

# Macquarie



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## **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 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 brochure contains the following material changes relevant to Macquarie Infrastructure Partners Inc. ("the Registrant") since the completion of its last annual Form ADV Part II, provided to clients in December 2009. These changes were notified to the Registrant's clients in an updated Form ADV Part II, circulated in November 2010:

- Change of Chief Compliance Officer from Clare Lewis to William Dermody

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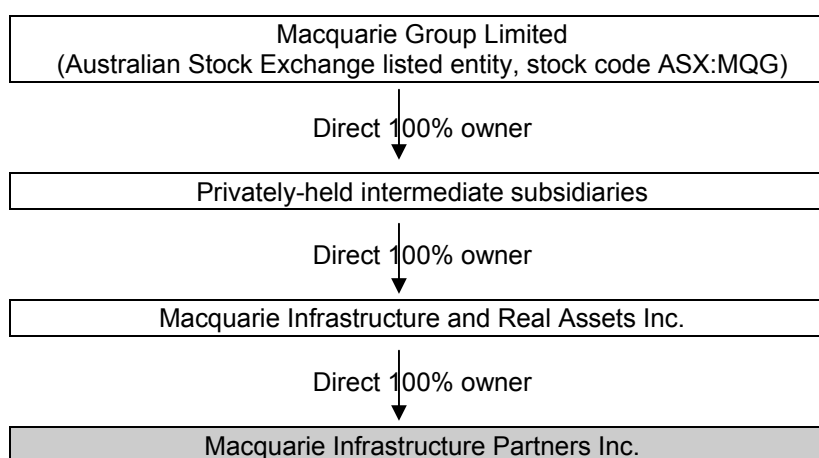
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## Item 4: Advisory Business

### A. Advisory Firm

Macquarie Infrastructure Partners Inc. (the “Registrant”), the registered investment adviser, is a Delaware corporation. It was incorporated in January 2003 and has been registered since March 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 provides 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 and any parallel funds or alternative investment vehicles then in existence in respect of any of them, “MIP I”) and 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”). MIP A, MIP B, MIP Canada, MIP International, MIP II U.S., MIP II International and any parallel funds or alternative investment vehicles then in existence in respect thereof are each referred to herein as a “Partnership” or “Client” and collectively as the “Partnerships” or “Clients”.

The Partnerships invest in and divest interests in infrastructure assets. 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. and MIP II International. These general partners (each, a "General Partner", and collectively the "General Partners") are 100% commonly controlled affiliates of the Registrant.

The Registrant advises on privately-negotiated acquisitions and dispositions of securities of infrastructure companies and the acquisition and disposition of infrastructure assets ("Portfolio Investments"). Infrastructure assets may include, without limitation, gas and electricity distribution and transmission networks; toll roads; airports and related infrastructure; telecommunications infrastructure; point-to-point rail links; marine container terminals and reload infrastructure; and water and waste-water related businesses which are, in the case of MIP I, principally located in the U.S. and Canada, and in the case of MIP II, principally located in North America. Equity-related securities may include preferred stock, warrants, convertible debt or preferred stock, partnership or similar interests in operating entities, 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 Partnership 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. The Partnerships may use leverage in connection with their investments.

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

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

While the Registrant does not impose a minimum balance as a condition to receiving advisory services, each Partnership generally imposes a \$10 million minimum investment for its investors, as described in the private placement memoranda of MIP I and MIP II. MIP I and MIP II are fully committed and no longer accepting new investors or commitments. The Partnerships invest through negotiated transactions in operating entities.

The Registrant's investment advisory services to the Partnerships consist of providing day-to-day managerial and administrative services to the Partnerships, 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.

Employees of the Registrant or affiliates may serve on a portfolio company's board of directors or otherwise act to influence control or management of companies held by 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 September 30, 2010 is:

	AUM \$US
Discretionary:	\$4,141,800,000
Non-Discretionary:	\$0.00
Total:	\$4,141,800,000

## **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 pursuant to (i) in the case of MIP I, the Sixth Amended and Restated Management Agreement, dated as of March 26, 2008 among the Registrant, the MIP I General Partners and the MIP I Partnerships and (ii) in the case of MIP II, the Amended and Restated Management Agreement, dated as of October 24, 2008 among the Registrant, the MIP II General Partner and MIP II Partnerships. Management Fees are paid at a rate of 1.5% per annum of capital commitments during each Partnership's "Investment Period" (up to the first five years of the Partnership's term) and, following the Investment Period, 1.5% per annum of invested capital in investments that have not been sold (payable quarterly in advance).

