

# Macquarie



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 29, 2017.

This Brochure of the Registrant has been updated to reflect substantial revisions to the existing risk factors in Item 8 and potential conflicts of interest in Item 11.

The Registrant, at any time, may update this Brochure and either send you a copy or offer to send you a copy (either by electronic means (email) or in hard copy form).

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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 entities through which co-investors co-invest with the Partnerships 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 arrangements 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 either of them, "MIP III"); and

Macquarie Infrastructure Partners IV, L.P., a Delaware limited partnership ("MIP IV LP"), and Macquarie Infrastructure Partners IV SCSp, a special limited partnership (*société en commandite spéciale*), governed by the laws of the Grand Duchy of Luxembourg ("MIP IV EU Fund", and collectively with MIP IV LP and any parallel funds or alternative investment vehicles then in existence in respect of either of them, "MIP IV").

MIP I, MIP II and MIP III are no longer accepting capital commitments from new investors. MIP IV commenced the offering of its interests in October 2016.

MIP A, MIP B, MIP Canada, MIP International, MIP II U.S., MIP II International, MIP III LP, MIP III PV, MIP IV LP, MIP IV EU Fund and any parallel funds (other than MIP IV EU Fund) 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 Registrant is affiliated with Macquarie Infrastructure and Real Assets (Europe) Limited ("MIRA AIFM"), which is authorized by the United Kingdom Financial Conduct Authority as a "full scope" alternative investment fund manager ("AIFM") to manage MIP IV EU Fund for the purposes of the Alternative Investment Fund Managers Directive ("AIFMD") as implemented in the United Kingdom. MIRA AIFM separately files reports as an exempt reporting adviser with the SEC. MIRA AIFM has entered into a sub-advisory agreement with the Registrant under which the Registrant provides certain investment advisory services to MIRA AIFM for the ultimate benefit of MIP IV EU Fund. For purposes herein, MIP IV EU Fund is a "Partnership" or "Client" on the basis of such sub-advisory arrangement between MIRA AIFM and the Registrant.

The Partnerships and Co-Investment Clients invest in and divest interests in infrastructure assets through negotiated transactions in operating entities (or holding entities 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 U.S. and MIP II International. Macquarie Infrastructure Partners III GP LLC ("MIP III GP"), a Delaware limited liability company, is the general partner of MIP III LP, MIP III PV and 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. Macquarie Infrastructure Partners IV GP LLC, a Delaware limited liability company, is the general partner of MIP IV LP. MIP IV Luxembourg GP S.à r.l. (together with Macquarie Infrastructure Partners IV GP LLC, "MIP IV GP"), a company organized under the laws of the Grand Duchy of Luxembourg, is the general partner of MIP IV EU Fund. 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 alongside MIP III or MIP IV through holding entities of operating entities ("Holding Companies" and each a "Holding Company"), MIP III GP, MIP IV 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 and MIP IV, 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. Additionally, MIP IV may invest in debt securities and instruments, so long as any such investment in debt securities and/or instruments: (i) is made with a view to (including in anticipation of the possibility of) a restructuring in which MIP IV would receive an equity interest, (ii) is intended to facilitate consummation of an equity investment or is made in an entity in which MIP IV is, directly or indirectly, acquiring or already holds an equity or equity-like interest, (iii) is in convertible instruments or coupled with warrants or other equity style derivatives to provide the potential for equity-like exposure or (iv) other than debt securities and instruments specified in the preceding clauses (i)-(iii), does not exceed certain thresholds as set forth in MIP IV's partnership agreements (collectively, "Permitted Debt Investments"). With regard to Permitted Debt Investments, MIP IV in most cases would not control or have significant influence over the management and/or operations of the relevant portfolio company.

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 MIP IV GP, as applicable, 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 the relevant advisory arrangements. 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, 2018 is:

|                    | AUM \$US         |
|--------------------|------------------|
| Discretionary:     | \$11,977,738,507 |
| Non-Discretionary: | \$2,099,824,028  |
| Total:             | \$14,077,562,535 |

## **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 (other than MIP IV EU Fund) as described in the private placement memoranda of MIP I, MIP II, MIP III and MIP IV. The Registrant also receives a service fee from MIRA AIFM (calculated as a certain percentage of the Management Fees (net of any applicable discounts or rebates) payable to MIRA AIFM by limited partners of MIP IV EU Fund) pursuant to a sub-advisory agreement under which the Registrant provides certain investment advisory services to MIRA AIFM for the ultimate benefit of MIP IV EU Fund for which MIRA AIFM serves as AIFM for the purposes of the AIFMD.

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). A similar arrangement is expected to be put in place for such employees or feeder fund with respect to MIP IV. The MIP III and MIP IV Management Fee payable by certain MIP III and MIP IV limited partners is based in part on the amount of co-investment offered to or made by those MIP III and MIP IV 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 and MIP IV, or other funds managed by entities that are part of the Macquarie Group.

Refer also to Item 6 below for a discussion of performance carried interest earned 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 and MIP IV, Management Fees are paid, and in the case of MIP IV are paid by drawing on the applicable Partnership's credit facility (which causes such Partnership to incur related expenses borne by its limited partners) or out of current income and disposition of proceeds of the relevant Partnership and, to the extent necessary, from called capital commitments to the relevant Partnership, which will reduce unfunded capital commitments but distributions by the applicable Partnership in an aggregate amount up to the amount of such reduction will replenish such 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 and MIP IV, 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 and MIP IV, 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

Insurance Facility business unit), 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, (f) payments for services provided by Macquarie, the General Partners, the Registrant 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 off amounts otherwise payable by the Partnerships, first by reducing reimbursed partnership expenses incurred by the General Partners or Registrant, and second by 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 in a secondee, consultant or other similar structure. 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, and over the manner in which such fees or other compensation are allocated among one or more Partnerships (including, for example, on a pro rata basis based on the respective capital commitments of investors in each Partnership or some other basis as the Registrant and/or the applicable General Partners deem appropriate). 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 and MIP IV. For the sake of clarity, MIP III and MIP IV Management Fees are not offset by any Co-Investment Management Fees received by the Registrant.

Moreover, the Registrant and its affiliates will 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.

In addition, a Partnership may obtain insurance which contains benefits to the Partnership's General Partner and the Registrant as part of the overall package of terms offered by the provider to the Partnership. The insurance provider may not be able to break out the cost of any such benefits to the General Partner and Registrant so that those costs can be allocated to the General Partner and not the Partnership. Thus, the Partnership may bear the cost of insurance which includes a benefit to the General Partner and the Registrant as part of the coverage provided.

Other Clients will also share in the costs of insurance pro rata based on capital commitments to the Partnership and such other Clients.

Furthermore, 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 and MIP IV, respectively, absent a specific agreement to the contrary with a prospective co-investor. In addition, in the case of certain co-investors participating in a transaction, MIP III and MIP IV will underwrite the costs with respect to such co-investors in return for such co-investors being responsible for the payment of such costs plus a two times mark-up thereon to be paid to MIP III or MIP IV if the transaction reaches financial close.

#### ***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 or MIP IV, the management agreement shall be terminated if the MIP III General Partner or the MIP IV General Partner, as applicable, is removed with or without cause by the MIP III or the MIP IV limited partners, as applicable. In such case that a management agreement is terminated and a Client has paid fees in advance, the Registrant will 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: Carried Interest and Side-By-Side Management**

The General Partners or affiliates thereof are or may in the future become entitled to receive carried interest ("Carried Interest") from each applicable Partnership pursuant to the Partnerships' limited partnership agreements among the General Partner and the investors. For MIP III and MIP IV, the General Partner has agreed to a reduced Carried Interest rate with certain investors in MIP III and MIP IV, including in the case of MIP III and as expected in the case of MIP IV, 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 MIP III and MIP IV, 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 or MIP IV are listed on a United States or non-U.S. securities exchange or comparable trading market, the respective 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 or MIP IV investors or the respective LP Advisory Committee, to earn fees and/or incentive compensation in connection therewith.

The existence of a General Partner's or its affiliate's Carried Interest could be viewed as an incentive for such 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 or its affiliate'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. In certain circumstances, the amount of Carried Interest will be calculated based on the fair market value of in-kind distributions.

MIP III GP, MIP IV GP or their respective affiliates will typically be entitled to Carried Interest from certain investors in the Co-Investment Clients. In addition, the manner in which MIP III GP's, MIP IV GP's or their respective affiliates' entitlement to Carried Interest 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 Registrant provides investment advisory services as described above Item 4.B above. 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. The MIP IV Partnerships currently consist of one Delaware limited partnership and one special limited partnership (*société en commandite spéciale*) governed by the laws of the Grand Duchy of Luxembourg. Investment advisory services are provided directly to the MIP I Partnerships, MIP II Partnerships, MIP III Partnerships and MIP IV Partnerships (other than MIP IV EU Fund) and not individually to the Partnerships' limited partners. The Registrant also provides certain investment advisory services to MIRA AIFM for the ultimate benefit of MIP IV EU Fund for which MIRA AIFM serves as AIFM for the purposes of the AIFMD. 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 and, in the case of MIP IV, are expected to 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 providing 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 and MIP II are fully invested and MIP III is 89% invested/committed as of March 31, 2018. For MIP IV, the Registrant expects investment opportunities to arise from a number of sources, including: (i) relationships the Registrant's senior professionals maintain with management teams, 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 be sourced on a proprietary basis as well as through open and limited auction-style processes, including, without limitation, 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 or MIP IV 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; (vii) existing and potential

environmental, social and governance (“ESG”) and occupational health and safety (“OHS”) issues and the means through which to rectify and ensure ongoing compliance with best practices and (viii) other key investment risks and opportunities.

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 where the Registrant deems appropriate to review key diligence areas, including legal, commercial, tax, accounting, insurance, ESG and technical matters relevant to the investment.

The due diligence process will typically involve reviewing relevant public and confidential target information, conducting detailed discussions with operational management and commissioning additional analysis of key investment drivers and dynamics where required. For example, a review of the relevant legislation and regulatory requirements may be undertaken to assess the potential impact on future operations of the business for regulated assets, while detailed market studies are typically carried out for market driven businesses. For volume-driven assets, sector experts such as independent traffic consultants are generally engaged in addition to the Registrant’s in-house expertise in this area.

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 global experience of professionals managing similar investment assets, along with independent experts when deemed appropriate. Scenario and sensitivity analyses will be conducted on key value drivers to quantify risk and determine whether they 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 it believes 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 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 a view as to the appropriate capital structures for investments, typically with a view to permitting distributions over time.

F. Acquisition Approval Process. The Registrant's Investment Committee will be briefed throughout the investment screening and due diligence process as necessary, thereby ensuring they have the opportunity to effectively screen and evaluate investment opportunities. 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 business, due diligence findings, 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 endeavor to complete the acquisition within the approved parameters.

G. Asset Management. The Registrant leverages its industry and market expertise to insightfully challenge and support portfolio company management teams to achieve operational and financial improvements. Where possible and appropriate, the Registrant will seek to apply the "System 7" active asset management framework to seek to ensure that appropriate business planning, performance reporting, governance and risk management are implemented and maintained. The Registrant believes this framework can drive value-enhancing initiatives at portfolio companies. The framework is summarized below:

1. **Understand and engage with stakeholders.** Infrastructure investments are often high profile, public facing businesses where reputation with customers, regulators, employees and communities is critical to building value. The Registrant shares its best practices with the portfolio company leadership in an effort to understand key stakeholder relationships and create positive two-way dialogue. Mutually beneficial outcomes can result (e.g., improved service based on customer feedback, regulatory support for major capital investment) from having a reputation as a "good owner and operator" with strong community and stakeholder support. The Registrant believes this support is critical for building value in certain portfolio companies and can assist in generating future investment opportunities for a Partnership.
2. **Set strategic vision.** The Registrant will challenge portfolio company leadership to define ambitious and sustainable strategies for the portfolio companies. The Registrant will utilize its global, sector and local market insights to seek to ensure the strategies are ambitious but achievable, and that values align with stakeholder and shareholder expectations.
3. **Put the right leadership in place.** The Registrant's asset management teams will actively assess portfolio executive teams to attempt to maximize value from the portfolio companies and to seek to ensure appropriate succession planning is in place. The Registrant's industry relationships allow for external assessment of teams through market due diligence, reference checks and assistance with identifying, recruiting and retaining quality portfolio company executives. The Registrant also works to ensure that short-term and long-term incentive plans are aligned with business plans. Due to the depth of its asset management team, where needed, deemed appropriate and such right is available, the Registrant's professionals may temporarily fill senior management positions to provide smooth transition at portfolio companies.

