

**INVESTMENT ADVISER BROCHURE  
PART 2A OF FORM ADV**



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This brochure (the “Brochure”) provides information about the qualifications and business practices of Axiom Infrastructure Inc. (the “Canadian Manager”). If you have any questions about the contents of this Brochure, please contact us at +1 (514) 954-6722 for Canada or +1 (646) 449-9058 for USA. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Axiom Infrastructure Inc. is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Such registration, however, does not imply a certain level of skill or training.

Additional information regarding the Canadian Manager is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2 MATERIAL CHANGES**

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This Brochure was developed in response to requirements adopted and imposed by the United States Securities and Exchange Commission (the “SEC”) under the Advisers Act. This Brochure is being updated to reflect changes to Part 2A of the Canadian Manager’s Form ADV with respect to the amount of assets under management of the Canadian Manager, additional private investment funds that the Canadian Manager is managing and clarifications regarding the advisory fees and asset management fees charged by the Canadian Manager.

In the future, this section will identify and discuss material changes to the Canadian Manager’s business since the last annual update.

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## ITEM 4      ADVISORY BUSINESS

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### *Principal Ownership*

Axium Infrastructure Inc. (the “Canadian Manager”) is a corporation formed under the laws of Canada. The management team members of the Canadian Manager and Axium Infrastructure US Inc., a Delaware corporation and wholly-owned subsidiary of the Canadian Manager (the “US Manager,” and with the Canadian Manager, the “Adviser”), comprised of infrastructure investment professionals, own more than 80% (on a fully diluted basis) of the Canadian Manager.

### *Advisory Services*

The Canadian Manager serves as the investment advisor to, *inter alia*, Axium Infrastructure NA IV LP (the “North American IV Fund”), Axinfra US III LP (the “US III Fund,”) and Axium Infrastructure Canada II (Intl) LP (the “AICII (Intl) Fund,” and collectively the “Funds” and, each individually, a “Fund”). The US Manager provides investment advisory services to certain private investment funds, including AxInfra US II LP (the “US II Fund”) and AxInfra US LP (the “US Fund”). The Canadian Manager provides advice to certain other accounts pursuing substantially the same investment strategy as the Funds and may provide investment advisory services to additional private investment funds created by it in the future (together with the North American IV Fund, the US III Fund, and the AICII (Intl) Fund, the “Advised Funds”). The Canadian Manager is registered as an investment adviser with the SEC under the Advisers Act. The Canadian Manager and its affiliates are not registered as dealers, advisers or investment fund managers with any securities regulatory authority in Canada.

The Funds target both operating assets and greenfield investment opportunities with the objective of investing in core energy, transportation and social infrastructure assets. The US Fund acquires and holds investments in infrastructure assets located in the U.S. The other Funds are "feeder" funds that invest (directly or indirectly) in the US Fund and/or in Axium Infrastructure Canada II LP (the “Canadian Fund”), a limited partnership formed under the laws of the Province of Québec that acquires and holds investments in infrastructure assets located in Canada. The Canadian Manager serves as the investment adviser to the Canadian Fund and to certain other "feeder" funds that invest in the US and/or in the Canadian Fund. Affiliates of the Canadian Manager act as the general partners to each of the Funds (each, a “General Partner”). The investments made by the US Fund are only made in assets located within the United States. The investments made by the Canadian Fund are only made in assets located within Canada.

Pursuant to the terms of management services agreements, the respective General Partner of each Advised Fund will delegate to the Canadian Manager substantially all of its management rights and certain obligations under its limited partnership agreement. The Canadian Manager has overall responsibility for the management of the Advised Funds. The Canadian Manager’s investment advisory services to the Advised Funds include, among other things:

- sourcing investment opportunities;

- managing and arranging acquisitions or dispositions of investments;
- determining exit strategies for investments; and
- overseeing banking, cash management and financing arrangements for the Advised Funds.

The Canadian Manager tailors its advisory services to each Advised Fund's investment strategy, as disclosed in such Advised Fund's offering documents. The Canadian Manager's advisory services are described in further detail in the Advised Funds' private placement memoranda, management services agreements and partnership agreements, and in Item 8 below.

Additionally, the Canadian Manager may offer investors in the Advised Funds or third parties the opportunity to co-invest with the Canadian Fund in certain portfolio companies.

### ***Assets under Management***

As of December 31, 2017, the Canadian Manager had approximately \$3,141,084,888 of assets under management (including assets under management through co-investments), calculated in accordance with the methodology prescribed by the Advisers Act for determining the amount of regulatory assets under management of an investment adviser.

## **ITEM 5 FEES AND COMPENSATION**

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### ***Advisory Fees***

As detailed below, the Canadian Manager may receive commitment fees and management fees in connection with providing management and administrative services to the Advised Funds.

Generally, the Advised Funds each pay the Canadian Manager a commitment fee during the first year following the acceptance of a capital commitment from investors in the Advised Funds with respect to such accepted capital commitment. Commitment fees are payable quarterly.

The Advised Funds each will also pay the Canadian Manager an annual management fee with respect to such portion of each capital commitment from investors that is drawn by such Advised Fund. The management fees are calculated for each quarter and are payable quarterly.

