as provided in the Registrant's or relevant Partnership's constituent documents. For Portfolio Investments, the applicable portfolio company and not the Registrant makes the decision whether to use MIF. MIF operates in the U.S. through the legal entity, Commerce and Industry Brokerage, Inc.

From time-to-time Macquarie may provide interim acquisition financing or other forms of credit in connection with an investment by, or otherwise act as a lender to, a company in which a Client invests. A Partnership may also borrow money from Macquarie from time-to-time subject to certain restrictions set forth in the applicable partnership agreement. In addition, a Client also may participate as a counterparty with or as a counterparty to Macquarie or an investment vehicle formed by it in connection with currency and interest rate hedging, derivatives (including but not limited to swaps and forwards of all types), and other transactions.

### ***Resolution of Conflicts***

To the extent that the Registrant exercises any discretion on behalf of the Partnerships in these transactions, any conflicts of interest that arise between the Partnerships, on the one hand, and the Macquarie Group, any existing or future Macquarie Investment Vehicle or any of the Macquarie Group's clients, on the other hand, (i) will be resolved as set forth in the limited partnership agreement of the relevant Partnership, the Related Party Transactions Policy of the Registrant and/or the corresponding policies of a Macquarie affiliate, or (ii) if not addressed by such agreements or procedures, will be discussed and resolved on a case-by-case basis by the relevant parties. Any such discussions will take into consideration the interests of the relevant parties and the circumstances giving rise to the conflict.

Pursuant to the MIP I and MIP II limited partnership agreements, transactions whereby MIP I or MIP II make an investment in which an investor in such Partnerships has a significant interest (as determined by the Registrant) are generally subject to the approval of the members of such Partnerships' IAC. Transactions whereby the Partnerships make an investment in which the Registrant or one of its affiliates has a significant interest are subject to the approval of the



members of the Partnerships' IAC/LPAC. Certain related party transactions entailing the provision of services do not require such approval, provided that they satisfy certain parameters.

With regard to MIP III, any actual conflicts of interest that arise in relation to MIP III will be resolved in accordance with the MIP III General Partner's conflicts management procedures, including, where required, by referral to the LPAC. If any matter arises that the MIP III General Partner determines in its good faith judgment constitutes an actual conflict of interest, the MIP III General Partner may take such actions as it determines in good faith may be necessary or appropriate to ameliorate the conflict (and upon taking such actions to the fullest extent permitted by law the MIP III General Partner will be relieved of any liability for such conflict and be deemed to have satisfied its fiduciary duties and acted in good faith with respect to such conflict). These actions may, but are not required to, include (i) disposing of the security giving rise to the conflict of interest, (ii) appointing an independent fiduciary to act with respect to the matter giving rise to the conflict of interest or (iii) in connection with a matter giving rise to a conflict of interest with respect to an investment, consulting with the LPAC regarding the conflict of interest and either obtaining a waiver from the LPAC of the conflict of interest or acting in a manner, or pursuant to standards or procedures, approved by the LPAC with respect to such conflict of interest. In addition, MIP III investors should note that the MIP III partnership agreement contains provisions that, subject to applicable law, reduce or eliminate the duties, including fiduciary and other duties, to MIP III and the investors therein to which the MIP III General Partner would otherwise be subject, provisions that waive or consent to conduct on the part of the MIP III General Partner that might not otherwise be permitted pursuant to such duties, and provisions that limit the remedies of MIP III investors with respect to breaches of such duties. Pursuant to the MIP III partnership agreement, an LPAC will be established and the MIP III General Partner may in certain situations choose to consult with or obtain the consent of the LPAC with respect to any specific conflict of interest, including, but not limited to, certain affiliate transactions. If the LPAC waives the conflict of interest or the MIP III General Partner acts in a manner, or pursuant to the standards and procedures, approved by the LPAC with respect to the conflict of interest, then the MIP III General Partner and its affiliates will not have any liability to MIP III or investors therein for such actions taken by them, including actions in pursuit of their own interests, and will be deemed to have satisfied their fiduciary duties with respect to such actions (see Principal Transactions and Brokerage above).

### ***Related Party Transaction Policy***

Related party transactions involving Clients will be disclosed to and approved by investors, clients or their representatives if required under the limited partnership agreements of such Clients or standing policies and procedures.

### ***Joint Venture Partners***

Some of the third-party operators and joint venture partners with whom the Registrant or the General Partners may elect to co-invest a Client's capital have preexisting investments or other commercial arrangements with Macquarie. The terms of these preexisting investments or other commercial arrangements may differ from the terms upon which a Client invests with such operators and partners. To the extent a dispute arises between the Macquarie Group and such operators and partners, the Client's investments relating thereto may be affected.