**4. Focus on business operations with detailed plans aligning management goals with shareholder value.** Management teams are generally expected to prepare detailed one-year budgets and five-year business plans to deliver the strategies for each business. The Registrant's asset management teams then leverage their market and operational expertise to test plan assumptions. This process gives management ownership of the budget and business plan and provides a clear basis for management compensation and alignment with shareholder value. The Registrant will actively monitor progress and, through board representation or otherwise, work with portfolio company leadership to deliver these plans, and primarily focus on material initiatives such as follow-on acquisitions, regulatory reviews, refinancings and large capital investment projects.

**5. Optimize capital.** Optimal capital structures and funding arrangements vary significantly depending on, among other factors, the individual risks, regulation and capital expenditure needs of each portfolio company. The Registrant will actively apply its broad knowledge and networks to facilitate the implementation of capital management strategies that mitigate financing risks and seek to ensure portfolio companies have relevant, efficient, and sustainable funding structures to support operational and capital investment needs. The asset management teams may assist with establishing the initial capital structure in the portfolio companies and may be, directly or through board representation or otherwise, involved with any subsequent material refinancing.

**6. Manage risk.** Risk management is central to the Registrant's approach to asset management, and is applied across the investment lifecycle. On acquisition, the asset management teams and risk managers work with the company management to identify and assess operational, health and safety, environmental, social and financial risks. Actions to control, mitigate and monitor these risks are incorporated into business plans, and reporting systems are implemented. Risk management will generally represent an important part of a portfolio company management team's key performance indicators and compensation.

**7. Clear governance.** The Registrant emphasizes clear definitions of corporate governance structures and practices at the fund and the portfolio company levels. The Registrant believes that clear governance helps to ensure that management teams have operational responsibility and accountability within clearly defined parameters, while allowing the Registrant to challenge, monitor performance and support company management in delivery of the strategy.

H. Realization. MIP I, MIP II, MIP III and MIP IV each have a ten-year term with possible extensions, and MIP I's term was recently extended by one year for a second time. In comparison to open-ended funds, the Registrant is incentivized to optimize each portfolio company's operations in preparation for its eventual sale. The Registrant will monitor the market with the aim of maximizing portfolio company value for a Client's investors through opportunistic well-managed divestment processes. 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. While the hold period may vary for each investment, it is typically expected to be five to ten years. When



an attractive offer emerges during the life of a Partnership, the Investment Committee will evaluate the opportunity and determine whether it is in the best interests of the Partnership and its investors to realize the investment at that time.

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 entities in the infrastructure and other industries whose principal place of business, in the case of MIP II, is located in North America, and in the case of MIP I, MIP III, MIP IV and Co-Investment Clients, is located in the U.S. or Canada. In addition, MIP IV may invest in the regions consisting of Central America, South American and the Caribbean as further described in “Lack of Operating History” below. 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 IV, 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 the Registrant and its managed or sponsored investment funds, vehicles or accounts, as described herein, as with all performance data (including Macquarie Essential Assets Partnership, which is a MIP IV predecessor fund that was not managed by the Registrant and has been fully liquidated after realization of all of its investments), can provide no assurance of future results. Moreover, MIP IV 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 IV could decline substantially. Accordingly, prospective investors should not expect MIP IV or any co-investment client to achieve results similar to prior Macquarie-managed or sponsored investment funds, vehicles or accounts.

Prospective investors should note that (i) MIP IV may invest up to the greater of 10% of its capital commitments or \$150 million in portfolio companies predominantly in the regions consisting of Central America, South America and the Caribbean ("Other Americas"). These regions include the following countries: Antigua and Barbuda, Argentina, The Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba (solely to the extent investments are permitted pursuant to applicable law), Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, Uruguay and Venezuela, which is a broader geographic focus than its predecessor funds and (ii) the investment professionals involved in the sourcing of transactions in those regions are generally expected to be different from those involved with MIP IV (for example, while MIP IV may have access to infrastructure investment professionals in Mexico and Brazil, they are not employees or sub-advisers of the Registrant).

#### **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 and MIP IV, investors have no assurance as to the degree of diversification in the applicable Client's investments, either by the sector, geographic region or asset type (although MIP III and MIP IV are subject to certain investment guidelines as described in their respective partnership agreements). If certain investments perform unfavorably, for MIP III and MIP IV to achieve above-average returns, one or a few of its investments must perform very well. There are no assurances that this will be the case. To the extent Clients concentrate investments in a particular company, security, asset type, sector, geographic region or currency, 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 Risk**

Infrastructure assets may be subject to numerous statutes, rules and regulations relating to environmental protection, and national and local environmental laws and regulations affect the operations of infrastructure projects and companies. Clients may invest in investments that are subject to changing and increasingly stringent environmental and health and safety laws, regulations and permit requirements, and there can be no guarantee that all costs and risks regarding compliance with environmental laws and regulations can be identified. Standards are

set by these laws and regulations regarding certain aspects of health and environmental quality, and they provide for penalties and other liabilities for the violation of such standards, and establish, in certain circumstances, joint and several obligations to remediate and rehabilitate current and former facilities and locations where operations are, or were, conducted or where materials were disposed of. New and more stringent environmental and health and safety laws, regulations and permit requirements, or stricter interpretations of current laws or regulations could impose substantial additional costs on investments or potential investments and could create liabilities which did not exist at the time of acquisition and that could not have been foreseen. Required expenditures for environmental compliance have adversely impacted investment returns in a number of segments of the industry. Certain industries will continue to face considerable oversight from environmental regulatory authorities and significant influence from non-governmental organizations and special interest groups. Compliance with such current or future environmental requirements does not ensure that the operations of investments will not cause injury to the environment or to people under all circumstances or that investments will not be required to incur additional unforeseen environmental expenditures. Moreover, failure to comply with any such requirements could lead to, among other things, government fines and stop-work injunctions and could have a detrimental impact on the financial performance of infrastructure projects. There can be no assurance that investments will at all times comply with all applicable environmental laws, regulations and permit requirements. Past practices or future operations of investments could also result in material personal injury or property damage claims. Any noncompliance with these laws and regulations could subject Clients and its investments to material penalties or other liabilities.

Under certain circumstances, environmental authorities and other parties may seek to impose personal liability on the limited partners of a partnership subject to environmental liability. However, a limited partner investor in the Fund may reduce its risk of such personal liability by avoiding activities with respect to the investments other than as specifically contemplated by the Partnership Agreement.

In addition, ordinary operation or the occurrence of an accident with respect to an infrastructure asset could cause major environmental damage, which may result in significant financial distress to such asset if not covered by insurance, and, even if covered by insurance, may have a detrimental effect on the applicable portfolio company and/or Clients, resulting from adverse publicity related to such an incident and other similar results. In addition, persons who arrange for the disposal or treatment of hazardous materials may also be liable for the costs of removal or remediation of these materials at the disposal or treatment facility, whether or not that facility is or ever was owned or operated by that person.

Clients may also be exposed to substantial risk of loss from environmental claims arising from certain of its infrastructure investments involving undisclosed or unknown environmental, health or other related matters. Certain environmental laws and regulations may require that an owner or operator of an asset address prior environmental contamination, which could involve substantial cost. Such laws and regulations often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of environmental contamination. Clients may therefore be exposed to substantial risk of loss from environmental claims arising in respect of its investments. Community and environmental groups may protest about the development or operation of infrastructure assets which may induce government action to the detriment of Clients. Some of the most onerous environmental requirements regulate air

emissions of pollutants and greenhouse gases; these requirements may particularly affect companies in the energy sector.

In addition, as consensus builds that global warming is a significant threat, initiatives seeking to address climate change through regulation of greenhouse gas emissions have been adopted by, are pending or have been proposed before international, federal, state, and regional regulatory authorities. Many industries (e.g., electrical power, mining, manufacturing and transportation) face various climate change risks, many of which could conceivably materially impact them. Such risks include (i) regulatory/litigation risk (e.g., changing legal requirements that could result in increased permitting and compliance costs, changes in business operations, the discontinuance of certain operations, and related litigation); (ii) market risk (e.g., declining market for products and services seen as greenhouse gas intensive); and (iii) physical risk (e.g., risks to plants or property owned or operated by a company posed by rising sea levels, increased frequency or severity of storms, drought, and other physical occurrences attributable to climate change). These risks could result in unanticipated delays or expenses and, under certain circumstances, could prevent completion of investment activities once undertaken, any of which could have an adverse effect on Clients.

#### **Rate Regulation**

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. Users of the applicable service provided by a portfolio company may react negatively to any adjustments to the applicable rates, or public pressure may cause relevant governmental authorities to challenge such rates. In addition, adverse public opinion, or lobbying efforts by specific interest groups, could result in governmental pressure on Portfolio Investments to reduce their rates, or to forego planned rate increases or forego direct or indirect subsidies. Unfavorable price determinations that may be final with no right of appeal or that, despite a right of appeal, are not successfully challenged, could result in its profits being negatively affected and portfolio entities not meeting initial return expectations. In particular, some portfolio companies may derive substantially all their revenues from tolls, tariffs, other usage or throughput-related fees, wholesale or other sales of electricity or services related thereto, such as storage or grid management service. Neither the General Partner nor Registrant can guarantee that governmental entities with which Portfolio Investments have concession agreements will not try to exempt certain users from tolls, tariffs or other fees, negotiate or require lower rates or change policies regarding subsidies. If public pressure or government action forces portfolio companies to restrict their rate increases or reduce their rates, and they are not able to secure adequate compensation to restore the economic balance of the relevant concession agreement, a Client's business, financial condition and results of operations could be materially and adversely affected.

#### **Change of Law and Sovereign Risk**

Clients operate in an environment with increasing regulatory scrutiny and heightened potential for material changes in laws and / or regulations, which could affect the Clients and their investments. Any further legal, tax and / or regulatory changes during the term of a Client may adversely affect Clients. In addition to the risks regarding regulatory approvals, it should be noted that government counterparties may have the discretion to change or increase regulation of an investment's operations, or implement laws or regulations affecting the portfolio company's operations, separate from any contractual rights it may have. A portfolio company also could be materially

and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on such company.

In addition, governments have considerable discretion in implementing regulations that could impact an investment's business, and because its business may provide basic, everyday services and face limited competition, governments may be influenced by political considerations and may make decisions that adversely affect an investment's business. There can be no assurance that the relevant governmental entities 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 Clients' investments. Clients or an investment may be unable to effectively pursue legal remedies against governmental entities for a breach of contractual obligations or other violations of their legal rights.

Furthermore, because Clients may pay certain taxes imposed on the Management Fee, there is a risk that future changes in law or regulation, or in interpretation or enforcement thereof, in the tax regimes of the United States, Canada or other jurisdictions may increase the tax liabilities of Clients.

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

A Client's ability to achieve its investment objectives, as well as the ability of Clients 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 Clients' ability to achieve its investment objectives, as well as the ability of Clients to conduct their operations. Macquarie is subject to extensive regulation, including periodic examinations, by governmental agencies and self-regulatory organizations in the jurisdictions in which it operates around the world. These authorities have regulatory powers dealing with many aspects of financial services, including the authority to grant, and in specific circumstances to cancel, permissions to carry on particular activities. Many of these regulators, including U.S. and foreign government agencies and self-regulatory organizations, as well as state securities commissions in the United States, are also empowered to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel, changes in policies, procedures or disclosure or other sanctions, including censure, the issuance of cease-and-desist orders, the suspension or expulsion of an investment adviser from registration or memberships or the commencement of a civil or criminal lawsuit against Macquarie or its personnel.

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.

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. 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 of a Client 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 or Clients, specifically. Therefore, there can be no assurance that any continued regulatory scrutiny or initiatives will not have an adverse impact on Macquarie or otherwise impede Clients’ activities. Other Macquarie divisions becoming subject to such regulations may also adversely affect Clients.