If applicable, upon termination of a management services agreement between the Canadian Manager and an Advised Fund, the Canadian Manager will provide the Advised Fund with a refund of pre-paid fees attributable to any period after termination.

The General Partners of the Advised Funds (which are affiliates of the Canadian Manager) may also receive incentive fees, as outlined in Item 6 below.

The feeder funds will not pay a commitment fee or management fee to the Canadian

Fund and in turn, the Canadian Fund will not pay the Canadian Manager General Partner fees with respect to the feeder funds or for any other affiliated feeder funds' capital commitments to the Canadian Fund. The feeder funds will pay such fees directly to the Canadian Manager.

### *Asset Management Fees*

The Canadian Manager or the General Partners may provide asset or project management services, to entities in which the Canadian Fund has made an investment. In connection with such services, the Canadian Manager or General Partner may charge fees (“Additional Fees”) on terms that are at least as favorable as would be obtained on an arm’s-length basis and that have been approved by the Canadian Fund’s Partnership Advisory Committee. All such Additional Fees that are received by the Canadian Manager, a General Partner or any of their affiliates will be applied to reduce the management fee otherwise payable to the Canadian Manager, after deducting therefrom the costs and expenses incurred in providing such asset or project management services. Additional Fees may also be charged to third parties investing in a portfolio investment alongside the Canadian Fund, and 50% of such additional fees, after deducting therefrom the costs and expenses incurred in providing such asset or project management services, shall apply as a reduction of the management fee otherwise payable to the Canadian Manager.

### *Expenses*

Each Advised Fund will bear all costs, disbursements, fees and expenses it incurs in connection with its formation and offering up to a certain maximum, including all expenses and fees incurred in connection with the preparation and filing of organizing documents, and the offering, sale and issuance of such Advised Fund’s interests. Each Advised Fund will also bear all expenses related to the operation of the Advised Fund including, without limitation, fees, costs and expenses of directors, counsel and accountants; insurance; taxes; expenses of the advisory committee of such Advised Fund; all costs and expenses incurred in connection with pursuing and evaluating investment opportunities including legal, bidding and transaction expenses; and out-of-pocket costs incurred by it, the General Partners, the Advisers or their respective affiliates, in the administration and management of the Advised Fund, their portfolio investments, bank custody, and cash accounts and its other assets and liabilities, including, without limitation, (a) travel, accommodation and meals expenses (including in respect of the Advised Funds sourcing, evaluating, bidding, structuring, due diligence and investment expense but excluding any interest on any amount payable to the Canadian Manager pursuant to its applicable management services agreement with the Fund); (b) any filings or reports with any governmental authority pursuant to applicable law (including, for example and without limitation, any form or any part of any form or report required to be filed with respect to the Funds and their activities as a result of the Advisers or the General Partners being registered as an investment adviser with the SEC under the Investment Advisers Act, such as Form PF or Part II of its Form ADV, and reports contemplated by the Alternative Investment Fund Managers Directive or any similar law, rule or regulation); and (c) expenses related to compliance with applicable law and other regulatory matters related to such activities, including without limitation, the creation, maintenance and implementation of the Canadian Manager’s compliance program (including, without limitation, the costs of preparing and updating its compliance manual and expenses of engaging advisers to conduct a mock examination of the Canadian

Manager's compliance practices).

The Canadian Manager and not the applicable Advised Fund is responsible for the expenses of the Canadian Manager in providing services to the Advised Fund, such as compensation for employees, rent, utilities and office expenses.

Further details of fees and expenses are set forth in the Advised Funds' private placement memoranda and partnership agreements.

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

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As noted in Item 5 above, the General Partners of the Advised Funds may receive an incentive fee, otherwise known as "carried interest," which is based on distributions with respect to the actual or hypothetical sale or disposition of Advised Fund assets.

The fact that a significant portion of the Canadian Manager's compensation is directly computed on the basis of profits that would be generated by the sale or disposition of Advised Fund assets may create an incentive for the General Partners to make investments on behalf of the Advised Funds that are riskier or more speculative than would be the case in the absence of such compensation. Incentive fee arrangements can also create an incentive for supervised persons of the Canadian Manager to favor certain accounts in the allocation of investment opportunities. Since the Canadian Manager endeavors at all times to put the interest of its clients first as part of its fiduciary duty as a registered investment adviser, it has implemented policies and procedures for fair and consistent allocation of investment opportunities among all Advised Funds, subject to the Advised Funds' investment objectives, the capital available for investment by each Advised Fund, and other appropriate considerations.

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**ITEM 7                      TYPES OF CLIENTS**

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The Canadian Manager's clients are currently the Advised Funds. Typically, each Advised Fund requires a minimum investment amount of \$5 million in such Advised Fund, and an aggregate investment amount of \$10 million in all of the Funds. The General Partners may waive such minimum amounts.

Generally, investors in the Advised Funds must be: (i) "accredited investors" as defined under Regulation D of the Securities Act of 1933, as amended (the "Securities Act"), (ii) "qualified purchasers" as defined in Section 2(a)(51) of the Investment Company Act of 1940 (the "Investment Company Act"); and (iii) "qualified clients" as defined under the Advisers Act or other "knowledgeable employees" of the Canadian Manager.