The Registrant may agree to a reduced Management Fee rate with certain investors in the Partnerships based on factors such as the timing of the investment, the size of the investor's commitment or its investment relationship with other funds managed by entities that are part of the "Macquarie Group" (the Macquarie Group of companies comprises MGL and its worldwide subsidiaries and affiliates). The Registrant or General Partner may receive directors' fees, transaction fees and monitoring fees from persons in which the Partnerships acquire or hold investments. Such fees are netted of amounts otherwise payable by the Partnerships, first by reducing reimbursed Partnership expenses incurred by the General Partners or Registrant, and second reducing future Management Fees.

The General Partners are entitled to receive a performance allocation ("Performance Allocation") from each applicable Partnership pursuant to the Partnerships' limited partnership agreements among the General Partner and the investors. The Performance Allocation is generally intended to pay the applicable General Partner 20% of each Partnership's profits assuming a performance hurdle has been achieved (as summarized below). The Performance Allocation is based on distributions made by the Partnerships and is generally calculated as follows: each Partnership distributes cash (and marketable securities): (i) first to the investors, until they have received a return of their capital contributions; (ii) second, to the investors until they have received an 8% preferred return; (iii) third, 80% to the General Partner and 20% to the investors until the General Partner has received 20% of the overall profits distributed by the Partnerships; and (iv) thereafter 80% to the investors and 20% to the General Partner.

In addition, in the event that interests in a 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.

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

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.

The Partnerships invest on a long-term basis. Accordingly, the fees are paid during the term of the Partnerships and investors generally are not permitted to withdraw or redeem interests in the Partnerships

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

No additional fees are paid to the Registrant by Clients in connection with advisory services provided.

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

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. In such case that a management agreement is terminated and a client has paid fees in advance, the Registrant will electronically refund those fees to the client on a pro rata basis.

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

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

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

Refer Item 5: Fees and Compensation

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

The only investment advisory service provided by the Registrant is to act as the investment advisor to the MIP I private Partnerships and the MIP II private Partnerships. 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. Investment advisory services are provided directly to the MIP I Partnerships and MIP II Partnerships and not individually to the Partnerships' limited partners. The limited partners participating in Partnerships 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 may include, directly or indirectly, senior executives or other employees of the Registrant and its affiliates.

Refer to Item 4C: Tailored Advisory Services and Restrictions, for a description of minimum account requirements.

## **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.

Deal Sourcing. Access to deal flow is one of the key factors of successful infrastructure investing. MIP I and MIP II expect investment opportunities to arise from a number of sources, including: (i) opportunities sourced and generated by Macquarie's relationships with industry participants, government, government authorities and other sources; (ii) opportunities originated by the affiliated Macquarie Capital Advisors division ("MacCap Advisors") and (iii) opportunities brought to the attention of the Registrant as a result of Macquarie's reputation as a global infrastructure investor. These opportunities are expected to arise through government commercialization, PPPs, private transactions and companies restructuring their business activities, for example, to direct capital towards core customer services.

Investment Screening and Analysis. 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 MIP I or MIP II, as applicable. Investments that do not fit the objective will be rejected, unless the Registrant receives approval from the Investor Advisory Committee ("IAC") to amend the investment objective so as to permit the investment. The Registrant will undertake an assessment of the key investment characteristics, including: (i) assessment of the stability of the cash flows of the business and factors influencing the future revenue and cash flow generated by the business (including product offering, competitive dynamics, legal and regulatory framework), (ii) assessment of the capability of existing management, including recent performance, expertise, experience, culture and incentives to perform; (iii) assessment and projection of the significant items of operating and capital expenditure; (iv) an understanding of, and where appropriate, optimization of the capital structure and tax treatment of the business; (v) analysis of the forecast cash flow of the business, free cash flow, yield and IRR, as well as opportunities to improve the cash flow of the business; and (vi) assessment of other investment risks.