Enactment of these reforms and/or other similar legislation could nonetheless have an adverse effect on the private investment funds industry generally and on Macquarie and/or Clients specifically, and may impede Clients’ ability to effectively achieve its investment objectives. The Registrant, as a registered investment adviser under the Investment Advisers Act of 1940 (the “Advisers Act”), is required to comply with a variety of periodic reporting and compliance-related obligations under applicable federal and state securities laws (including, without limitation, the obligation of the Registrant and its affiliates to make regulatory filings with respect to the Client and its activities under the Advisers Act (including, without limitation, Form PF by the Registrant)). In light of the heightened regulatory environment in which Clients and the Registrant operate and the ever-increasing regulations applicable to private investment funds and their investment advisors, it has become increasingly expensive and time-consuming for Clients and the Registrant and their affiliates to comply with such regulatory reporting and compliance-related obligations, including, without limitation, Form PF, Form BE-13, reports to be filed in connection with the requirements of the U.S. Commodity Futures Trading Commission (if such reports become required) and reports, disclosures, filings and notifications prepared in accordance with the Directive (as defined below) and/or other regulatory filings of the Registrant and its affiliates relating to the Partnership’s activities or a Limited Partner’s jurisdiction. For example, Form PF requires that the Registrant report the regulatory assets under management of the Client, and because the Client will be required to bear Clients’ expenses relating to compliance-related matters and regulatory filings, Clients will bear the costs and expenses of initial and ongoing Form PF compliance applicable to Clients, including costs and expenses of collecting and calculating

data and the preparation of such reports and filings. Such expenses are likely to be material, including on a cumulative basis over the life of a Client. As part of a broader trend towards such increased scrutiny, the SEC has undertaken an exam initiative aimed at reviewing, among other things, the disclosure and allocation of fees and expenses by private fund advisers to their investors. The SEC is focused on uncovering material weaknesses in controls relating to the allocation and disclosure of fees and expenses. This enhanced scrutiny of private fund advisers may lead to further regulatory investigations and enforcement actions across the private investment funds industry generally, which will likely require the devotion of additional compliance-related resources by private fund advisers and make it increasingly costly for funds like Clients to conduct their business. Any further increases in the regulations applicable to private investment funds generally or Clients and/or the Registrant in particular may result in increased expenses associated with Clients' activities and additional resources of the Registrant being devoted to such regulatory reporting and compliance-related obligations, which may reduce overall returns for the Limited Partners and/or have an adverse effect on the ability of Clients to effectively achieve its investment objective.

Furthermore, various federal, state and local agencies have been examining the role of placement agents, finders and other similar service providers in the context of investment by public pension plans and other similar entities, including investigations and requests for information, and in connection therewith, new and/or proposed rules and regulations in this arena may increase the possibility that the General Partner and its affiliates may be exposed to claims and/or actions that could require a Limited Partner to withdraw from a Client. Relatedly, Macquarie may be required to provide certain information regarding some of the investors in a Client to regulatory agencies and bodies in order to comply with applicable laws and regulations. In addition, as a publicly traded global alternative asset manager whose broad range of businesses includes the management of direct and secondary private equity funds, hedge funds, real estate funds, credit-oriented funds, mutual funds, and other private investment funds, as well as the provision of various financial advisory, restructuring and fund placement services, Macquarie is from time to time subject to litigation and claims relating to its businesses, as well as governmental and/or regulatory inquiries, investigations and/or proceedings. While it is difficult to predict what impact, if any, the foregoing may have, there can be no assurance that any of the foregoing, whether applicable to Macquarie generally and/or Clients and/or the Registrant specifically, would not have a material adverse effect on a Client and its ability to achieve its investment objectives.

The current regulatory environment in the United States may be impacted by future legislative developments, such as amendments to key provisions of the Dodd-Frank Act. On January 20, 2017, Mr. Donald J. Trump became President of the United States. The full scope of President Trump's short-term legislative agenda is not yet fully known, but it may include certain deregulatory measures for the U.S. financial services industry, including changes to the Volcker Rule. On February 3, 2017, President Trump signed an executive order calling for the administration to review U.S. financial laws and regulations in order to determine their consistency with a set of core principles identified in the order.

#### **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 Economic Area (the "EEA") ("AIFMD") imposes requirements on non-EEA alternative investment fund managers ("AIFMs") who market alternative investment funds ("AIFs") to investors within the EEA.

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 of the Directive (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 of the Directive. Where national private placement is permitted, among other things:

- the AIFM must comply with article 22 of the AIFMD (requirements relating to an annual report), article 23 of the AIFMD (pre-investment and periodic disclosure to investors), article 24 of the AIFMD (periodic reporting to regulators), and articles 26 to 30 of the AIFMD 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 AIF is marketed and the supervisory authorities of the third country where the AIFM is established and, if applicable, those of the country where an AIF is established.

In addition to these minimum requirements, some jurisdictions require a non-EEA AIFM to comply with all or part of AIFMD; other jurisdictions require compliance with the minimum requirements plus, e.g., the appointment of a depositary. Because each national private placement regime is a matter of national law, a non-EEA AIFM must comply with different regulatory requirements in different member states, both in respect of the initial process for seeking to market in that member state and, to some extent, with respect to ongoing compliance.

AIFMD's requirements were not applicable to MIP IV's predecessors, may not apply to other funds which closed before the expiry of the Directive transitional period (July 22, 2014) and they do not apply to vehicles which are not structured as AIFs. These requirements have the potential to adversely affect the operations of MIP IV, including by (i) affecting the range of investment and realization strategies that MIP IV is able to pursue, (ii) limiting the territories in which MIP IV may seek investors, and (iii) materially adding to the costs associated with compliance, monitoring and reporting over the life of MIP IV.

The Registrant has collaborated with MIRA AIFM to establish the MIP IV EU Fund. As MIRA AIFM is under a duty to act in the best interests of the MIP IV EU Fund without having regard to the interests of MIP IV LP, there is a potential for conflicts of interest between the Registrant (in its role as manager of MIP IV LP and its role providing portfolio management services to the MIP IV EU Fund, or as adviser to MIRA AIFM) and MIRA AIFM in its role as AIFM of the MIP IV EU Fund. It is possible that MIRA AIFM could come to a different appraisal of the risk profile of one or more investments acquired jointly by MIP IV LP and the MIP IV EU Fund and MIRA AIFM could determine that an investment is inappropriate or outside the risk profile of the MIP IV EU Fund and cause the MIP IV EU Fund to participate in investments differently than MIP IV LP. In this regard, MIRA AIFM could limit or restrict investments by the MIP IV EU Fund in order to comply with its risk management responsibilities. MIRA AIFM will be responsible for valuation of the assets of the MIP IV EU Fund (or for appointing an external valuer) and it is therefore possible that the valuation of the investments could differ for investors in the MIP IV EU Fund and those in



MIP IV LP. On June 23, 2016, the people of the United Kingdom voted in a referendum to leave the EU. While it is too early to speculate as to the ultimate outcome of exit negotiations, it is currently anticipated that the United Kingdom will cease to be a member of the European Union during 2019. As a result of the United Kingdom ceasing to be a member of the European Union, the manner in which MIRA AIFM manages investment funds established in the European Union may be impacted.

In the future, it may be possible for the Registrant to seek authorization as an AIFM in an EEA member state or under a similar regime elsewhere. This may entail compliance with all requirements of AIFMD. In such circumstances, the AIFM would become subject to additional requirements, such as rules relating to remuneration, minimum regulatory capital requirements, restrictions on the use of leverage, restrictions on investment in securitization positions, requirements in relation to liquidity and risk management, valuation of assets, etc. As a result, AIFMD could in the future have other adverse effects in relation to the Registrant's business by, among other things, increasing the regulatory burden and costs of operating and managing investment funds and their investments, and potentially requiring changes to compensation structures for key personnel, thereby affecting the Registrant's ability to recruit and retain these personnel. MIP IV EU Fund will bear the costs and expenses of compliance with AIFMD and any related regulations, including costs and expenses of collecting and calculating data and the preparation of regular reports to be filed with EEA member states. Compliance with AIFMD could expose the Registrant and / or MIP IV to conflicting regulatory requirements in the United States.

### **Competition Risk**

Traditional infrastructure assets may have a strategic competitive advantage as they often exist in locations or markets where there are few alternatives to the services they provide. The lack of alternatives may be due to regulatory or legal frameworks, such that businesses were able to have strong sector positions. The development of anti-monopoly laws and regulations as a result of changes in government plans and policies may increase competition for investments, and may materially and adversely affect Clients' business, financial conditions and results of operations.

### **Highly Competitive Market for Investment Opportunities**

The activity of identifying, completing and realizing attractive investments that fall within a Client's investment objectives is highly competitive and involves a high degree of uncertainty and will be subject to certain market conditions. Clients will be competing for investments with other investment funds, as well as companies, public equity markets, individuals, financial institutions, strategic buyers and other institutional investors. Further, a number of private equity and infrastructure funds have been formed (and many existing funds have grown in size), which compete in the general infrastructure asset class. Additional funds with similar objectives have been, and may be formed in the future, by other parties. Some of these competitors may have more relevant experience, greater financial resources, less expensive cost of capital, and more personnel. Clients, its General Partner, the Registrant and Macquarie. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of investment opportunities available to Clients, which may also require Clients potentially to participate in auctions more frequently and otherwise adversely affect the terms upon which investments can be made. The outcome of any such auctions cannot be guaranteed, thus potentially reducing the number of investment opportunities available to Clients, and potentially adversely affecting the terms, including price, upon which investments can be made. There can be no assurance that Macquarie will be presented with or develop suitable investment

opportunities for Clients, including within any particular sector, geography, asset or transaction size or type. In addition, as more fully described herein, investment opportunities otherwise appropriate for Clients may be shared or otherwise allocated (in whole or in part) to other Macquarie-managed or -sponsored investment funds (or limited partners therein) vehicles or accounts or divisions within Macquarie itself. Clients expect to incur bid costs on investments which will not be successful. As a result, Clients do not expect to recover all of its bid costs, which would adversely affect returns. There can be no assurance that Clients will be able to locate, consummate and exit investments that satisfy Clients' internal rate of return objectives or realize upon their values, or that Clients will be able to invest fully its committed capital. The Registrant may pursue a wide variety of investment strategies and may modify or depart from the Registrant's initial investment strategy, investment process, and investment techniques as it determines appropriate and practicable to accomplish a Client's overall investment objectives.

### **Development Risks**

The successful development and construction of new, or expansion of existing, 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, governmental regulation, demographic changes, economic growth, increasing fuel prices, government macroeconomic policies, toll, tariff and other fee rates, social stability, technical obsolescence, competition from untolled or other forms of transportation, receipt of regulatory approvals or permits, site or land procurement, environment related issues, labor disputes (such as work stoppages), acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, counterparty non-performance, changes in demand for products or services, defective design or construction, bankruptcy or financial difficulty of a major customer or supplier, 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, adverse weather conditions, unexpected construction conditions, and other construction risks. 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 the Client. When making an investment, value may be ascribed to infrastructure projects (new or expansion) that do not achieve successful implementation, potentially resulting in a lower than expected internal rate of return over the life of the investment. In addition, there are significant capital expenditures associated with the development of infrastructure assets generally. Construction costs may exceed estimates for various reasons, including inaccurate engineering and planning, labor and building material costs in excess of expectations, and unanticipated problems with project startup. Delays in project completion can result in an increase in total project construction costs through higher capitalized interest charges and additional labor and material expenses and, consequently, an increase in debt service costs and insufficient funds to complete construction. Delays may also result in adverse effects on the scheduled flow of project revenues necessary to cover the scheduled operations-phase debt service costs, lost opportunities, increased operations and maintenance expenses, and damage payments for late delivery. Investments under development or investments acquired to be developed may receive little or no cash flow from the date of acquisition through the date of completion of development and may experience operating deficits after the date of completion. Market conditions and laws

may change during the course of development that makes such development less attractive than at the time it was commenced.

### **Demand/Usage Risk**

Although Clients will target (and Co-Investment Clients investing alongside MIP III or MIP IV will target) assets with low demand, usage and throughput risk, residual demand, usage and throughput risk can affect the performance of Portfolio Investments. Demand, usage and throughput risk can affect the performance of infrastructure assets. Demand, usage and throughput depend on, and may be affected by, a wide variety of factors, such as demographic changes, economic conditions, fuel prices, government macroeconomic policies, tolls, tariffs, other usage or throughput-related fees, social stability, political or local opposition, technical obsolescence, competition from untolled or other forms of transportation, acts of God, war, terrorism, changes in demand for products or services, slower than projected construction progress and adverse weather conditions. To the extent that Registrant's assumptions regarding demand, usage and throughput prove incorrect, returns to the Clients could be adversely affected. Some investments may be subject to seasonal variations, including greater revenues and profitability during different seasons of the year. Accordingly, a Client's operating results for any particular investment in any particular quarter may not be indicative of the results that can be expected for that investment throughout the year.

### **Operations and Maintenance Risk**

As a general matter, the operation and maintenance of infrastructure assets involve significant capital expenditures and various risks, many of which may not be under the control of the owner/operator, including labor issues, political or local opposition, failure of technology to perform as anticipated, technical obsolescence, increasing fuel prices, structural failures and accidents, environment related issues, counterparty non-performance and the need to comply with the directives of government authorities. Optional or mandatory improvements, upgrades or rehabilitation of infrastructure assets may cause delays or result in closures or other disruptions subjecting the investment to various risks including lower revenues. The operations of infrastructure assets and businesses may also be 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 or other sources of revenue, substantial litigation or penalties for regulatory or contractual non-compliance. 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.