### ***Service Providers***

The service providers or their affiliates (including any administrators, lenders, brokers, attorneys, consultants and investment banking firms) of a Client, Macquarie or any of their affiliates may be investors in the Clients and/or sources of investment opportunities and co-investors or counterparties therewith. This may influence a General Partner in deciding whether to select such a service provider or have other relationships with Macquarie or the Client. Notwithstanding the foregoing, investment transactions for a Client that require the use of a service provider directly or indirectly through a Holding Company or otherwise, will generally be allocated to service providers on the basis of best execution, the evaluation of which may include, among other considerations, such service provider's provision of certain investment-related services and research that a General Partner believes to be of benefit to the Client. Moreover, certain service providers (or their affiliates, including project developers, lenders, brokers, attorneys, consultants and investment banking firms) to a Client and its Portfolio Investments may also provide services to or have other relationships with the Macquarie Group. These other services and relationships may influence a General Partner or the Registrant in deciding whether to select such a provider to perform services directly or indirectly for a Client and its Portfolio Investments (the cost of which will generally be borne directly or indirectly by a Client).

### ***Co-Investment Arrangements***

The MIP III General Partner has entered into side letters with certain MIP III limited partners which provide that co-investment opportunities will be offered to MIP III limited partners in accordance with the following principles: (a) first, in whole or in part to MIP III, (b) second, to persons, whether or not MIP III limited partners, whose participation in a MIP III co-investment opportunity would, in the MIP III General Partner's opinion, be in the interests of MIP III having regard to the ability to complete, operate, manage, dispose of or otherwise add value to the portfolio investment as a result of that person's status, market knowledge, skills or other attributes including, but not limited to, the ability to deploy material investment capital in the timeframes typically required for MIP III co-investment opportunities ("Strategic Co-Investors"), (c) third, to MIP III limited partners that have made certain minimum levels of capital

commitments and indicated the desire and ability to participate in MIP III co-investment opportunities ("Priority Co-Investors") on a pro rata basis to and in the amount up to their "applicable commitments" (which may be greater than a MIP III limited partner's capital commitment in certain instances) and (d) fourth, at the MIP III General Partner's discretion.

Strategic Co-Investors and Priority Co-Investors will receive preferential or priority access to co-investment opportunity before any other MIP III limited partners. In exercising its discretion to allocate co-investment opportunities with respect to a particular investment among potential co-investors, the MIP III General Partner considers some or all of a wide range of factors, which include, but are not limited to, one or more of the following:

1. where the potential co-investor is a MIP III limited partner (but not a Priority Co-Investor), whether it indicated an interest in their side letters in co-investment opportunities, the timing and amount of such limited partner's investment, whether such limited partner requested preferential co-investment rights and whether the MIP III General Partner, acting in good faith, believed granting such preferential co-investment rights would be in the best interests of MIP III;
2. the MIP III General Partner's evaluation of the size and financial resources of the potential co-investment party and the MIP III General Partner's perception of the ability of that person or entity (in terms of, for example, staffing, expertise, and other resources) to participate efficiently and expeditiously in the investment opportunity with MIP III without harming or otherwise prejudicing MIP III, in particular when the investment opportunity is time-sensitive in nature, as is typically the case;
3. any confidentiality concerns the MIP III General Partner has that may arise in connection with providing the potential co-investment party with specific information relating to the investment opportunity in order to permit such person or entity to evaluate the investment opportunity;
4. the MIP III General Partner's evaluation of its past experiences and relationships with the potential co-investment party, such as the likelihood or ability of such person or entity to respond promptly and/or affirmatively to potential investment opportunities previously offered by the MIP III General Partner;
5. the MIP III General Partner's evaluation of whether the investment opportunity may subject the potential co-investment party to legal, regulatory, reporting, public relations, media, or other burdens that make it less likely that the potential co-investment party would act upon the investment opportunity if offered;

6. the MIP III General Partner's evaluation of whether the profile or characteristics of the potential co-investment party may have an impact on the viability or terms of the proposed investment opportunity and the ability of MIP III to take advantage of such opportunity (for example, if the potential co-investment party is involved in the same industry as the company in which MIP III wishes to invest, or if the identity of the potential co-investment party, or the jurisdiction in which the potential co-investment party is based, may affect the likelihood of MIP III being able to capitalize on a potential investment opportunity); and
7. whether the MIP III General Partner believes, in its sole discretion, that allocating investment opportunities to a potential co-investment party will help establish, recognize, strengthen, and/or cultivate relationships with an existing or prospective limited partner that may provide indirectly longer-term benefits to MIP III and the MIP III General Partner.