Financial Analysis. The Registrant will analyze the key characteristics of individual businesses and model cash flows over an extended ownership period (typically, at least 20 years is used for financial modeling purposes). Assumptions will be made by the Registrant based on the experience and expertise of professionals managing similar businesses. Scenario and sensitivity analyses will be conducted to quantify risk and confirm that the risks associated with the investment are consistent with the applicable Partnerships' investment objectives. In addition, it will be used to model financial structuring and commercial initiatives in order to maximize returns to shareholders.

Due Diligence. The Registrant will conduct a review of relevant available information to identify material risks and validate assumptions in the financial analysis. The Registrant is able to benefit from the experience of managing similar businesses throughout the world and access to in-house personnel with operating expertise. In addition, MIRA has an institutional risk management framework and approval process that is applied to each investment. The Registrant will engage consultants to review key risk areas, including legal, tax, accounting, insurance, environmental and technical matters.

Other additional due diligence may be conducted based on the business or the sector in which it operates. For example, in the case of regulated businesses, a review of the relevant legislation and regulatory requirements may be undertaken to assess the potential impact on the future operations of the business, capital structure requirements, and any additional approvals or licenses that may be required prior to completion of the acquisition. For patronage businesses, traffic consultants are generally retained.

Investment Decision. The Registrant will prepare an investment proposal containing a summary of the business, results from the due diligence process, financial models and a recommendation for review by the officers of the Registrant. Based upon the information provided, and subject to the approval of the Investment Committee (the committee responsible for approving investment decisions of the officers of the Registrant), the Registrant will determine whether or not to make a formal offer or a binding commitment to invest, or, if necessary, make specific requests for additional information.

Ongoing Management. The Registrant will actively manage the Partnerships' portfolio investments, seeking opportunities to add value through: (i) representation on the boards and management committees of portfolio investments; (ii) leading the development and review of the existing management's business and financial plans; (iii) positioning in-house experienced executives to assist in the management of the business; (iv) supporting additional capital investment where appropriate; (v) implementing efficient capital structures to optimize returns to investors; and (vi) introducing management teams to other industry players, potential strategic partners and management teams of other businesses owned by vehicles managed by Macquarie.

Restructuring and Refinancing. As infrastructure businesses move through their lifecycle, from design and development, through initial opening and ramp-up, into mature operations, the risk profile of the revenue stream changes. The risk premium and discount rate applicable to the cash flows may decrease, potentially resulting in an increase in value. Once fully operational, these businesses typically have reliable and predictable cash flows. Coupled with their capital-intensive nature, this predictability allows for innovative capital management to enhance the value of equity investments.

When opportunities for restructuring or refinancing are identified, the Registrant will submit a proposal for review by the Investment Committee, summarizing the opportunity and making a recommendation. If appropriate, the Investment Committee will formally approve the opportunity and the Registrant will work alongside advisors to execute the transaction.

Liquidity. MIP I and MIP II have a ten-year term with possible extensions. In order to maximize returns to investors and ensure capital is used efficiently, MIP I and MIP II may employ the following liquidity strategies: (i) selling individual portfolio investments 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.

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

The Registrant will advise Clients primarily in operating or holding companies in the infrastructure and other industries whose principal place of business is located in North America. 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 Fund 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 an Investment.

In addition, general economic conditions in North America, 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.

#### ***Environmental Risks***

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

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

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

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

#### ***Toll Rates Risk***

Users of the toll roads, bridges, tunnels and subways operated by Portfolio Investments may react negatively to any adjustments to the applicable toll rates, or public pressure may cause relevant government authorities to challenge the toll rates. Motorists may react adversely to toll rates, for example, by avoiding tolls or refusing to pay tolls, resulting in lower traffic volumes and

reduced toll revenues. In addition, adverse public opinion, or lobbying efforts by specific interest groups, could result in governmental pressure on Portfolio Investments to reduce their toll rates, or to forego planned rate increases. The Registrant cannot guarantee that government bodies with which Portfolio Investments have concession agreements will not try to exempt certain vehicle types or classes of users from tolls or negotiate lower toll rates. If public pressure or government action forces Portfolio Investments to restrict their toll rate increases or reduce their toll rates, and they are not able to secure adequate compensation to restore the economic balance of the relevant concession agreement, Clients' business, financial condition and results of operations could be materially and adversely affected.