### **Legal Documentation and Other Legal Risks**

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.

Other legal risks include, but are not limited to, those relating to actions by special interest groups and other actions and/or litigation relating to the acquisition, ownership, operation and disposition

of a Client's investments that may adversely affect operations of an investment or the value thereof.

### **Financial Market Fluctuations & Inflation Risks**

General fluctuations in the market prices of securities may affect the value of Clients' investments. Instability in the securities markets may also increase the risks inherent in such investments. The ability of portfolio companies to refinance debt securities may depend on their ability to sell new securities in the public high-yield debt market or otherwise. Depending on the inflation assumptions relating to anticipated cash flows from an infrastructure project and their escalation factors, as well as the manner in which asset revenue is determined with respect to such project, returns from an investment may vary from those projected as a result of changes in the rate of inflation. Infrastructure assets are often highly leveraged and as a result are potentially exposed to adverse interest rate movements and increasing cost of debt. Unanticipated inflation in the cost of fuel, labor, resources and other inputs can also adversely affect the returns associated with investments. In addition, the regulatory regimes governing regulated infrastructure assets often use prevailing market interest rates in determining the allowed revenue that can be generated from these assets. As a result, revenue fluctuates with interest rate movements. Movements in interest rates may also affect the appropriate discount rate to be used to value investments, resulting in fluctuations in valuation.

Infrastructure assets are vulnerable to local, national and worldwide economic cycles. This could affect the cash flow from investments as well as the prices at which Clients, directly or indirectly, purchases or sells its investments.

Any deterioration of the global debt markets, any possible future failures of certain financial services companies and a significant rise in market perception of counterparty default risk and/or increases in interest rates and/or taxes will likely significantly reduce investor demand and liquidity for investment grade, high-yield and senior bank debt, which in turn is likely to lead some investment banks and other lenders to be unwilling or significantly less willing to finance new investments or to only offer committed financing for investments on less favorable terms than had been prevailing in the recent past. Clients' ability to generate attractive investment returns for its Limited Partners may be adversely affected to the extent Clients are unable to obtain favorable financing terms for investments. Any market turmoil, as well as a perceived increase in counterparty default risk, may have an adverse impact on the availability of credit to businesses generally and may lead to an overall weakening of the global economies, which in turn may adversely affect or restrict the ability of Clients to sell or liquidate investments at favorable times or at favorable prices or otherwise have an adverse impact on the business and operations of Clients.

### **Valuation Matters**

The value of all investments or of property received in exchange for any investments will be the fair values determined by the General Partners pursuant to guidelines prepared based upon U.S. generally accepted accounting principles and Macquarie's internal valuation policies. The carrying value of an investment may not reflect the price at which the investment could be sold in the market, and the difference between carrying value and the ultimate sales price could be material. Valuations are only estimates of future results that are based upon assumptions made at the time the valuations are developed and there can be no assurance that any projected results on which valuations may be based will be obtained, and actual results may vary significantly from

the valuations. General economic, political, regulatory and market conditions and the actual operations of the underlying portfolio company, which are not predictable, can have a material adverse impact on the reliability of such valuations. Additionally, under certain limited circumstances set forth in a Client's partnership agreement, distributions in-kind of investments for which market quotations are not readily available may be made. The valuation of such investments, and a General Partner's Carried Interest in respect thereof, will be determined by the relevant General Partner in accordance with procedures set forth in the applicable partnership agreement. Certain employees of the Registrant or MIRA may have compensation tied to a Client's investments which could create conflicts. The valuation of investments will affect the amount and timing of a General Partner's Carried Interest and, under certain circumstances, the amount of Management Fees payable to the Registrant. The valuation of investments may also affect the ability of Macquarie to raise a successor fund. As a result, there may be circumstances where a General Partner is incentivized to determine valuations that may be higher than the actual fair value of investments.

### **Borrowings & Leverage**

The Registrant expects to utilize significant leverage in connection with a Client's operation (such as bridging capital calls) and investments. Utilization of the leverage will result in fees, expenses and interest costs to Clients. While investments in leveraged companies and the use of leverage in financing transactions offer the opportunity for capital appreciation, such investments also involve a higher degree of risk. Although the General Partners will seek to use leverage in a manner it believes is prudent and consistent with infrastructure industry practice, such leverage will increase the exposure of an investment to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the investment and may impair such investment's ability to finance its 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 investment's flexibility to respond to changing business and economic conditions. While interest rate risk can generally be reduced through hedging, such as interest rate swaps or other mechanisms, there is sometimes residual exposure and, in any event, the Registrant does not expect to hedge interest rate risk. Furthermore, the hedged debt only provides certainty for a specific time period, and there is no guarantee that future hedges will achieve the desired result. Clients' assets, including any investments made by Clients and any capital held by Clients, are available to satisfy all liabilities and other obligations of Clients. If a Client or a Portfolio Investment defaults on secured indebtedness, the lender may foreclose and a Client could lose its entire investment in the security for such loan. If a Client itself becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Client's assets generally and not be limited to any particular asset, such as the investment giving rise to the liability. Because Clients may engage in portfolio financings where several investments are cross-collateralized, multiple investments may be subject to the risk of loss. As a result, Clients could lose their interests in several performing investments in the event such investments are cross-collateralized with poorly performing or nonperforming investments. In addition, there can be no guarantee that debt facilities will be available at commercially attractive rates throughout the term of a Client or when due for refinancing, such that a Client will be exposed to less favorable terms or rates upon a refinancing, or that any facilities negotiated will be fully utilized by the relevant General Partner.

Clients may, at any time before or after the end of the Investment Period, borrow funds to make investments on a leveraged basis and may withhold from distributions amounts necessary to

repay such borrowings. The interest expense and other costs incurred in connection with such borrowings may not be recovered by income from investments purchased by Clients. If investment results fail to cover the cost of borrowings, the value of the portfolio held by Clients would decrease faster than if there had been no such borrowings. Additionally, if the investments fail to perform to expectation, the interests of limited partners in a Client will be subordinated to such leverage, which will compound any such adverse consequences. Further, to the extent income received from investments is used to make interest and principal payments on such borrowings, limited partners may be allocated income, and therefore tax liability, in excess of cash received by them in distributions.

In addition, in certain circumstances, the General Partners shall have the right to cause their Clients to borrow money for the purpose of paying operational expenses, subject to the limitations described in the Partnership Agreement. The interest expense and other costs incurred in connection with such borrowings may not be recovered by appreciation in the Clients' investments.

In addition to a security interest in investments, borrowings may be secured by assignment of the obligations of the limited partners to make capital contributions to Clients. In the event of a failure to pay or other event of default under any such credit facility, the lenders could require investors to fund their entire remaining unfunded capital commitments. In addition, in the event that the lenders require investors whose capital commitments have been pledged to fund their capital commitment to repay indebtedness, the failure of certain of those investors to honor their capital commitments could result in the remaining investors' repayment obligations exceeding their pro rata share of the indebtedness. Such borrowings may limit the Partners' ability to pledge their interests in a Client as collateral for other indebtedness and their ability to transfer their interests, assuming the relevant General Partner has permitted a partner to pledge such interests, which remains within such General Partner's sole discretion. In addition, the terms of a subscription credit facility may restrict a General Partner's ability to consent to a pledge by a limited partner of its interest in a Client. A subscription credit facility may require lender consent for a limited partner to transfer its interest, the inclusion of the transferee in the borrowing base, or a repayment of the transferring limited partner's pro rata share of a Client's indebtedness or other similar obligations.

U.S. tax-exempt investors should note that the use of leverage by Clients may create unrelated business taxable income as defined in Sections 512 through 514 of the Internal Revenue Code ("UBTI").

### **Investment in Restructurings**

The success of a Client's investment strategy will, in some cases, depend, in part, on the ability of a Client to restructure and effect improvements in the operations of a portfolio company or expand the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies 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.

In addition, a Client may make investments in restructurings that involve portfolio companies that are experiencing or are expected to experience financial difficulties. These financial difficulties may never be overcome and may expose the Client to loss or cause such portfolio companies to become subject to bankruptcy proceedings. Such investments could, in certain circumstances,

subject a Client to certain additional potential liabilities that may exceed the value of a Client's original investment therein. For example, under certain circumstances, a lender who has inappropriately exercised control over the management and policies of a debtor may have its claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to a Client and distributions by a Client to its limited Partners may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in restructurings may be adversely affected by statutes relating to, among other things, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims or recharacterize investments made in the form of debt as equity contributions.

### **Bridge Financings**

From time to time, a Client 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 a 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 a Client. A Client's bridge financings may be entered into at prospective returns below a Client's target investment returns. Therefore, a bridge financing that is not exited as originally anticipated, even if successfully recovered by a Client, could significantly reduce a Client's overall investment returns.

### **Additional Capital**

Certain portfolio companies, 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 Company. Each round of financing (whether from a Client or other investors) is typically intended to provide a portfolio company with enough capital to achieve specific corporate objectives or to reach the next major corporate growth or development milestone. As a result, a portfolio company may have to raise additional capital, which may occur at a price or on terms unfavorable to the existing investors, including a Client. In addition, a Client may make additional debt and equity investments or exercise warrants, options or convertible securities that were acquired in the initial investment in such company in order to preserve a Client's proportionate ownership when a subsequent financing is planned, or to protect a Client's investment when such portfolio company's performance does not meet expectations. The availability of capital is generally a function of capital market conditions that are beyond the control of Clients or any portfolio company. There can be no assurance that portfolio companies will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source. Failure to make a capital expenditure may reduce a portfolio company's future prospects, or under a concession or other agreement, result in a reduction in revenue or the loss of the concession or other applicable rights or interests.

### **Illiquid and Long-Term Investments**

Investments in infrastructure assets are generally less liquid and involve a longer holding period than traditional private equity investments, which are themselves often considered illiquid and

long-term. Investments in unlisted companies or projects can be difficult or impossible to realize. Although investments may generate current income, the return of capital and the realization of gains, if any, from an investment may not occur until the partial or complete disposition of such investment. While an investment may be sold at any time (subject to lock-up periods that may be agreed to with third parties), it is not generally expected that this will occur for a number of years after the investment is made and may occur through an in-kind distribution to limited partners at dissolution and liquidation of a Client. It is unlikely that there will be a public market for the securities or interests held by a Client at the time of their acquisition. Therefore, no assurance can be given that, if a Client is determined to dispose of a particular investment, it could dispose of such investment at a prevailing market price, and there is a risk that disposition of such investments may require a lengthy time period or may result in distributions in-kind to investors. A Client will generally not be able to sell the securities underlying investments publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In addition, in some cases a Client may be prohibited by contract or regulatory reasons from selling certain securities or instruments for a period of time, and there can be no assurances that private purchasers of investments will be found. Similarly, due to the nature of the underlying investments, the sale of such investments may be subject to various regulatory approvals. Furthermore, infrastructure investments by their nature are subject to industry cyclicalities, downturns in demand, market disruptions and the lack of available capital for potential purchasers and are therefore often difficult or time-consuming to liquidate. Upon dissolution of a Client or as otherwise provided in the partnership agreement, investments may be distributed in-kind so that limited partners may then become minority shareholders in a number of unlisted companies (and, as a consequence, be unable to protect their interests effectively). 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, MIP IV, MIP IV 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 and MIP IV. 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 Clients and Co-Investment Clients will occur. A 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 and Exchange Rate Risks**

Certain of the Clients' Portfolio Investments and the income received by Clients with respect to all such investments, are expected to be denominated at least in part in currencies other than Dollars. However, the books of Clients will be maintained, and capital contributions to and distributions from Clients, including in respect of Carried Interest, generally will be made in Dollars. Accordingly, changes in currency exchange rates, costs of conversion and exchange control regulations may adversely affect the dollar value of investments, interest and dividends received by Clients, gains and losses realized on the sale of investments and the amount of distributions, if any, to be made by the Client. For example, any significant depreciation in the exchange rate of the Canadian Dollar, or any other currency in which Clients make direct or indirect investments, against the Dollar, could adversely affect the value of distributions or proceeds on investments denominated in Canadian Dollars, or such other currencies. In addition, certain countries in which Clients may invest have implemented or may implement strict controls



on foreign exchange which may result in artificially pegged exchange rates that may distort the results of and returns on investments in such countries. Moreover, Clients will incur costs and may experience substantial delays when, or be prohibited from, converting one currency into another. While the Registrant may, but is not required to, enter into hedging transactions designed to reduce such currency risks, there can be no assurance that any such transactions would happen and/or achieve their intended results. Further, such hedging transactions could result in diminished returns (or increased losses on capital) to the extent overall returns are less than the Clients' costs or losses associated with such hedging transactions. Clients may also experience gains attributable solely, or in large part, to favorable movements in exchange rates as of any date of valuation or realization of an investment, even despite a relatively adverse performance of the relevant investment.