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**ITEM 8                      METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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The following is a summary of the investment strategies and methods of analysis generally used by the Canadian Manager on behalf of the Advised Funds. More detailed descriptions are included in the applicable private offering materials and governing documents of

the Advised Funds. There can be no assurance that the Canadian Manager will achieve the investment objectives of each Advised Fund.

## **Investment Strategy**

The US Fund exclusively targets investments in U.S.-based infrastructure assets, and the Canadian Fund exclusively targets investments in Canadian-based infrastructure assets. Certain “feeder” funds managed by the Canadian Manager invest all or a portion of their assets into the US Fund.

The North American IV Fund is a “feeder” fund which, directly or indirectly, invests solely in limited partnership units of the US Fund and the Canadian Fund, and targets holdings in each of these Funds for approximately 50% of such Advised Fund’s aggregate net asset value. However, the capital of this feeder funds is deployed as opportunity presents itself and there is no intention to allocate its investments equally during any period. Consequentially, although the 50% allocations serve as targets, no assurance can be given as to this feeder funds’ actual investment level in the US Fund and the Canadian Fund, and this feeder funds’ investment and redemption activities is not governed or limited by this allocation target.

The AIC II INTL is also a “feeder fund”. The AIC II INTL Fund will invest solely in the Canadian Fund (whether directly or indirectly). The US II Fund and the US III Fund are also “feeder” funds. The US II Fund and the US III Fund will invest solely in the US Fund (whether directly or indirectly).

No more than 60% of aggregate capital commitments to the Canadian Fund will be invested in assets located in a single province in Canada. The Canadian Manager believes that the supply of high-quality investment opportunities and the competitive environment in the U.S. and Canadian market provides for an attractive investment landscape.

The US Fund and the Canadian Fund seek to invest in a mix of operational and late-stage greenfield infrastructure assets. At any given time, for each of the US Fund and the Canadian Fund, no more than 40% of aggregate capital commitments will be invested in greenfield portfolio investments. The US Fund and the Canadian Fund also seek to invest in equity and quasi-equity, preferred shares and convertible and subordinated debt in infrastructure assets. The US Fund and the Canadian Fund typically invest alongside reputable participants in the infrastructure sector, which may include other equity sponsors and/or industrial and strategic partners. The Canadian Manager expects that individual equity investments in assets will range in size from \$20 million to \$100 million and investments will typically be held through limited liability, tax flow-through (where possible), sole-purpose vehicles.

For each of the US Fund and the Canadian Fund, no more than the greater of (i) 20% of aggregate capital commitments and (ii) \$75 million will be invested in a single asset. The Advised Funds will not invest in infrastructure assets whose shares or other equity ownership interests are publicly traded at the time the investment is contemplated to be made, except if such equity ownership interests or shares will cease to be publicly traded as a result of such investment. Furthermore, the US Fund and the Canadian Fund will not invest in senior debt securities.



## **Method of Analysis**

The Canadian Manager has developed a well-defined process for identifying, selecting, analyzing, executing, managing and exiting investments. The investment process is aimed at ensuring that all investment decisions are completed in compliance with the overall investment strategy of the Advised Funds. The investment process may vary in its application to specific investments and may be modified from time to time. The investment decision process is based on a framework described in further detail below.

### *Transaction Sourcing*

The Canadian Manager has a team of professionals with decades of combined experience in the infrastructure sector. Over the years, management team members have developed valuable relationships with a wide range of participants in local infrastructure markets including industrial partners, developers, operators, financial institutions, government entities and regulatory authorities. The Canadian Manager believes that these longstanding relationships and partner networks provide the Advised Funds with privileged access to high-quality deal flow. The Canadian Manager further believes that the Advised Funds are uniquely positioned to partner with both North American and international infrastructure companies seeking equity capital and local market support. In addition, the ability to leverage existing partner networks cross-border between Canada and the U.S. may provide for synergies in facilitating deal flow.

Investment opportunities will primarily be sourced through the following channels:

- existing partner networks;
- relationships with industry participants;
- financial institutions and advisors;
- formal sale processes initiated by sellers; and
- Government initiated processes.

Although the Canadian Manager expects to have access to a robust pipeline of deal flow, it will prioritize and focus its efforts on those opportunities that are believed to provide the potential for superior risk-adjusted returns and less competitive bidding environments. The Advised Funds are not be compelled to pursue all opportunities that arise; rather specific emphasis is placed on sourcing high-quality investments. A disciplined approach is employed with respect to auctions and formal tender processes, whereby the Advised Funds selectively participate in situations where a distinct competitive or strategic advantage exists. The Canadian Manager will seek to avoid engaging in processes that involve overly aggressive bidding environments.

### *Transaction Selection*

Subsequent to the identification of a sourced opportunity, the Canadian Manager will conduct a preliminary transaction review to determine whether the investment should be pursued further. A critical first step in this process involves thoroughly assessing the strategic fit of an investment opportunity in the relevant Advised Fund's portfolio. The Canadian Manager will

place specific emphasis on evaluating the interests and objectives of all parties involved, with an aim to ensure that a strong alignment of interest exists between potential partners, eventual contractual parties, management teams and any other relevant stakeholders that may be involved. The Canadian Manager will seek to gain an in-depth understanding of the expectations and requirements of all parties involved, in an effort to ensure the existence of a healthy investment framework that serves as a solid foundation from which to structure and execute a successful transaction.