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

#### *Unforeseen Events Risk*

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

#### *Sovereign Risk*

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

#### *Competition Risk and Alternative Infrastructure Assets*

Clients may invest in Portfolio Investments that construct or maintain and operate infrastructure assets in a competitive environment. Clients will compete with other consortia and companies for infrastructure investments. These competitors, which include large construction and

engineering groups and financial investors, may have significant financial resources and may be able to present bids with competitive terms. As a result of such competition, Clients may have difficulty in making certain infrastructure investments, or, alternatively, Clients may be required to make investments on economic terms less favorable than anticipated. If Clients fails to make new Portfolio Investments or makes Portfolio Investments under less favorable terms, Clients' financial condition and results of operations could be materially and adversely affected.

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

#### *Construction Risk*

To the extent that Clients invests in new projects, there is a risk that such projects will not be completed within budget, within the agreed timeframe or to the agreed specification. This risk may be mitigated by provisions in the construction contract for payment of liquidated damages by the construction contractor. However, Clients may be exposed to any losses not covered by such provisions or to the financial failure of the contractor.

#### *Demand and Usage Risk*

Although Clients will target assets with low demand, usage and throughput risk, residual demand, usage and throughput risk can affect the performance of Portfolio Investments. To the extent that the Registrant's assumptions regarding the demand, usage and throughput of assets prove incorrect, returns to Clients could be adversely affected.

#### *Operational Risk*

The long-term profitability of the assets in which Clients invest will be dependent upon the efficient operation and maintenance of such assets. Inefficient operations and maintenance may reduce returns to Clients' investors.

#### *Inflation Risk*

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

#### *Valuation Risk*

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

#### *Leverage Risk*

Clients may invest in Portfolio Investments the capital structure of which may have significant leverage. While investments in leveraged companies offer the opportunity for capital appreciation, such investments may also involve a high degree of risk. Although the Registrant

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

*Illiquid Investment Risk*

Although Clients' investments may generate current income, the return of capital and the realization of gains, if any, from a Portfolio Investment generally will most likely occur only upon the partial or complete disposition of such Portfolio Investment. While a Portfolio Investment may be sold at any time, it is generally expected that the disposition of most of the Portfolio Investments will not occur for a number of years after such investments are made. Since investments in infrastructure assets are generally not liquid, it is unlikely that there will be a public market for the securities held by Clients at the time of their acquisition.

*Currency Risk*

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

*Portfolio Investment Management Risk*

With respect to management at the Portfolio Investment level, many Portfolio Investments may rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the Portfolio Investment's performance. Although the Registrant expects to monitor the management of each Portfolio Investment, the management of each Portfolio Investment will have day-to-day responsibility with respect to the business of such Portfolio Investment.

*Disposition of Private Investments Risk*

Many of Clients' investments will involve private securities. In connection with the disposition of an investment in private securities, Clients may be required to make representations about the business and financial affairs of the Portfolio Investment typical of those made in connection with the sale of a business. Clients also may be required to indemnify the purchasers of such investment to the extent that any such representations are found to be inaccurate. These

arrangements may result in the incurrence of contingent liabilities that may ultimately yield funding obligations that must be satisfied by the Clients' investors to the extent of distributions made to such Client investors or any unfunded Commitments.

*Control Position Risk*

Clients may obtain a majority ownership position or otherwise seek board representation and requisite shareholder rights that allow them to have input in decisions that potentially affect the operating value of each investment. As a result, Clients could, in some circumstances, be deemed to have control or be exercising influence over management and the strategic direction of Portfolio Investments in which it invests. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management and other types of liability in which the limited liability characteristic of business operations generally may be ignored. The exercise of control over a Portfolio Investment could expose the assets of Clients to claims by such Portfolio Investment, its security holders and its creditors. While the General Partner intends to manage the Fund in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.

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

*Regulatory and Legal Risks*

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

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

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

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

## **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-dealer

In the regular course of business, Macquarie Capital (USA) Inc. and Macquarie Capital Markets North America Ltd., affiliated broker-dealers, assist the Registrant in advising on the sourcing, funding and executing of private transactions in the U.S. From time-to-time, the Registrant may also use affiliated entities in foreign jurisdictions for similar purposes as follows: (i) Canada – Macquarie Capital Markets Canada Ltd., (ii) Japan – Macquarie Capital Securities (Japan) Limited, (iii) the European Union and the UK – Macquarie Infrastructure and Real Assets (Europe) Ltd., (iv) Switzerland – Macquarie Bank Limited, (v) Hong Kong and Singapore – Macquarie Capital Securities Limited, (vi) Korea – Macquarie Securities Korea Limited, (vii) Middle East – Macquarie Infrastructure and Real Assets (Dubai) Limited and (viii) Australia – Macquarie Capital Advisers Limited.