### **Commodity Price Risk**

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 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 (as evidenced by the most recent precipitous decline in the price of oil throughout 2015) and such volatility may continue in response to any of the following factors: (i) relatively minor changes in the supply of and demand for oil, gas, coal or other commodities and inputs; (ii) market uncertainty; (iii) political conditions in international commodity producing regions; (iv) the extent of domestic production and importation of oil, gas or coal in certain relevant markets; (v) the level of consumer demand; (vi) the price of steel and the outlook for steel production; (vii) weather conditions; (viii) the competitive position of oil, gas or coal as a source of energy as compared with other energy sources; (ix) the industry-wide refining or processing capacity for oil, gas or coal; (x) the effect of foreign federal, state and local regulations on the production, transportation and sale of commodities; (xi) the expected consumption of coking coal in steel production and (xii) the amount and character of excess electric generating capacity in a market area. Market prices of these energy commodities as well as other inputs may fluctuate materially depending on a variety of factors beyond the control of the Registrant or the Clients, 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 the electric utility industry experiences competitive pressures, primarily as a result of consumer demands, technological advances, greater availability of natural gas and other factors. Selected pressure may exist where a wholesale market operates. A number of countries are considering, or implementing, methods to introduce and promote competition in the power generation and transmission industries. To the extent competitive pressures increase, the economics of independent power generation projects into which Clients may invest may come under increasing pressure. 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.

Electricity generation and related infrastructure investments may be subject to extensive non-U.S. and U.S. federal, state and local energy laws and regulations in the U.S. and other jurisdictions where portfolio companies are located, including without limitation, in the U.S. the Federal Power Act ("FPA"), the Energy Policy Act of 2005, the Public Utility Holding Company Act of 2005 ("PUHCA"), and the Public Utility Regulatory Policies Act ("PURPA"). Changes in applicable energy laws or regulations, or in the interpretations or administration of these laws and regulations, could result in increased compliance costs or the need for additional capital expenditures. If a portfolio company fails to comply with these requirements, it could also be subject to civil or criminal liability and the imposition of fines.

Under the FPA, the Federal Energy Regulatory Commission ("FERC") regulates wholesale sales of electricity and the transmission of electricity in interstate commerce by "public utilities" as defined under the FPA and places constraints on the conduct of their business, including, among other things, rate and corporate regulation including ownership and disposition of jurisdictional assets. In addition, the portfolio companies are subject to regulation by state agencies. Prior FERC or state approvals may be required prior to making or disposing of certain investments in regulated public utilities. Public utilities under the FPA are required to obtain FERC acceptance of their route schedules for wholesale sales of electricity and may obtain authority to sell electricity at market-based rates. If certain conditions are not met, FERC has the authority to deny as well as later revoke or revise market-based rate authority and require sales to be made based on cost of service rates. Even where market-based rate authority has been granted, FERC may impose various forms of market mitigation measures, including price caps, bidding rules and operating restrictions, where it determines that potential market power might exist and that the public interest requires such potential market power to be mitigated. Failure to obtain or loss of market-based rate authority for any Portfolio Investment in a power generation asset that is not otherwise exempt could have a material adverse effect on such portfolio company's revenues and business.

State public utility commissions in U.S. states ("PUCs") have historically had broad authority to regulate both the rates charged by, and the financial activities of, electric utilities that sell electricity at retail and other public utilities that provide utility service to the public such as water utilities and telecommunication service providers, and a number of other matters relating to electric and other public utilities. State laws may also impose certain regulatory and reporting requirements on other owners and operators of generation facilities and other public utilities. Independent power producers are considered to be public utilities in some states and are subject to varying degrees of regulation by PUCs, ranging from a requirement to obtain a "certificate of public convenience and necessity" to regulation of organizational, accounting, financial and other corporate matters. States may assert jurisdiction over the location and construction of electric generating facilities and other public utility facilities, and in certain situations, over the issuance of securities and the sale or other transfer of assets by these facilities. State jurisdictional natural gas transportation and storage rates are also frequently subject to regulation by local PUCs. Similar regulation may also apply in other non-U.S. jurisdictions where Portfolio Investments are made.

#### **Uncertainty of Projections and Outside Reports**

The Registrant will generally establish the capital structure of portfolio companies and the terms and target returns of investments in such portfolio companies on the basis of financial and other projections and forecasts for the applicable investments. Projected operating results will normally be based primarily on management judgments or third-party reports. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the

projections are developed. Projections are not guarantees or predictions of future performance, and there can be no assurance that the projected results will be achieved; actual results may vary significantly from the projections. General economic, natural and other conditions, which are not predictable, can have a material adverse impact on the reliability of such projections. Assumptions or projections about asset lives, the stability, growth or predictability of costs, demand or revenues generated by an investment or other factors associated therewith may, due to various risks and uncertainties including those described herein, differ materially from actual results. The Registrant may base its investment decision with respect to a particular asset based on projections and assumptions regarding the demand, usage and patronage of such asset, and to the extent that such projections and assumptions prove incorrect, a Client's financial returns could be adversely affected.

Certain investments, as well as Clients and the Registrant, will from time to time rely on the reports of technical consultants when evaluating the condition of infrastructure assets or other elements of an investment (such as expected energy use, demand or input availability). 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 other things, 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. The actual amounts of natural resources reserves may be underestimated, requiring adjustments such as additional capital or maintenance expenditures which may not be recoverable, allocable to counterparties or economic from a stand-alone perspective.

### **Real Estate Risks**

Some or all of a Client's investments may be subject to the risks inherent in the ownership and operation of assets or businesses 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 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.

Additionally, a Client may acquire assets in jurisdictions where indigenous rights (e.g., with respect to tribes or other dispossessed people/communities) to land exist. While a Client will generally conduct due diligence in such jurisdictions to determine the extent to which it may be affected by such rights, it may not be possible to mitigate against or remove a risk associated with indigenous claims. Additionally, any declaration of title in respect of government protected land on which infrastructure assets are located may negatively affect the operation of those businesses.

### **Land Title Risk**

Certain 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 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, an 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 investment's right to the leases and easements required to operate such investment. Similarly, it is possible that a government authority, as the holder of a tax lien, could foreclose upon a parcel and take possession of the portion of the investment located on such parcel. The rights of a third party pursuant to a superior lease (such as leases of oil, gas, coal or other mineral rights) could also result in damage to or disturbance of the physical assets of an investment or require relocation of investment assets. The locations of the portfolio companies may also be subject to government exercise of eminent domain power or similar events. The expiration of a landowner lease and the failure to obtain an extension will adversely affect the portfolio company on such property. If any investments were to suffer the loss of all or a portion of their underlying real estate interests or equipment as a result of a foreclosure by a mortgagee or other lienholder of a land parcel, or damage arising from the conduct of superior leaseholders, such investment's operations and revenues may be adversely affected.

### **Asset-Level Management**

The day-to-day operational management of a Portfolio Investment's business may be contracted to a third-party management company unrelated to the applicable General Partner or 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. Should a third-party manager fail to perform under any applicable agreements between it and the Portfolio Investment, the Portfolio Investment may need to find a replacement manager, which replacement manager may be subject to governmental approval. A Portfolio Investment may not be able to replace the manager, or do so on a timely basis, or if the Portfolio Investment is able to find a replacement manager, the replacement manager may demand terms that are unfavorable to the Portfolio Investment.

To the extent that day-to-day operation of a Portfolio Investment is not contracted to third-party managers, each Portfolio Investment's day-to-day operations will be the responsibility of such Portfolio Investment's management team. There can be no assurance that such management

team will be able to operate the Portfolio Investment in accordance with a Client's plans and objectives.

### **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. Misconduct by employees or by third-party service providers could cause significant losses to a Client. Employee misconduct may include binding a Client 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). 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 business prospects or future activities. Furthermore, because of Macquarie Group diverse businesses and the regulatory regimes under which they operate and the Registrant expects to conduct the business of Clients, misdeeds by a Macquarie Group entity may result in foreclosing the Client's ability to conduct its activities in the manner otherwise intended (e.g., a "bad act" within the meaning of Rule 506 under Regulation D promulgated under the 1933 Act by another Macquarie entity could foreclose the Clients' ability to engage in a private placement under Regulation D). It is not always possible to deter misconduct by employees or service providers, and the precautions the General Partners take to detect and prevent this activity may not be effective in all cases.

### **Indemnification; Exculpation**

Clients' partnership agreements will include exculpation, indemnification and other provisions that will limit the circumstances under which the General Partners, the Registrant and others can be held liable to a Client. The Clients will be required to indemnify and exculpate Macquarie, the General Partners, the Registrant, their affiliates and each of their respective members, officers, directors, managers, employees, stockholders, shareholders, partners and certain other persons who serve at the request of the General Partners on behalf of Clients for liabilities incurred in connection with the affairs of Clients. Such liabilities may be material. For example, in their capacity as directors of portfolio companies, the members, managers or affiliates of the General Partners or Registrant may be subject to derivative or other similar claims brought by shareholders of such companies. The indemnification obligation of Clients would be payable from the assets of the Client, including the Undrawn Capital Commitments of the Limited Partners. If the assets of a Client are insufficient, the General Partner or Registrant may recall distributions previously made to the limited partners, subject to certain limitations set forth in the applicable partnership agreement. Moreover, the applicable General Partner and Registrant will, notwithstanding any actual or perceived conflict of interest, be the beneficiary of any decision by it to provide indemnification (including advancement of expenses). This may be the case even with respect to settlement of actions where any indemnitee was alleged to have engaged in conduct that disqualifies any such person from indemnification or exculpation so long as such General Partner or Registrant (and/or their legal counsel) have determined that such disqualifying conduct did not occur. The partnership agreement contains provisions that, subject to applicable law, (i) reduce or eliminate the duties, including fiduciary and other duties, to which the General Partners or Registrant would otherwise be subject; (ii) waive duties or consent to the conduct of the General Partners that might not otherwise be permitted pursuant to such duties and (iii) limit the remedies of limited partners with respect to breaches of such duties. As long as the General Partners act in accordance with the provisions of the applicable partnership agreements (with the

understanding that references to “good faith” refer to subjective good faith), the General Partners will be deemed to be in compliance with its duties. This includes, for example, matters regarding conflicts which are approved by the LPAC, wherein the approval of the LPAC will be binding on all applicable limited partners.

Certain service providers to the Client, the General Partner, the Registrant, their respective affiliates and other persons, including, without limitation, the members of the LPAC, may be entitled to exculpation and indemnification (in certain cases, on terms more favorable to them than those available to indemnified parties generally). As a result, Clients and limited partners may have a more limited right of action in certain cases than they would in the absence of such limitations. It should be noted that the General Partners intend to cause Clients to purchase insurance for Clients, the General Partners, the Registrant and their employees, agents and representatives. In addition, because the General Partners may cause Clients to advance the costs and expenses of an indemnitee pending the outcome of the particular matter (including determination as to whether or not the person was entitled to indemnification or engaged in conduct that negated such person’s entitlement to indemnification), there may be periods where Clients is advancing expenses to an individual or entity with whom Clients is not aligned or is otherwise an adverse party in a dispute.

### **Control Position Risk**

Although non-control investments may also be made Clients generally intend to make investments from time to time that allow Clients to acquire control (either positive or negative) or otherwise exercise significant influence over management and the strategic direction of portfolio companies. The exercise of control over a company imposes additional risks of liability for environmental damage, workplace accidents, 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 company could expose the assets of Clients to claims related to such portfolio company, its shareholders and its creditors. While the Registrant intends to manage Clients in a manner that will minimize the exposure of these risks, the possibility of successful claims cannot be precluded. A Client may make and pursue investments and bear costs as partnership expenses in connection therewith with the expectation of offering a portion of its interests therein as a co-investment opportunity to limited partners and/or other third parties. In the event that a Client is not successful in transferring such co-investment, in whole or in part, such Client may consequently hold a greater concentration and have more exposure in the related Portfolio Investment than initially was intended, which could make such Client more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto. Moreover, a portfolio investment by a Client that is not transferred to co-investors on the terms originally anticipated or at all could significantly reduce such Client’s overall investment returns. Regarding MIP IV, the fund may also seek to cause MIP IV or MIRA to incur bid and diligence costs on behalf of potential co-investors, and the party underwriting such costs may receive a premium or cost mark up if the transaction is consummated.