The transaction selection process will specifically take into consideration the following:

- the nature of the competitive landscape and market environment, including the existence and features of any regulated framework or contractual arrangement with a creditworthy counterparty;
- relevant technical, commercial and legal matters;
- the quality and duration of the underlying cash flow profile;
- the risk/return profile, including preliminary analysis of potential returns (IRRs);
- the preliminary assessment of potential capital structure and impact on investment returns;
- the probability of success and estimated magnitude of development / pursuit costs;
- ability to implement operational improvements and enhance asset value; and
- any potential exit opportunities.

### *Risks of Investment*

An investment in any of the Advised Funds involves risks, including, among other things, the risk of loss of an investor's entire investment. Below are certain risk factors that generally apply to the Advised Funds. Prior to making any investment in an Advised Fund, investors should review the applicable private placement memorandum for additional information regarding risks and conflicts of interest specific to such Advised Fund.

### *General Risks*

- The Funds are recently formed partnerships with limited operating history.
- The Funds are subject to limited regulatory oversight.
- The Funds, the General Partners and the Canadian Manager may become subject to European regulatory or compliance obligations.
- Performance of the Funds depends on the services of certain key personnel of the Canadian Manager.
- The Funds' target internal rate of return is subject to market conditions.
- "Master-feeder" structures present certain unique risks.
- Investors in the Funds may lose their limited liability under certain conditions.

- Exculpation and indemnification provisions may limit the Funds' recourse against the General Partners.
- Investors in the Funds may have limited access to information.

### *Operating Risks*

- The portfolio entities are subject to general economic conditions and government regulation.
- Certain portfolio entities and portfolio investments may experience financial difficulties and experience losses.
- The Canadian Manager may encounter difficulties in identifying adequate portfolio investments.
- The Funds may not be able to successfully fund future acquisition of portfolio investments due to the unavailability of debt or equity financing on acceptable terms, which could impede the implementation of the Funds' acquisition strategy.
- The Funds may have to assume the risk of certain liabilities upon disposition of portfolio entities or portfolio investments.
- Various factors may limit the Funds' ability to diversify the types of investments, and may expose them to concentration risks.
- The Funds may encounter liabilities as a result of their control position in certain portfolio entities.
- The Funds may encounter liabilities as a result of their minority interests in certain portfolio entities.
- Due to the geographical diversification of the portfolio investments in the feeder funds in both the U.S. and Canada, foreign currency movements are likely to influence returns on the investors in the feeder funds.
- The use of foreign currency hedging instruments by the feeder funds could result in material financial losses by the feeder funds.
- Valuation of illiquid assets presents inherent risks.
- The failure of an investor in any of the Funds to meet capital calls may have a material adverse effect on the Funds.
- The Funds operate in a highly competitive market for acquisition opportunities.
- The Canadian Manager may have access to material non-public information.
- The Funds may fail to identify material risks or liabilities associated with certain assets prior to their acquisition.
- The Funds may be subject to broken deal expenses.
- The Funds could be subject to various legal proceedings as a result of the nature of the infrastructure industry or of the actions of the portfolio entities.
- Acquisition by any of the Funds of debt or equity securities may result in reporting and compliance obligations for such Funds.
- The Funds are subject to inflation risks.

- The Funds are subject to risks relating to the global economy.
- The recent decline in oil prices may negatively impact the alternative energy sources and, as a result, the Funds.
- Investments in new infrastructure projects during the construction phase are likely to retain some residual risk.
- The Funds will structure some of the operations as joint ventures, partnerships and consortium arrangements, which will reduce their control over the operations and may subject the Funds to additional obligations.
- The Funds are subject to counterparty risks.
- The Funds may invest in troubled infrastructure assets.
- The Funds, the General Partner and the Advisers are subject to cyber security risk, which could result a disruption in operations, reputational damage, disclosure of confidential information, the incurrence of regulatory penalties, additional compliance costs associated with corrective measures, and/or financial loss.

#### *Risks Relating to Investments in Infrastructure Assets*

Investing in infrastructure assets is subject to a variety of risks, not all of which can be foreseen or quantified, including operating, economic, environmental, commercial, currency, regulatory, political and financial risks. There is no assurance that the portfolio investments will be profitable or generate cash flow sufficient to provide a return on, or recovery of, amounts invested therein.

An investment in any of the Advised Funds is subject to certain risks associated with the ownership of infrastructure and infrastructure-related assets in general, including: (i) the burdens of ownership of infrastructure; (ii) local, national and international economic conditions; (iii) the supply and demand for services from, and access to, infrastructure; (iv) the financial condition of users and suppliers of infrastructure assets; (v) changes in interest rates and the availability of funds that may render the purchase, sale or refinancing of infrastructure assets difficult or impracticable; (vi) changes in environmental laws and regulations, and planning laws and other governmental rules; (vii) environmental claims arising in respect of infrastructure acquired with undisclosed or unknown environmental problems or as to which inadequate reserves have been established; (viii) changes in energy prices; (ix) changes in fiscal and monetary policies; (x) negative developments in the economy that depress travel; (xi) uninsured casualties; (xii) acts of force majeure, terrorist events, under-insured or uninsurable losses; and (xiii) other factors that are beyond the reasonable control of the Funds. Many of these factors could cause fluctuations in usage, expenses and revenues, causing the value of the portfolio investments to decline and negatively affect the Advised Funds' returns.