Other investment adviser

Certain clients of Macquarie Infrastructure and Real Assets Inc., the parent company of the Registrant and also a registered investment adviser ("MIRAI"), invest in and co-invest alongside the Partnerships in certain investments. Certain employees of MIRAI are seconded to the Registrant.

Banking or thrift institution

The Partnerships may borrow from Macquarie Bank Limited ("MBL"), 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"), which includes a Personal Trading Policy, Gift Policy and Code of Conduct Policy. 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) quarterly reporting of non-exempt personal securities transactions which were transacted during the quarter; (ii) filing of initial and annual holdings reports; (iii) a prohibition against personally acquiring securities in an initial public offering without prior approval; (iv) a prohibition against purchasing securities of a private placement without prior approval; (v) 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; (vi) 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 (vii) a prohibition against supervised persons profiting from the purchase and sale, or sale and purchase, of the same (or equivalent) securities within 14 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 ("MGL"), the ultimate parent of the Macquarie Group. The Macquarie Group engages in a broad spectrum of activities including securities underwriting, sales and trading, lending, merchant banking, financial

advisory services, investment research, asset management and other activities. In the ordinary course of business, the Macquarie Group engages in activities where interests of the Macquarie Group and third parties may conflict.

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

Under certain circumstances, the Partnerships may be offered an opportunity to make an investment in connection with a transaction 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 or seeks to invest in a company in which the Macquarie Group, a Macquarie Group client or a Macquarie Investment Vehicle already has made, or concurrently will make or seek to make, an investment. Conflicts of interest may exist between the Partnerships' interests and the interests of such co-investors in managing these investments and approving significant corporate matters.

In certain instances, the Partnerships 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 Partnerships 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 Partnerships.

If an issuer in which the Partnerships 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, 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 or by the IAC, independent directors or similar independent governing body of the Direct Investment Fund. In addition, contract counterparts such as lenders may impose similar conditions of ongoing involvement by the Macquarie Group and its removal may have adverse consequences such as an acceleration of loan repayments.

***Conflicts with Portfolio Investments***

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

### ***Principal Transactions and Brokerage***

The Macquarie Group or a Macquarie Investment Vehicle may sell securities or other financial instruments to or buy them from a Partnership or act as a counterparty to a Partnership in foreign exchange, financing, swap and derivative transactions ("Principal Transactions"). To the extent that the Registrant exercises any discretion on behalf of a Partnership in these transactions, any of these transactions would require the consent of the IAC of the relevant Partnership. 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.

The Partnerships 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 Partnerships.

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

MGL and members of the Macquarie Group will offer investment opportunities to other members of the Macquarie Group, including the Registrant, and external clients, that fall within the investment objective of the Partnerships and other Macquarie Investment Vehicles. Such allocations typically will take into account the investment return, geographic scope, investment strategies, investment size and such other factors as MGL or such member of the Macquarie Group may reasonably deem relevant. None of MGL or the other members of the Macquarie Group outside the MIRA division are obligated to offer or share any investment opportunity with the Registrant or the Partnerships and neither the Registrant nor a Partnership will have any priority in respect of investment opportunities provided or created by Macquarie. Certain Macquarie Investment Vehicles have priority over the Registrant's clients with respect to acquisition opportunities that are made available to the MIRA division.

### ***Advisory Activities***

In the regular course of business, affiliates of the Registrant may be engaged to act, or may seek to act, as a financial advisor to third parties in connection with the sale or purchase of securities or businesses meeting the Partnerships' investment objectives. If a Partnership acted as a buyer, notwithstanding the retention of an affiliate of the Registrant by any other party to the transaction, certain conflicts of interest would be inherent in the situation, including those involved in negotiating a purchase price.

The Macquarie Group may provide services to the Partnerships and their Portfolio Investments in connection with: (i) equity and/or debt financings; (ii) the acquisition, disposition or sale of Portfolio Investments or assets or businesses held by Portfolio Investments; (iii) securities underwritings; and/or (iv) other financial advisory services, including hedging and swap arrangements. The Macquarie Group typically receives arms-length fees for such services, which may be paid by the Partnerships 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 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 Partnerships' limited partnership agreements. An IAC 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.