### **Legal and Regulatory Risks**

The legal systems in countries in Other Americas may not offer the same protections to an investor that such investor’s country of origin would with respect to matters such as, but not limited to, corporate governance, commercial law, creditors’ rights and bankruptcy. New laws and regulations may be issued, and existing laws and regulations are subject to revision. In addition, administrative agencies and courts may not provide adequate or timely guidance as to the

interpretation or application of laws, and proceedings before such bodies may result in significant delays. As a result, portfolio companies may experience legal uncertainty that may preclude them from taking action or may result in disputes with governmental entities or third parties.

Laws and regulations of some countries in Other Americas may impose restrictions that would not exist in developed countries, may lack certain protections provided by laws of developed economies or may not be fully or consistently enforced, particularly where the counterparty to an agreement or in a dispute is a local government, resident or entity. In addition, many countries provide inadequate legal remedies for breaches of contract, including in connection with disputes with local partners.

In particular, laws regulating ownership, control and corporate governance of companies may not provide the same level of investor protection as those in an investor's country of origin. Fiduciary duty doctrines are limited, and the right of shareholders to bring suit is limited. To the extent that a Client makes minority investments, it may be more difficult for such Client to protect its position or enforce its rights against controlling shareholders or directors, as applicable, than it would be for minority shareholders in the U.S. or other more developed countries. Government supervision of portfolio companies' businesses may be less rigorous and less information may be available than in other countries where private equity funds typically invest due to differing regulations, reporting requirements and accounting, auditing and financial reporting standards.

Certain countries in Other Americas are more susceptible to unrest arising from economic hardship, uneven distribution of wealth, discontent with privatization, social and ethnic instability, reform of the social welfare system and public subsidies and the lack of an effective social safety net.

### **Public Disclosure Obligations**

Clients may be required to disclose confidential information relating to Clients' investors, its investments and its financial results to third parties that may request such information pursuant to federal, state or local law or regulation (either U.S. or non-U.S.) applicable to Clients or any of its limited partners, including those limited partners that are public agencies or governmental bodies.

### **Risks Arising from Provision of Managerial Assistance**

The General Partners will use reasonable best efforts to avoid having the assets of the Clients 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 (i) operate a Client as a "venture capital operating company" (a "VCOC") or "real estate operating company" (a "REOC") each within the meaning of the regulations promulgated under ERISA or (ii) limit investment in a Client by "benefit plan investors" (within the meaning of Section 3(42) of ERISA) to less than 25% of the total value of each class of equity interest in such Client. Operating a Client as a VCOC would require that such 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 each relevant General Partner intends to minimize exposure to these risks, the possibility of successful claims cannot be precluded.

### **Cyber Security Breaches and Identity Theft**

Macquarie's and portfolio companies' information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. If these systems are compromised, become inoperable for extended periods of time or cease to function properly, Macquarie, the Clients and/or a portfolio company may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Macquarie's, the Client's and/or a portfolio company's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm Macquarie's, the Client's and/or a portfolio company's reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect their business and financial performance. In addition, the SEC has made cyber security an area of regulatory focus. Among items that may be reviewed by the SEC inspection staff are advisers' policies and procedures designed to address computer security, identity theft and business continuity. The growing threat posed by cyber security breaches, coupled with expanding regulatory oversight, may increase expenses associated with the Clients' activities and reduce overall returns for the limited partners.

### **Advance Funding**

The General Partners may fund the making of investments and other capital needs with proceeds from drawdowns under one or more credit facilities (the collateral for which can be, for example, one or more assets of a Client, i.e., asset-backed facilities, or the undrawn capital commitments of investors, i.e., subscription lines) prior to calling capital commitments. There is no limitation on the amount of time any such borrowing may remain outstanding, and the interest expense and other costs of any such borrowings will be Client expenses including the cost of borrowings for corporations in which only some partners participate, and, accordingly, may decrease net returns of the Clients. It is expected that interest will accrue on any such outstanding borrowings at a rate lower than the preferred return, which will begin accruing when capital contributions to fund such investments, or repay borrowings used to fund such investments, are actually made to the Clients.

In addition, calculations of net IRR and gross IRRs in respect of investments, and with respect to the Clients, as reported to limited partners from time to time, are based on the payment date of capital contributions received from limited partners. This treatment also applies in instances where a Client utilizes borrowings under such Client's subscription-based credit facility in lieu of capital contributions or in advance of receiving capital contributions from limited partners to repay any such borrowings and related interest expense. Use of a subscription-based credit facility (or other long-term leverage) with respect to investments will result in higher reported net IRRs and gross IRRs than if the facility had not been utilized and instead the limited partners' capital had been contributed at the inception of an investment and may present conflicts of interest as a result of certain factors, including the interest rate on such borrowings typically being less than the rate of the preferred return and that such preferred return does not accrue on such borrowings, and only accrues on capital contributions when made. As a result, use of such long-term leverage arrangements with respect to investments may reduce or eliminate the preferred return received by the limited partners and accelerate or increase distributions of Carried Interest to the General



Partners, providing the General Partners an incentive to fund investments with the proceeds of such borrowings in lieu of drawing down capital commitments on a just-in-time basis, and, accordingly, capital contributions to repay such borrowings may be required significantly after acquisition of an investment (or never if principal and interest on such borrowings are repaid out of disposition proceeds). Additionally, the Registrant expects that borrowings for Management Fees for MIP III or MIP IV will be based on gross Management Fee amounts, rather than taking into account any rebates investors may receive at the time such borrowing is incurred. As such, MIP III or MIP IV will incur additional interest expense on the difference between gross and rebated Management Fee amounts. Subject to the limitations in the MIP IV partnership agreement, the use of a subscription-based credit facility by MIP IV is within the General Partner's discretion.

To the extent that a Client is unable to obtain a subscription line or an asset-backed facility, a General Partner determines that the terms of such facility would not be appropriate for its Clients or otherwise determines not to use such facility or access to such facility otherwise becomes unavailable, such General Partner may determine to draw down capital commitments in advance and hold them in reserve in order to make investments, satisfy fees and expenses and other capital needs as such needs arise in the future.

## **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

Macquarie Asset Management Solutions, a division of Delaware Distributors, L.P. ("MAMS") an affiliated broker-dealer and FINRA member, primarily seeks third parties to invest in MIRA-managed funds. In the regular course of business, MAMS assists the Registrant in advising on the sourcing, funding and execution of private transactions in the U.S. and, primarily in the case

of MIP IV, raising funds from third party investors to co-invest alongside MIP IV. 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 Funds Management Hong Kong Ltd. (iv) Korea – Macquarie Securities Korea Limited (v) Japan – Macquarie Asset Management Japan Co., Ltd. and (vi) Australia – Macquarie Fund Advisers Pty Limited.

#### 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, MIP III and MIP IV Partnerships in certain investments. Certain clients of MIRA Americas, Inc. (“MAI”), an SEC-registered investment adviser and affiliate of the Registrant, may invest in and co-invest alongside MIP IV Partnerships in certain investments. The Registrant is affiliated with MIRA AIFM, which is authorized by the United Kingdom Financial Conduct Authority as a “full scope” AIFM to manage MIP IV EU Fund for the purposes of the AIFMD as implemented in the United Kingdom. MIRA AIFM separately files reports as an exempt reporting adviser with the SEC. MIRA AIFM has entered into a sub-advisory agreement with the Registrant under which the Registrant will provide certain investment advisory services to MIRA AIFM for the ultimate benefit of MIP IV EU Fund. 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 and are listed in Form ADV Part I, Schedule D, Section 7A, but is not referenced herein because the relationship or arrangement is not material, nor does it create a conflict, to the Registrant’s business or its Clients.

#### 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 a Partnership 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.

As MAI, an affiliate of the Registrant, will provide advisory services to clients who may invest in and co-invest alongside MIP IV Partnerships in the same investments 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 MAI, 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 (but not the investors therein or any limited partner advisory committee thereof). 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 Related to Portfolio Investments**

Officers and employees of Macquarie will serve, and certain MIP IV limited partners may serve, as directors of certain Portfolio Investments and, in that capacity, will be required to make decisions that consider the best interests of such Portfolio Investment and its 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 Client, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individual's duties as an officer or employee of Macquarie, or as a MIP IV limited partner, and such individual's duties as a director of the Portfolio Investment. Conflicts will also arise in cases where the Client makes an equity or other subordinated investment in a Portfolio Investment that has issued or is issuing a senior mezzanine or debt

security to Macquarie or one or more of its clients or a Macquarie-managed or -sponsored fund or other investment vehicle. In negotiating the terms and conditions of any such mezzanine investment or loan or in addressing any subsequent amendments, Macquarie or such client, fund or investment vehicle will have interests that will conflict with those of the Client. If an issuer in which the Client and Macquarie or one or more of its clients or a Macquarie-managed or -sponsored fund or other 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 and other terms). The officers, directors, members, managers and employees of the General Partner and the Registrant may trade in securities for their own accounts, subject to (i) the Registrant's Code of Ethics which outlines the Registrant's policies and procedures regarding standards of conduct, personal investment transactions, and handling of material non-public information and (ii) restrictions and reporting requirements as may be required by law or otherwise as determined from time to time by the General Partner or the Registrant, as applicable. In addition, as a consequence of Macquarie's status as a public company, the officers, directors, members, managers and employees of the General Partner and the Registrant may take into account certain considerations and other factors in connection with the management and advice with respect to of the business and affairs of the Client and its affiliates that would not necessarily be taken into account if Macquarie were not a public company.

#### **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. MIP IV is subject to the foregoing restriction unless consent of either the MIP IV's LPAC or a majority in interest of MIP IV's investors is obtained.

With regard to MIP III and MIP IV, apart from (i) transactions (including service contracts) that are expressly contemplated or approved by the applicable partnership agreements (including, without limitation, co-investment, the receipt of, or contracts providing for, the Management Fee and Carried Interest, insurer/vendor/issuer/broker commissions (and, in the case of MIP III, rebates) described in Item 5.C herein and any transaction approved by the relevant LPAC or the applicable Partnership's investors holding a majority of such Partnership's interests ("majority in interest of the applicable Partnership investors") and (ii) any investment that is underwritten or warehoused by the Macquarie Group for acquisition by the applicable Partnership where such Partnership's acquisition of such investment was made with the prior written consent of a majority in interest of the applicable Partnership's investors or the relevant LPAC, the applicable General Partner shall cause such Partnership 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 a certain threshold as set forth in the applicable

partnership agreement or (y) is otherwise reasonably determined by the applicable General Partner to be material, with Macquarie and its affiliates; provided, that, in the case of MIP IV, the terms of any transaction approved by the LPAC shall be deemed to be on an arm's-length basis.

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 and MIP II are fully invested as of December 31, 2017, the Registrant believes a discussion of the allocation of investment opportunities is most relevant to MIP III and MIP IV.

With regard to MIP III and MIP IV, except under limited exceptions set forth in the applicable partnership agreement, the relevant General Partner, the Registrant and their affiliates within MIRA will not invest outside the applicable Partnership 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 such Partnership's investment period or the time at which over 75% of such Partnership'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 a predecessor fund, (d) any investment by Macquarie Infrastructure Corporation ("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), (g) any portion of an investment opportunity with respect to which the relevant General Partner shall have determined in good faith that (i) such Partnership 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) such Partnership is legally or contractually prohibited from making such Portfolio Investment, or (iii) it would not be in the best interests of such Partnership 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 such Partnership's overall portfolio at the time such investment opportunity arises or (h) in the case of MIP IV, any investment opportunity that MIRA was not involved in sourcing that is available exclusively to a third party pursuant to a binding contractual agreement that MIRA was not involved in securing, which may be a MIRA or Macquarie client, as reasonably determined by the Registrant.

Investment opportunities sourced by or presented to any Macquarie entity outside of MIRA will not be required to be presented to MIP III or MIP IV and may be made (in whole or in part) away from MIP III or MIP IV.

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 or MIP IV. To make new investments, MIC relies on its own cash resources, as well as capital raised from the public markets. As of March 31, 2018, MIC had a market capitalization of \$3.13 billion.

Subject to MIC's priority, and as further set forth in the MIP III or MIP IV partnership agreement, investment opportunities will be allocated by MIRA to MIP III or MIP IV 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 and MIP IV 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 and MIP IV. 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. There may be circumstances where an investment opportunity may be allocable to Macquarie-managed or -sponsored funds, vehicles and accounts with overlapping mandates or competing priorities, in which case MIRA's Executive Committee will seek to allocate such opportunity in accordance with the key principles of MIRA North America's deal allocation policy.