*The portfolio investments may be exposed to higher levels of regulation than other sectors*

Many of the portfolio investments may be subject to varying degrees of statutory and regulatory requirements, including those imposed by zoning, environmental, safety, labor and other regulatory or political authorities. Such portfolio investments may require numerous

regulatory approvals, licenses and permits to commence and continue their operations. Failure to obtain, or a delay in obtaining, relevant permits or approvals could hinder construction or operation and could result in fines or additional costs for the project entity or the Funds, loss of the Funds' rights to operate the affected business, or both, which in each case could have a material adverse effect on the portfolio investments.

Where the Funds' ability to operate a business is subject to a concession or lease from the government, the concession or lease may restrict the Funds' ability to operate the business in a way that maximizes cash flows and profitability.

Adoption of new laws or regulations, or changes in interpretations of existing ones, or any of the other regulatory risks mentioned above, could have a material adverse effect on the portfolio investments and on the Funds' ability to meet their objectives.

*Portfolio investments may be subject to operating and technical risks*

Portfolio investments may be subject to operating and technical risks, including risk of mechanical breakdown, failure to perform according to design specifications, labor and other work interruptions, and other unanticipated events that adversely affect operations. There can be no assurance that any or all of such risks can be mitigated. An operating failure may lead to loss of a license, concession or contract on which a portfolio investment may depend, which in turn could have a material adverse effect on the Funds.

The long-term profitability of an infrastructure project, once constructed, is partly dependent upon efficient operation and maintenance of the project. Inefficient operations and maintenance and, in certain infrastructure sectors, latent defects in acquired infrastructure assets, may adversely affect the financial returns of the Funds.

*There are a variety of risks relating to public-private partnerships*

To the extent that the Funds invest in infrastructure assets that are governed by concession agreements with governmental authorities (whether at the federal, provincial, state, local, municipal or other level), there is a risk that these authorities may not be able to or may decide not to honor their obligations under such agreements, especially over the long term. Government leases or concessions may also contain clauses more favorable to the government counterparty than would be included in a typical commercial contract. For instance, a lease or concession may enable the government to terminate the lease or concession in some circumstances without requiring it to pay adequate compensation. In addition, government counterparties also may have the discretion to change or increase regulation of the Funds' operations, or implement laws or regulations affecting the Funds' operations, separate from any contractual rights they may have. Governments have considerable discretion in implementing regulations that could impact infrastructure assets, and because infrastructure businesses provide, in many cases, basic, everyday services, and face limited competition, governments may be influenced by political considerations and may make decisions in respect of infrastructure assets that adversely affect the portfolio investments.

*Infrastructure assets may require substantial capital expenditures*

There is a risk that unforeseen factors may require capital expenditures in excess of forecasts and that new or additional regulatory requirements, safety requirements or issues related to asset quality and integrity may result in the need for additional capital expenditure for replacement or reinforcement of infrastructure assets. While the Funds intend to reasonably ensure that their purchased assets are in good condition and appropriate ongoing maintenance is provided for, the Canadian Manager can give no guarantee that capital expenditures in excess of the anticipated levels will not be required.

*Performance of infrastructure assets depends on the demand for the products or services produced by such assets*

The revenue generated by infrastructure and infrastructure-related assets may be impacted by the demand of users or the number of users for the products or services produced by such assets (for example, traffic volume on a toll road). Any reduction in demand and/or the number of users may negatively impact the profitability of the Funds.

Further, where a business in which the Funds invest is the sole or predominant service provider in its service area, and where such business provides services that are essential to the community, such business may also be subject to rate regulation by governmental agencies that will determine the prices it may charge. Businesses in which the Funds invest may be subject to unfavorable price determinations that may be final with no right of appeal or which, despite a right of appeal, could result in the Funds' profits being negatively affected.

*The operations of certain energy-related infrastructure assets may fluctuate on a seasonal basis or vary depending on meteorological conditions*

Electric power generation infrastructure assets are generally seasonal businesses. Demand for electricity is greater in summer and winter months associated with cooling and heating. The pattern of this fluctuation may change depending on the terms of power sale contracts entered into by the portfolio entities. Such seasonal variations may lead to increased or reduced revenues and profitability at various times during the year, which could affect the short term returns to the Funds.

Further, certain energy power generation facilities, such as solar and wind energy projects, are dependent on meteorological and atmospheric conditions that are variable and difficult to predict. Actual conditions of such a project's location, even after feasibility assessments, may not perform sufficiently to meet projected energy generation levels, which could adversely affect the Funds.