### ***Other Activities***

Members of the Registrant's team will devote such time to the Registrant's clients as the Registrant, in its sole discretion, deems necessary to carry out the Registrant's responsibilities with respect to its clients. A number of members of the Registrant's team may spend a portion of their time on matters unrelated to the Registrant's clients, including as officers or employees of affiliates of the Registrant and as described above. As a result of the foregoing, conflicts of interests may arise in allocating the time of the members of the Registrant's team.

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

### ***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 limited partnership agreements of the Partnerships, transactions whereby the Partnerships make an investment in which an investor in the Partnerships has a significant interest (as determined by the Registrant) are generally subject to the approval of the members of the 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. Certain related party transactions entailing the provision of services do not require such approval, provided that they satisfy certain parameters.

The Related Party Transactions Policy of the Registrant further requires that each Principal Transaction be pre-approved by the IAC of the Partnerships that is the counterparty to the transaction. At the discretion of the Registrant, the Registrant may in certain situations seek the approval of the members of the IAC with respect to potential conflict of interest situations. Any such approval by such body will be binding upon the Partnerships and their limited partners.

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

Related party transactions are required to be disclosed to and approved by investors, clients or their representatives pursuant to the limited partnership agreements of the funds or standing policies and procedures.

## **Item 12: Brokerage Practices**

In determining the brokers through whom, and commission rates and other transaction costs at which, securities transactions for the clients are to be executed, the Registrant, will seek to

negotiate a combination of the most favorable commission and the best price obtainable on each transaction. In addition, brokers are selected primarily on the basis of their execution capability and trading expertise consistent with the effective execution of the transaction. If the broker is a member of the Macquarie Group, approval of the relevant Partnership's IAC is required, except to the extent that the limited partnership agreement of the Partnership permits discretion over certain transactions if certain conditions are met.

No brokerage services have been sought (and hence no commissions paid for services rendered) in the past 12 months.

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

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

The Registrant manages and supervises the accounts of MIP I and MIP II. 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 Partnerships and NAV per limited partnership interest for periods ending on March 31, June 30, September 30 and December 31; quarterly descriptive investment information for each MIP I and MIP II portfolio investment for periods ending on June 30 and December 31; 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 Partnerships to affiliates.

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***

When seeking additional capital commitments to the MIP II, the Registrant may engage the services of a third party (either an affiliate of the Registrant or an independent third party) to assist in the fund-raising efforts and refer clients to the Registrant. Payment for these referrals is generally limited to reimbursement of costs and expenses plus a pre-agreed markup. In limited circumstances, payment may take the form of a commission based on the size of the commitments of the referred clients.

An affiliate of the Registrant, Macquarie Services, leverages the purchasing demand of the Macquarie Group and its portfolio businesses to negotiate agreements with unaffiliated vendors such as insurance companies, employee benefit companies and office supply companies. The terms of these agreements aim to provide better pricing and service levels than each portfolio business could typically obtain on its own. Management at the portfolio businesses evaluates each vendor offer based on its own merits relative to other options in the marketplace and makes its own decision as to whether to participate. When a company participates, Macquarie Services may, subject to certain conditions, be able to receive a commission or rebate from the vendor. Such rebates are typically calculated as a percentage of company spend (typically 2% to 5%, depending on vendor, product and whether the company entering into the contract is a new or existing customer).

## **Item 15: Custody**

The Registrant maintains custody of the Partnerships' assets and certain direct and indirect subsidiaries of the Partnerships in the applicable Partnerships' or subsidiaries' name with the following qualified custodians: (a) for the Partnerships except MIP Canada, The Bank of New York and Wells Fargo, and (b) for MIP Canada, Bank of Montreal.

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 client 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 Partnerships' limited partnership agreements.

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

In accordance with SEC requirements, the Registrant has adopted proxy voting policies and procedures contained in its Portfolio Management Policy (the "Policy") to address how the Registrant will vote proxies, if applicable, 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, including when there may be material conflicts of interest in voting proxies. In general the Registrant is not granted discretion to vote proxies for its clients and to date has not voted any such proxies. If the Registrant were ever to exercise discretion in voting proxies, the Registrant would vote solely in the best interest of the applicable client, consistent with the client's investment objective. Further, in such scenario, 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 an 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.