Further, each of the MIP III GP and the MIP IV GP has and intends to from time to time offer certain persons, including existing MIP III and MIP IV limited partners who are strategic or large investors or other strategic third parties, the opportunity to co-invest in particular investments alongside MIP III or MIP IV. Under the MIP III and MIP IV partnership agreements, the MIP III GP and the MIP IV GP have discretion over the allocation of co-investment opportunities, and have entered into side letter arrangements with certain MIP III and MIP IV limited partners entitling them to preferential or priority access to co-investment opportunities before any other MIP III and MIP IV limited partners. In addition, the MIP III and MIP IV Management Fee and Carried Interest, as well as any transaction-based fees earned by an affiliate of the Registrant payable by certain MIP III and MIP IV limited partners, are based in part on the amount of co-investment offered to or made by those MIP III and MIP IV limited partners, creating an incentive for the MIP III GP and the MIP IV GP to offer co-investment opportunities to those MIP III and MIP IV limited partners

rather than offering such opportunities to other MIP III and MIP IV limited partners or MIP III and MIP IV.

In addition, any successor fund to Macquarie's fully invested fund for infrastructure investments in Mexico, if established ("MMIF2"), is expected to have priority over MIP IV with respect to infrastructure opportunities in Mexico; provided that MMIF2 would be expected, but not required, to present opportunities to MIP IV to make a Portfolio Investment in Mexico through co-investment with MMIF2 if the opportunity is within MIP IV's investment mandate and presents, or is expected to present due to anticipated follow-on investment opportunities, an opportunity for MIP IV to invest at least \$100 million in the Portfolio Investment. MMIF2 may become subject to a requirement for approval by its limited partner advisory committee (or similar governing body) if MIP IV declines to pursue an investment opportunity in Mexico and MMIF2 still seeks to make such investment without MIP IV's participation, which may create a conflict of interest for the Registrant in considering such transaction.

### **Co-Investments**

Prospective investors should note that the Registrant may offer co-investment opportunities in its sole discretion and is not expected to offer co-investment with respect to all of the Client's investments. Prospective investors should also note that investors are not required to participate in co-investments offered by the Registrant and that the Registrant may not offer all investors the opportunity to invest in any co-investments. Moreover, transaction-specific returns, and an investor's overall returns from its exposure to the Client's investments, may be affected significantly by the extent to which such investor is offered and chooses to participate in co-investment opportunities and the economic and other terms offered to such investor. There is no guarantee, prediction or projection of the availability of future co-investment opportunities.

Portfolio Investments in Mexico are generally expected to be made alongside MMIF2, if in existence, as a co-investor. Co-investment in a portfolio company with another Macquarie-managed or -sponsored investment fund, vehicle or account may present conflicts of interest for the Registrant. Macquarie's relationship with such other funds, vehicles or accounts could influence the decisions made or the advice provided (as applicable) by the General Partner, the Registrant and/or the personnel responsible for the affairs of the Client with respect to such investments. For example, the other MIRA-sponsored investment fund, vehicle or account may have a term that expires before or after that of the Client and therefore may have a differing interest regarding the timing of disposition of a shared portfolio investment. In addition, the other fund, vehicle or account may have a different capability to participate in follow-on investments and otherwise provide financial support for the portfolio company. Similarly, there may be instances where capital available for investment with respect to a particular co-investment opportunity from other sources (due to the attractiveness of such co-investment opportunity to potential co-investors) is limited, and therefore a larger percentage of such co-investment opportunity may be offered to the Client as a Portfolio Investment than would have otherwise been offered to it had additional capital been available from other sources. The allocation of co-investment opportunities may involve a benefit to Macquarie including, without limitation, fees or Carried Interest from the co-investment opportunity.

The Client may seek to make investments with the expectation of offering a portion of its interests therein as a co-investment opportunity to Limited Partners and/or other third parties. Macquarie may seek to cause the Client or MIRA to incur bid and diligence costs on behalf of potential co-



investors, and the party underwriting such costs may receive a premium or cost mark up if the transaction is consummated. In the case of Managed Co-Investors participating in a transaction, the Client will underwrite the costs with respect to such Managed Co-Investors in return for such Managed Co-Investors being responsible for payment of such costs plus a two times mark-up thereon if the transaction reaches financial close. MIRA will typically seek for any co-investors or potential co-investors to bear their share of broken deal expenses, although MIRA may not be able to achieve this result, which may result in the Client bearing a larger percentage of broken deal expenses. Conversely, a potential co-investment opportunity that is not ultimately consummated may generate proceeds (e.g., due to reverse termination fees) that may not ultimately be shared with the Client and/or the Limited Partners, notwithstanding that the Client may have participated in such potential co-investment opportunity as a Portfolio Investment were such opportunity ultimately consummated.

### **Advisory Activities**

In the regular course of business, the Registrant or its affiliates 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 the Registrant or an affiliate 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 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 and the Registrant have long-term relationships with a significant number of corporations and their senior management. In addition, Macquarie advises and provides 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, an operating group within Macquarie, manages private equity and hedge fund-of-funds, and as a result Macquarie and the Registrant maintain 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 the Registrant, 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 and the Registrant 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. In addition, certain MIRA professionals may be seconded to a Client's portfolio companies, with their compensation paid directly by such portfolio company to Macquarie, and therefore borne indirectly by the Limited

Partners. Generally, none of Macquarie's fees for any of the foregoing (including the compensation of seconded MIRA professionals) will be shared with any Client. In addition, Macquarie may act as underwriter or placement agent in connection with an offering of securities by investments in which a Client has invested or as underwriter, placement agent or financial advisor 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 advisors, 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, 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 and MIP IV, to the extent not disclosed in the quarterly or annual reports to investors, after the end of each fiscal year, the relevant General Partner, if applicable, shall send to the LPAC an expense report describing the services rendered to the applicable Client by the Registrant, such General Partner or any affiliate thereof during such fiscal year and the amounts billed for such services.

With regards to MIP IV EU Client, MIRA AIFM is appointed as MIP IV EU Client's AIFM with responsibility, among other things, for investment decisions and risk management on behalf of MIP IV EU Client, and has retained the Registrant as an adviser to MIRA AIFM pursuant to a sub-advisory agreement under which the Registrant will provide investment advisory services to MIRA AIFM with respect to MIP EU Client.

### **Other Activities**

Clients do not have teams dedicated solely to such Clients. 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, other investment funds and future activities. As a result of the foregoing, conflicts of interests will 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 facility run by affiliates of the Registrant, seeks to leverage the combined purchasing demand of Macquarie, Macquarie-managed funds and their portfolio

businesses (which may include Clients and their portfolio companies) to negotiate agreements with unaffiliated vendors such as insurance companies and brokers. When the Client or its portfolio company utilizes MIF, MIF may receive a commission 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, and in the case of MIP IV, a cap on such commission of 5% of the premium paid. 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.

With regards to MIP IV, MIF also has the ability to write insurance policies on behalf of certain insurance companies (the "MIF Insurance Program"). The only insurance company currently participating in the MIF Insurance Program is AIG, although in the future other insurers may be added and AIG may cease to participate. MIP IV or its portfolio company, as applicable, will engage an independent third party broker to canvas the insurance market to obtain bids from non-affiliated insurance companies for the placement of MIP IV's or such portfolio company's insurance policies, as applicable, and MIF may determine in its discretion that the MIF Insurance Program will participate in such bidding process (but MIF is under no obligation to so participate). MIP IV or such portfolio company will select the most attractive overall package among the bids received. If MIP IV or its portfolio company chooses a package that includes insurance policies through the MIF Insurance Program (MIP IV or such portfolio company in such capacity, a "Participating Company"), the Participating Company will receive a 15% premium reduction on the portion of the premium on the insurance policy written by MIF on behalf of the insurance companies participating in the MIF Insurance Program (but the insurance policy written by unaffiliated insurance companies outside the MIF Insurance Program will not receive this premium reduction). The insurance written as part of the MIF Insurance Program will mirror the pricing, terms and conditions set for the Participating Company by nonaffiliated insurance companies outside of the MIF Insurance Program before applying the 15% premium reduction; MIF does not set the pricing or other terms of the insurance written as part of the MIF Insurance Program. A Participating Company will pay the entire premium to its independent third party broker, who will then distribute such premium, less any amounts retained by the third party broker as its fee pursuant to its agreement with the Participating Company, to MIF and the non-affiliated insurance companies writing insurance outside of the MIF Insurance Program; MIF will then periodically distribute its share of such premium to its participating insurance companies, less an average expected fee of 10% to 12.5% of such premium, which MIF will retain in return for administering and managing the MIF Insurance Program. The amounts received by MIF will not be subject to the offset provisions. Fees earned by MIF under the MIF Insurance Program will vary depending on whether the independent third party broker is paid a flat fee or a commission based fee. Where the independent third party broker is paid a flat fee, the maximum fee available to MIF under the MIF Insurance Program will be 18% of the MIF Insurance Program policy premium. Where the independent third party broker is paid a commission based fee, MIF currently expects the average expected fee range available to MIF under the MIF Insurance Program to be 0% to 8% of the MIF Insurance Program policy premium. When a Participating Company utilizes the MIF Insurance Program, the fee available to MIF under the MIF Insurance Program may not, without consent of the LPAC, exceed 18% of the MIF Insurance Program policy premium. MIF currently expects that its average expected fee under the MIF Insurance Program will be 10% to 12.5% of the MIF

Insurance Program policy premium, which is based on MIF's expectation that approximately 50% of Participating Companies will agree on a flat fee structure with their independent third party broker. Irrespective of the fee paid to MIF under the MIF Insurance Program, the Participating Company will always receive a 15% premium reduction on the portion of an insurance policy written by the MIF Insurance Program compared to the premium paid to non-affiliated insurance companies outside of the MIF Insurance Program. MIF could be incentivized to seek flat fee third party broker structures to maximize the returns to it under the MIF Insurance Program. Any fee payable to MIF under the MIF Insurance Program is in addition to any commission or other payment received by MIF under the preceding paragraph.

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, an entity in which a Client, directly or indirectly, 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 and MIP IV, any actual conflicts of interest that arise in relation to the relevant Client will be resolved in accordance with the Registrant's conflicts management procedures, including, where required, by referral to the LPAC. If any matter arises that the relevant General Partner determines in its good faith judgment constitutes an actual conflict of interest, such 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 such 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 and MIP IV investors should note that the relevant Client's partnership agreement contains provisions that, subject to applicable law, reduce or eliminate fiduciary duties to the Client and the investors therein, provisions that waive or consent to conduct on the part of the relevant General Partner or the Registrant, and provisions that limit the remedies of the Client's investors with respect to breaches of such duties. Pursuant to the relevant partnership agreement, an LPAC will be established and the General Partner or the Registrant 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 General Partner or the Registrant acts in a manner, or pursuant to the standards and procedures, approved by the LPAC with respect to the conflict of interest, then the General Partner, the Registrant and their affiliates will not have any liability to the Client 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 and to have acted in good faith 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 may elect to co-invest the 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 the Client invests with such operators and partners. To the extent a dispute arises between Macquarie and such operators and partners, the Client's investments relating thereto may be affected.

#### **Service Providers**

Certain service providers or their affiliates (including, without limitation, any accountants, developers, property managers, administrators, lenders, bankers, brokers, attorneys, consultants, investment or commercial banking firms and certain other advisors and agents) of the Client, Macquarie or any of their affiliates may be investors in the Client and/or sources of investment opportunities and co-investors or counterparties therewith and may also provide goods or services to or have business, personal, political, financial or other relationships with Macquarie. These service providers and their affiliates may contract or enter into any custodial, financial, banking, advising or brokerage, placement agency or other arrangement or transaction with the Client, the General Partner, the Registrant or any MIP IV limited partner in the Client or any entity in which the Client has made an investment. Similarly, these service providers and their affiliates may engage in competitive activities and may earn fees from or receive other consideration from such persons or entities, and may provide different advice or services, take different action from the advice or services they provide, or action they take, for the Client. Moreover, certain service providers (or their affiliates, including project developers, lenders, brokers, attorneys, consultants and investment banking firms) to the Client and its portfolio companies may also provide services to or have other relationships with Macquarie. These other services and relationships may

influence the Registrant in deciding whether to select such a provider to perform services for the Client and its portfolio companies (the cost of which will generally be borne directly or indirectly by the Client). At times, including if unrelated officers of a portfolio company have not yet been appointed, Macquarie may be negotiating and executing agreements between Macquarie parties on the one hand and the portfolio company or its affiliates on the other hand, including management services agreements or similar agreements, which could entail a conflict of interest in relation to efforts to enter into terms that are arm's-length. Notwithstanding the foregoing, investment transactions for the Client that require the use of a service provider, 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 the Registrant believes to be of benefit to the Client, but it should be noted such service providers may not necessarily be the most cost effective or necessarily the best for every particular situation.