*Infrastructure assets may be subject to additional risks as strategic assets*

Portfolio investments in public infrastructure may be in assets that constitute significant strategic value to public and/or governmental bodies. The very nature of these infrastructure assets could generate additional risks not common in other industry sectors. Given the national or regional profile and/or their difficult-to-replace nature, such strategic assets may constitute a higher risk target for terrorist acts or political actions. Given the essential nature of the services

provided by public infrastructure assets, there is also a higher probability that the services provided by such assets will be in constant demand. Should an owner of such assets fail to make such services available, users of such services may incur significant damage and may, due to the characteristics of the strategic assets, be unable to timely obtain alternate source(s) of supply of such service or to mitigate any such damage, thereby heightening any potential loss from third-party claims against the Funds for such failures.

*The Funds may be exposed to uninsurable losses and force majeure events*

The portfolio investments may be subject to catastrophic events and other events of force majeure during their construction, technical and/or operational phases. These events could include fires, floods, earthquakes, adverse weather conditions, expropriation, strikes, wars, riots, terrorist acts, acts of God and similar risks. These events could result in the partial or total loss of a portfolio investment (for example, a bridge could be destroyed in a catastrophe) or significant down time resulting in lost revenues, among other potentially detrimental effects. Some force majeure risks are particularly difficult to insure against, in certain cases may not be insured against and, in some cases, project agreements can be terminated if the event is so catastrophic that it cannot be remedied within a reasonable time period.

While the Funds will seek to utilize insurance and other risk management products (to the extent available on commercially reasonable terms) to mitigate the potential loss resulting from reasonably foreseeable catastrophic events and other risks customarily covered by insurance, this may not always be practicable or feasible. Moreover, it may not be possible to insure against all such risks, and insurance proceeds may be inadequate. In general, losses related to terrorism are becoming more difficult and expensive to insure against, as many insurers are excluding terrorism coverage from their all-risk policies.

*Performance of the portfolio entities may be harmed by future labor disruptions*

The transfer of services from the public to the private sector entails a potential for labor action at the time of transfer and possible ongoing labor disputes. The transfer of services from the public to the private sector may also require that existing negotiated labor agreements be observed. However, even where such agreements are adhered to, it is always possible that labor action may arise as a result of perceived changes in the relationship between the existing workforce and its employer as a result of the transfer of the services to private ownership.

*The Funds are subject to occupational health and safety accident risks*

Health and safety is a key risk area in the operation and maintenance of many infrastructure assets. Costs associated with the failure to adequately protect the health and safety of workers in, and users of, infrastructure assets could adversely impact the Funds.

*The Funds may be adversely affected by potential environmental liabilities*

Under various applicable laws, ordinances and regulations, an owner of infrastructure assets may be liable for the costs of removal or remediation of certain hazardous or toxic substances on, in or released from such assets. Such laws, ordinances and regulations often impose liability without regard to whether the owner knew of, or was responsible for, the

presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefor as to any property is generally not limited under such enactments and could exceed the value of the property and/or the aggregate value of the assets of the owner. Environmental liabilities may arise as a result of a large number of factors, including changes in laws or regulations, accidental releases, and the existence of conditions that were unknown at the time of acquisition or operation.

Any liability resulting from noncompliance or other claims relating to environmental matters could have a material adverse effect on each Fund's performance.

*The Funds may be subject to rate risks*

The Funds may invest in infrastructure assets that derive substantially all of their revenues from tolls, tariffs or other usage fees. Users of the applicable service may react negatively to any adjustments to the applicable rates, or the public may cause relevant government authorities to challenge such rates. In addition, adverse public opinion, or lobbying efforts by specific interest groups, could result in governmental pressure on a portfolio entity or a Fund to reduce its rates, or to forego planned rate increases.

*Infrastructure assets are illiquid*

Although the portfolio investments may generate some current income, the Canadian Manager generally expects such investments to be illiquid. In addition, public sentiment and political pressures may affect the Funds' ability to sell one or more of their portfolio investments. As a result, it may be difficult from time to time for the Funds to realize, sell or dispose of a portfolio investment at an attractive price or at the appropriate time or in response to changing market conditions, or the Funds may otherwise be unable to complete a favorable exit strategy. Losses on unsuccessful investments may be realized before gains on successful investments are realized. Although some portfolio investments may generate operating income, the full return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposal of a portfolio investment. Additionally, income from some portfolio investments will not be realized until a number of years after such investments are made. Prospective investors therefore should be aware that they may be required to bear the financial risk of their investment for an indefinite period of time.

The Funds may hold securities or other instruments issued by a portfolio entity. Such instruments are generally not publicly traded and the Funds generally will not invest in securities that are publicly traded. Such securities and instruments generally are not qualified by a prospectus for securities law purposes or registered under the Securities Act or pursuant to any other securities regulatory legislation and can generally be resold only in privately negotiated transactions or in a public offering qualified by a prospectus filed with the relevant securities regulatory authorities. Considerable delay in resale could be encountered in either case and, unless otherwise contractually provided for, the Funds' proceeds upon sale of such securities may be reduced by the costs of registration or underwriting discounts. The difficulties and delays associated with such transactions could result in the Funds' inability to realize a favorable price upon disposition of unlisted securities or instruments, and at times might make disposition of such securities and instruments impossible. In addition, certain listed securities and



instruments may from time to time lack an active secondary market. In the absence of an active secondary market, the Funds' ability to sell such securities at a fair price may be impaired or delayed.