In addition, the MIP III management fee and carried interest, as well as any transaction-based fees earned by an affiliate of the Registrant, payable by certain MIP III limited partners is based in part on the amount of co-investment offered or made by those MIP III limited partners. The MIP III General Partner's exercise of its discretion in allocating investment opportunities with respect to a particular investment among various potential investors in the manner discussed above may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to other such persons. While the MIP III General Partner will determine how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that MIP III's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which the MIP III General Partner and its affiliates are subject, discussed herein, did not exist. In each case, the MIP III General Partner has an incentive to offer co-investment opportunities to certain MIP III limited partners rather than offering such opportunities to other MIP III limited partners or MIP III. MIP III limited partners or other investors making investments alongside MIP III pursuant to the principles set forth above will typically be investors in Co-Investment Clients of the Registrant or Holding Companies.

The appropriate allocation between funds managed by the Registrant and any Co-Investment Clients (including underlying investors in a Co-Investment Client) of expenses and fees generated in the course of evaluating potential investments which are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals, will be determined by the Registrant and its affiliates in their good faith discretion, consistent with the limited partnership agreement (or analogous organizational documents) of

the relevant funds managed by the Registrant and equity commitment letters entered into by co-investors, as applicable.

### ***Side Letter Agreements***

The MIP III General Partner and the Registrant has and may enter into certain side letter arrangements with certain investors in the Clients providing such investors with different or preferential rights or terms, including but not limited to excuse rights applicable to particular investments (which may increase the percentage interest of other investors in, and contribution obligations of other investors with respect to, MIP III's investments), and with regard to investors in Partnerships and Co-Investment Clients, waiver of certain confidentiality obligations, different fee structures, information rights, co-investment rights, and liquidity or transfer rights.

## **Item 12: Brokerage Practices**

Due to the nature of the investments made by the Clients, broker-dealers are not generally used for Client investment transactions. However, when executing investment transactions on behalf of a Client through a broker-dealer, the Registrant, will seek to obtain a combination of the most favorable commission and the best price obtainable on each transaction. Broker-dealers are selected primarily on the basis of their execution capability and trading expertise consistent with the effective execution of the transaction. Client referrals are not relevant to broker-dealer selection, given the nature of the Registrant's clients. If the broker-dealer is a member of the Macquarie Group, approval of the relevant Partnership's IAC/LPAC is required, except to the extent that the limited partnership agreement of the Partnership permits the use of such brokers-dealers for certain transactions without such approval, generally if certain conditions are met.

The Registrant does not engage in soft dollar or directed brokerage arrangements.

To the extent an investment is made for more than one Partnership, as described in Item 11, "Allocation of Investment Opportunities" above, the Registrant may combine orders on behalf of a Partnership with orders for other funds managed by its affiliates or in which it or its affiliates have an economic interest. In such cases, the Registrant and its affiliates generally aggregate orders so that each participating vehicle will receive the average price for each execution of a transaction. If an order for more than one Partnership cannot be fully executed, allocation shall be made based upon the Registrant's procedures for allocation of investment opportunities, as described in Item 11 above.

To the extent an investment is made for Clients, as described in Item 11, “Co-Investment Arrangements” above, the Registrant may combine orders on behalf of such Clients and/or with orders for other funds managed by its affiliates or in which it or its affiliates have an economic interest. In such cases, the Registrant and its affiliates generally aggregate orders so that each participating vehicle will receive the average price for each execution of a transaction. If an order for Clients and/or for other funds managed by its affiliates or in which it or its affiliates have an economic interest cannot be fully executed, allocation shall be made by the Registrant on a reasonable and appropriate basis and in accordance with Registrant’s allocation policy.

## **Item 13: Review of Accounts**

### ***A. & B. Account Review***

The Registrant manages and supervises the accounts of MIP I, MIP II and MIP III. These accounts and investment positions are monitored on a current basis, and a complete list of the investment positions are more formally reviewed as necessary. The Registrant’s Board of Directors (composed of three Directors) meets regularly to review new investment opportunities and monitors the Clients’ investments.