In addition, the General Partner may engage one or more fund administrators to perform certain functions in relation to the Client, including but not limited to, coordination of the Client's legal entity management function, execution and recordkeeping associated with applicable tax elections and filings, support for the General Partner's valuation process and support of certain investor correspondence, investor data management and reporting requests as well as data collection required for various regulatory reporting that the Client is obligated to comply with. Certain employees of such fund administrators may dedicate substantially all of their time to Macquarie investment funds and spend all or a significant majority of their business time at the Macquarie offices. In certain circumstances, advisors and service providers, or their affiliates, may have different arrangements for services provided to Macquarie, the General Partner, the Registrant or their affiliates as compared to services provided to the Client and its portfolio companies due to a variety of factors, including, without limitation, volume of work, complexity of the overall transaction or matter, time commitment and/or seniority of staff involved, which may result in more favorable arrangements than those payable by the Client or such portfolio companies.

### **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 ("MIP III 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 ("MIP III 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.

Similarly, the MIP IV General Partner has entered into and may from time to time enter into side letters with certain MIP IV limited partners which provide that co-investment opportunities will be

offered to MIP IV limited partners in accordance with the following principles: (a) first, in whole or in part to MIP IV, in an amount determined by the MIP IV General Partner to be appropriate in the context of the transaction, (b) second, to persons, whether or not MIP IV limited partners, whose participation in a MIP IV co-investment opportunity (in an amount determined by the MIP IV General Partner to be appropriate in the context of the transaction) would, in the MIP IV General Partner's opinion, be in the interests of MIP IV 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 IV co-investment opportunities ("MIP IV Strategic Co-Investors" and together with MIP III Strategic Co-Investors, "Strategic Co-Investors"), (c) third, to the extent the MIP IV General Partner determines it is beneficial for MIP IV, to MIP IV limited partners that have (x) together with their respective affiliates, made certain minimum levels of capital commitments to MIP IV (which the MIP IV General Partner shall have the right to waive on a case-by-case basis), (y) indicated the desire and ability to participate in co-investment opportunities alongside MIP IV and (z) been designated as a Managed Co-Investor by the MIP IV General Partner or the Registrant ("Managed Co-Investors") in one or more vehicles established by the MIP IV General Partner, the Registrant or an affiliate thereof, and managed by the MIP IV General Partner or its affiliate, in an amount determined by the MIP IV General Partner to be appropriate in the context of the transaction, (d) fourth, to MIP IV limited partners that have (x) made certain minimum levels of capital commitments to MIP IV prior to the end of the initial closing period of MIP IV (which the MIP IV General Partner has sole discretion to waive any requirement with respect to timing (but not the levels of capital commitments) on a case-by-case basis), (y) indicated the desire and ability to participate in co-investment opportunities alongside MIP IV and (z) been designated as a Priority Co-Investor by the MIP IV General Partner or the Registrant ("MIP IV Priority Co-Investors" and together with MIP III Priority Co-Investors, "Priority Co-Investors") and (e) fifth, at the MIP IV General Partner's discretion.

Strategic Co-Investors, Managed Co-Investors and Priority Co-Investors will receive preferential or priority access to co-investment opportunity before any other MIP III or MIP IV limited partners, as applicable. In exercising its discretion to allocate co-investment opportunities with respect to a particular investment among potential co-investors, the 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 Client's limited partner (but not a Priority Co-Investor or a Managed Co-Investor, in the case of MIP IV), 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 General Partner, acting in good faith, believed granting such preferential co-investment rights would be in the best interests of such Client;
2. the General Partner's evaluation of the size and financial resources of the potential co-investment party and the 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 a Client without harming or otherwise prejudicing such Client, in particular when the investment opportunity is time-sensitive in nature, as is typically the case;

3. any confidentiality concerns the 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 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 General Partner;
5. the 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 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 a Client 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 such Client 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 such Client being able to capitalize on a potential investment opportunity); and
7. whether the 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 the relevant Client and the General Partner.

In addition, the MIP III and MIP IV Management Fee and Carried Interest, as well as any transaction-based fees earned by an affiliate of the Registrant, payable by certain MIP III and MIP IV limited partners is based in part on the amount of co-investment offered or made by those MIP III and MIP IV limited partners. The relevant 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 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 a Client'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 General Partner and its affiliates are subject, discussed herein, did not exist. In each case, the General Partner has an incentive to offer co-investment opportunities to certain MIP III or MIP IV limited partners rather than offering such opportunities to other MIP III or MIP IV limited partners or MIP III or MIP IV. MIP III and MIP IV limited partners or other investors making investments alongside the applicable Client pursuant to the principles set forth above will typically be investors in Co-Investment Clients of the Registrant or Holding Companies.



The Registrant will have sole discretion to determine (i) when investment opportunities are available to co-investors and (ii) if applicable, the amount of such opportunity to allocate among Strategic Co-Investors, Managed Co-Investors, Priority Co-Investors and otherwise. If an investment opportunity is allocated to Managed Co-Investors or Priority Co-Investors, unless otherwise determined by the Registrant due to legal, tax or regulatory reasons, it is intended that each Managed Co-Investor or Priority Co-Investor, as applicable, will receive the right to invest, on a pro rata basis with other Managed Co-Investors or Priority Co-Investors, an amount equal to (x) such Investor's Capital Commitment to MIP IV less (y) the aggregate amount of MIP IV co-investment such Managed Co-Investor or Priority Co-Investor has committed to prior MIP IV co-investment opportunities (amounts committed but not invested will become available for future co-investment opportunities should the applicable transaction be abandoned by MIP IV or otherwise reduced).

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.

MIP IV, at the Registrant's discretion, or the Registrant or an affiliate thereof is permitted to underwrite the transaction costs of any MIP IV co-investors, and will bear such co-investors' portion of broken deal expenses if the transaction is not consummated. In the case of Managed Co-Investors, MIP IV will underwrite the costs of all Managed Co-Investors participating in a transaction in return for participating Managed Co-Investors being responsible for payment of such costs plus a two times mark-up thereon to MIP IV if the transaction reaches financial close. In the event a Managed Co-Investor or Priority Co-Investor declines to participate in a transaction offered to such Investor on the terms presented or within the time periods required, the Registrant will have no further obligation to present such transaction to such investor, regardless of whether the terms of the transaction or participation therein change following the applicable offer period.

#### **Side Letters; Other Arrangements**

Each of the MIP I, MIP II, MIP III and MIP IV General Partners and the Registrant has entered into and may further enter into side letters and other similar agreements with particular Limited Partners or groups or categories of Limited Partners with respect to the Client without the approval of any other Limited Partner, which has the effect of establishing rights under, altering or supplementing the terms of the Partnership Agreement with respect to such Limited Partner or group or category of Limited Partners in a manner different or more favorable to such Limited Partner or group or category of Limited Partners than those applicable to other Limited Partners. Such rights or terms in any such side letter or other similar agreement may include, without limitation, (i) excuse rights applicable to particular investments or investments in certain jurisdictions (which may increase the percentage interest of other Limited Partners in, and contribution obligations of other Limited Partners with respect to, such investments), (ii) additional informational rights for a Limited Partner or additional reporting obligations of the Client to such Limited Partner, including, without limitation, to accommodate special regulatory or other circumstances of such Limited Partner, (iii) waiver or modification of certain confidentiality

obligations and/or documentation that might be requested by the General Partner for the benefit of lenders or other persons extending credit to or arranging financing for the Client, (iv) consent of the General Partner to certain transfers by such Limited Partner or other exercises by the General Partner of its discretionary authority under the Partnership Agreement for the benefit of such Limited Partner, (v) restrictions on, or special rights of such Limited Partner with respect to the activities of the General Partner, (vi) withdrawal rights due to legal, regulatory or policy matters, including matters related to political contributions, gifts and other such policies, (vii) other rights or terms necessary in light of particular legal, regulatory or public policy characteristics of a Limited Partner, (viii) economic rights, for example, with respect to any Carried Interest and/or Management Fees to be charged to the Limited Partners (including fee rebates), (ix) matters regarding such Limited Partner's right to participate in co-investment opportunities (including, without limitation, preferential allocation thereof and the terms and conditions related to such participation (including any Carried Interest and/or Management Fees that might have to be charged with respect thereto)), which may be structured through one or more co-investment vehicles established by the General Partner for the benefit of such Limited Partners or their affiliates and which will not be viewed as affiliates of the General Partner under the Partnership Agreement and which may participate in co-investments alongside the Client relating to some or all of the co-investment opportunities available with respect to the Client, (x) additional obligations and restrictions of the General Partner and the Client with respect to the structuring of any Portfolio Investment (including with respect to alternative investment vehicles) in light of the legal, tax and regulatory considerations of particular Limited Partners, and (xi) preferential and/or priority access to, and economic and other terms applicable to, co-investment opportunities, including Management Fee and Carried Interest reductions in respect of the Partnership if a Limited Partner does not invest in a specified amount of Partnership or MIRA co-investments, which may incentivize the General Partner to present an investment opportunity as a co-investment to such Limited Partner and other investors with priority access co-investment rights rather than to the Partnership. Similar rights or terms may be granted with respect to Parallel Clients. Such side agreements may permit such Limited Partners to take actions on the basis of information not available to other Limited Partners (or the Client) that do not have the benefit of such agreements. A copy of the applicable provisions of each side letter (without duplication) that is entered into by the Client with the Limited Partners will be distributed in connection with the most-favored-nations side letter election process that will take place following the Final Closing Date. Moreover, notwithstanding the fact that a Limited Partner may have such a most-favored-nations provision in its side letter, such Limited Partner will not have the right to elect any rights or benefits: (a) unless such Limited Partner agrees to be bound by any obligations, restrictions or other terms related to such rights or benefits that have been agreed to with the investor initially granted such rights or benefits; (b) contained in any side letter entered into in connection with the admission of an investor and one or more of its affiliates to the Client and one or more other investment vehicles and/or managed accounts sponsored or advised by MIRA of an overall arrangement with MIRA and which are provided in consideration for such overall relationship (which may involve a Limited Partner making a capital commitment to the Client and a capital commitment to another investment vehicle managed by MIRA, including, for greater certainty, one or more funds or investment vehicles established and/or managed by MIRA for such Limited Partner's benefit), which agreement, for greater certainty, may remain confidential and not shared with any other Limited Partners; (c) that relate to the LPAC; (d) established in favor of another investor by reason of the fact that such other investor is subject to any laws, rules, regulations or policies to which such Limited Partner is not also subject; (e) that are personal to another investor based solely on the place of organization or headquarters of, organizational form of, or other particular restrictions

or considerations applicable to, such investor; (f) granted to an affiliate of MIRA (including, for this purpose, MIRA's professionals and employees (current and former), advisors and operating partners, any other fund or investment vehicle managed by MIRA and/or any related entities, vehicles and/or accounts associated with the foregoing), (g) with respect to co-investment rights and related arrangements, (h) granted to Limited Partner because of its relationship with another Limited Partner (e.g., because both such Limited Partners are represented by the same consultant with respect to their investment in the Client), (i) granted to another Limited Partner with a greater Capital Commitment and/or (j) granted on or before a certain date.

Any rights or terms so established in a side letter or other similar agreement with a Limited Partner will govern solely with respect to such Limited Partner (but not any of such Limited Partner's assignees or transferees unless so specified in such side letter) and will not require the approval of any other Limited Partner notwithstanding any other provision of the Partnership Agreement.

## **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, MIP III, MIP IV (other than MIP IV EU Fund) and Co-Investment Partnerships. The Registrant will, pursuant to a sub-advisory agreement with MIRA AIFM, also provide certain investment advisory services to MIRA AIFM for the ultimate benefit of MIP IV EU Fund for which MIRA AIFM serves as AIFM for the purposes of the AIFMD. 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 (REIT) 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., Macquarie Infrastructure Partners IV GP LLC, the general partner of MIP IV LP, 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 and MIP IV.

The Registrant provides similar assistance to MIRA AIFM for the ultimate benefit of MIP IV EU Fund for which MIRA AIFM serves as AIFM for the purposes of the AIFMD.

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 Advisers Act.

## **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 and MIP IV 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 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.