*Certain infrastructure assets may be exposed to native title and indigenous rights risks*

Any declaration of native title or other indigenous rights in respect of land on which infrastructure assets are located may adversely affect the owner or occupier of that land. This may include any of the Funds as the occupier of land on which a project is located.

*Risks Relating to Taxation*

*Changes in tax law and practice may have a material adverse effect on the operations and, as a consequence, the value of the assets and the net amount of distributions payable to the limited partners*

Any change in tax legislation (including in relation to taxable and non-taxable entities, taxable income, taxable capital, taxable transactions, tax withholdings, commodity taxes, taxation rates, etc.) and practice in Canada or the United States could adversely affect the Funds and the portfolio entities through which the Funds will invest in portfolio investments, as well as the net amount of distributions payable to the limited partners of the Funds. Furthermore, the manner in which the Funds seek to structure acquisitions is dependent on the tax legislation and practice applicable at that time in the relevant jurisdiction. This may mean that it will be difficult for the Funds to carry out acquisitions in certain asset classes in its relevant territory for a period of time. This may also mean the Funds may have to dispose of certain assets at points in time when the fair market value of such assets is not maximized.

*The Funds' ability to make distributions depends on them receiving sufficient cash distributions from the underlying operations of their portfolio investments, and there is therefore no assurance that the Funds will be able to make cash distributions to their limited partners in amounts that are sufficient to fund their tax liabilities*

Each of the partners of the Funds will be required to include in its income its allocable share of such Fund's items of income, gain, loss, deduction and credit for each of the taxation years ending with or within such partner's taxable year or, in some cases, it will have to include in its income an estimate of what would be its share of a Fund's income for part of a year. With respect to each of the limited partners, the cash distributed to a partner may not be sufficient to fund the payment of the full amount of such partner's tax liability in respect of its investment in the Funds since such partner's tax liability is dependent on its particular tax situation and the General Partners will make simplifying tax assumptions in determining the amount of the distribution by the Fund in which it invests. In addition, the actual amount and timing of distributions will always be subject to the discretion of the applicable General Partner and there is therefore no assurance that the Funds will make cash distributions as intended. Even if the Funds are unable to distribute cash in an amount that is sufficient to fund their partners' tax liabilities, each of the partners will still be required to pay income taxes on its share of the relevant Fund's taxable income.

### *Corporate Blockers*

The limited partners of the Funds that invest through corporate blockers may be subject to additional tax risks.

A Canadian blocker corporation will be subject to tax in Canada with respect to income derived from its holdings in the Canadian Fund. Such tax will reduce distributions to the limited partners from any feeder fund that invests through such blocker. No assurance can be given that the cash distributed to an individual Canadian blocker corporation will be sufficient to fund all of the tax liability of such corporations. A foreign tax credit may be available against tax payable in the U.S. with respect to the Canadian taxes payable on the income so derived by such individual Canadian blocker corporation. Similarly, if a limited partner elects to invest indirectly in the US Fund or the Canadian Fund through a U.S. or Canadian corporate blocker formed by the investor, such corporate blocker will pay U.S. or Canadian corporate income tax with respect to its share of the relevant Fund's taxable income.

A US Blocker will pay any U.S. corporate income tax with respect to its share of the US Fund's taxable income. It is possible that a tax-exempt investor in LP Units of other Funds that indirectly participate in the US Fund through the US Blocker may indirectly bear U.S. tax that exceeds the direct U.S. tax that such holder would have been required to pay had such holder held an investment in the US Fund directly.

Dividends payable by an individual Canadian blocker corporation would in principle be subject to a 25% withholding tax in Canada. The 25% rate could be reduced under the United States – Canada Income Tax Treaty (the "Treaty"). The withholding tax rate on dividends under the Treaty is 5% or 15%. The 5% withholding tax rate on dividends provided by the Treaty is generally available if the beneficial owner of the dividend is a corporation which owns at least 10%, directly or indirectly, of the voting stock of the corporation paying the dividends.

The Treaty currently provides for a withholding exemption for interest to the extent that the interest is not determined with reference, amongst other things, to receipts, sales, income, profits or other cash flow of such Canadian blocker corporation. Otherwise, the interest is subject to a 15% Canadian withholding tax reduced rate under the Treaty.

### *Taxation laws or the interpretation thereof are susceptible to change*

The tax rules and their interpretation in relation to an investment in the Funds may change. Further, the tax rules or their interpretation in relation to the Funds' portfolio investments may also change. In particular, these changes may affect both the level and basis of taxation. Changes that affect the Funds' investments may affect their distributions resulting in their business being adversely affected. In addition, an investment in the Funds involves tax considerations that may differ for each limited partner. Each limited partner is encouraged to seek professional tax advice in connection with any investment in any of the Funds.