### ***C. Client Reporting***

The Registrant assists (i) Macquarie Infrastructure Partners U.S. GP LLC, the general partner of MIP A, MIP B and MIP International, (ii) Macquarie Infrastructure Partners Canada GP Ltd., the general partner of MIP Canada and (iii) Macquarie Infrastructure Partners II GP LLC, the general partner of MIP II U.S. and MIP II International in the preparation of the following reports to each limited partner of MIP I and MIP II:

(a) Financial statements (audited in the case of a fiscal year-end report and unaudited in the case of a quarterly report); and

(b) Quarterly notice of the net asset value (“NAV”) of the MIP I and MIP II Partnerships, as applicable, and NAV per limited partnership interest; quarterly descriptive investment information for each MIP I and MIP II portfolio investment; and report on related party transactions effected within the most recent fiscal year or quarterly period together with a report on the fees paid within the reporting period by the applicable Partnerships to affiliates.

The Registrant assists Macquarie Infrastructure Partners III GP LLC, the general partner of MIP III LP, MIP III PV, MIP III GB AIV, L.P., and MIP III (REI) AIV, L.P., MIP III (ECI) GP LLC, the general partner of MIP III (ECI) AIV, L.P., MIP III Tigerfish (Canada) GP LLC, the general

partner of MIP III (Canada) AIV, L.P., and a Co-Investment Client in the preparation of the following reports to each limited partner thereof:

- (a) Financial statements (audited in the case of a fiscal year-end report and unaudited in the case of a quarterly report);
- (b) Schedule of changes in capital account balances for each limited partner; and
- (c) With respect to the Partnerships, a schedule and summary description of each Portfolio Investment owned by MIP III.

In addition, investors in the Partnerships have access to a third-party administrator's website, which contains copies of the reports and information described above, constituent Partnership documents, a corporate directory and related items.

## **Item 14: Client Referrals and Other Compensation**

### ***A. Other Compensation***

The Registrant does not receive any economic benefit from anyone who is not a client in relation to the provision of investment advisory services to its clients.

### ***B. Compensation for Client Referrals***

From time to time the Registrant and its affiliates may utilize both affiliated and non-affiliated third party placement agents. Payment of a referral fee does not result in additional cost to the client. In the event the Registrant does enter into such arrangements it intends to comply with disclosure and other requirements applicable to such relationships under applicable laws, including but not limited to Rule 206(4)-3 under the Investment Advisers Act of 1940.

## **Item 15: Custody**

The Registrant maintains custody of the Clients' assets and certain direct and indirect subsidiaries of the Partnerships in the applicable Partnerships' or subsidiaries' name with the following qualified custodians: the Bank of New York Mellon, Wells Fargo and Deutsche Bank.

Account statements are sent from the custodians to the Registrant, where they are reconciled with the Registrant's accounts before financial information is disseminated to Clients.

## **Item 16: Investment Discretion**

The Registrant has the authority to determine, without obtaining specific Partnership consent, the securities or interests and the amount thereof to be bought or sold. Such authority is subject to the limitations set forth in Article 8 of the MIP I and MIP II Partnerships' limited partnership agreements and Section 4.1 of the MIP III Partnerships' limited partnership agreement. The Registrant generally has the authority to determine, without obtaining specific Co-Investment Client consent, whether and when to sell the Co-Investment Client's interests or securities.

## **Item 17: Voting Client Securities**

The Clients are primarily invested in private entities that typically do not issue proxies. For the limited circumstances where a Client may hold publicly traded securities and receive proxies in connection with them, the Registrant has adopted proxy voting policies and procedures contained in its Portfolio Management Policy (the "Policy") to address how the Registrant will vote proxies for its clients. The Policy seeks to ensure that, if applicable, the Registrant votes proxies (or similar instruments) in the best interest of its clients, consistent with the client's investment objective including when there may be material conflicts of interest in voting proxies. If the Registrant determines that it is not in the best interests of a client to vote or that it is not in the best interests to vote on a particular proxy, it will document its reasons for such determinations. In the event that the Registrant determines it has a material actual or potential conflict of interest, it will document it and ensure that such conflict is appropriately avoided, managed and/or disclosed. If you would like a copy of the Registrant's complete Policy or, if applicable, information regarding how the Registrant voted proxies, please contact the Chief Compliance Officer and it will be provided to you at no charge.

## **Item 18: Financial Information**

### ***A. Balance Sheet***

Management Fees are payable by Clients to the Registrant quarterly in advance. The Registrant does not permit the prepayment of fees earlier than this. As such, it is not required to provide a balance for the most recent fiscal year.

### ***B. Financial Conditions***

There are no financial conditions likely to impair the Registrant's ability to meet its contractual obligations to its clients.



***C. Bankruptcy***

The Registrant has never been the subject of a bankruptcy petition.