*Change in tax status of a limited partner may have an adverse tax consequence on such limited partner and on the other limited partners*

To the extent that a limited partner's tax status changes for the purposes of any applicable tax statute or tax treaty, it may be subject to taxes in the jurisdiction in which such statute or treaty is in force in connection to its investment in the Funds. Taxes payable in the said jurisdiction in this occasion may not be covered by any distribution by a Fund and serious cash flow issues may arise. Furthermore, in investing in a Fund or in holding LP Units in a Fund, a limited partner may incur taxes or penalties resulting from its special tax status which may result in reduced benefits from the limited partner's investment in the Fund and possibly hardship.

The tax consequences of an investment in a Fund and of the disposition of such investment by a limited partner may vary negatively because of the tax status or because of the identity of one or more other limited partners in the Fund. Considering that the identity of the limited partners will most likely change over time, these negative tax consequences may materialize after the acquisition of LP Units in a Fund by a limited partner. Negative tax consequences may also result in any jurisdiction from the change in tax status of any entity in which the relevant Fund holds an interest directly or indirectly

*Limited partners may be subject to federal income tax in excess of cash proceeds distributed by a Fund*

Taxable income allocable to the limited partners and the associated tax liability may exceed the cash distributions made to the limited partners in particular years. This result may arise for a number of reasons, including the use of cash flow to fund reserves or to amortize debt, and may arise in situations where a Fund is operating at an overall loss due in part to the inability of limited partners to apply certain losses (which may be treated as passive losses) against income that is characterized as portfolio income. To the extent cash distributions made to a limited partner during or with respect to a period are less than a limited partner's income tax liability attributable to a Fund, payment of such tax will result in an additional out-of-pocket expense to that limited partner.

*Percentage of ownership in the Funds and indirectly in the Fund's Portfolio Investments may have an impact on the tax consequences of the investment for a Limited Partner*

The percentage of participation of a limited partner in a Fund will most likely vary over time. The tax consequences of an investment in the Funds by a limited partner may depend on the percentage of ownership of a limited partner in the Funds and indirectly in the Portfolio Investments. The thresholds below or above which the tax consequences of a limited partner's investment will change may be passed by a limited partner many times in the period of time through which the limited partner will hold an interest in the Funds. It is not possible to offer any guarantee to a limited partner on the fact that the tax consequences of such partner's investment will not change due to such fluctuations nor that they will not become less advantageous due to such fluctuations.

*U.S. Tax-exempt investors may recognize unrelated business taxable income*

U.S. tax-exempt investors may not participate directly in the US Fund but instead will be required to invest in another feeder fund. Such investors should be aware, however, that although the intention in having such investments made through a U.S. Blocker is to avoid the recognition of unrelated business taxable income ("UBTI"), no assurances can be provided in that none of the income recognized by a U.S. tax exempt investor in connection with its investment will be UBTI. U.S. tax-exempt investors should consult their own tax advisors concerning the implications to them of being required to recognize unrelated business taxable income.

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**ITEM 9                      DISCIPLINARY INFORMATION**

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The Canadian Manager and its management persons have not been subject to any material legal or disciplinary events.

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

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The Canadian Manager provides investment advisory services to the North American IV Fund, the US III Fund, and the Canadian Fund. The Canadian Manager also acts as the investment adviser to other accounts and clients managed by it and may act in such capacity with respect to any such funds or accounts created by it in the future (together, the "Other Clients"). The US Manager provides investment advisory services to the US Fund and certain other accounts. The US Manager is wholly owned by the Canadian Manager, a corporation formed under the laws of Canada. Please see Item 4 above for a discussion of the Canadian Manager's other affiliated investment advisers and funds.

The Canadian Manager has implemented policies and procedures for fair and consistent allocation of investment opportunities among Advised Funds and Other Clients, subject to the client's investment objectives, capital available for investment, and other appropriate considerations.

The General Partners of the Funds are also affiliates of the Canadian Manager. Each of the General Partners' right to receive an incentive fee (as discussed in Item 6 above) may create an incentive for such General Partner to make more speculative investments for a Fund than it would otherwise make in the absence of such performance-based distributions. The Canadian Manager has implemented policies and procedures for internal monitoring of the Canadian Manager's adherence to the Funds' investment objectives. The Investment Committee of the Canadian Manager and the Advised Funds' Advisory Committees provide an additional layer of review of the Funds' investments. The Canadian Manager's Investment Committee consists of members appointed by a resolution of the board of directors of the General Partner. It includes at least two independent members who are not members of the Funds' management team. The Advised Funds' Advisory Committees are made up of members representing various investors.

For a further discussion of conflicts of interest created by the investment activities of the

Canadian Manager and its related entities, please see Item 11 below.

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

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### *Code of Conduct & Code of Ethics (the "Code") and Personal Trading*

The Canadian Manager has adopted the Code, which sets forth standards of business conduct for the Canadian Manager's supervised persons (including directors, officers and all other employees) and addresses conflicts that may arise from personal trading. The Code is designed to assist the Canadian Manager and its supervised persons in meeting their obligations as a fiduciary to the Advised Funds.

The Canadian Manager's objective is to emphasize the honesty, transparency, integrity, professionalism and confidentiality that must prevail at each and every level of the company, so as to ensure that the interests of the Advised Funds and the investors in the Advised Funds remain the firm's top priority.

The Code requires the Canadian Manager's access persons (including the Canadian Manager's directors, officers and portfolio managers) to report their personal reportable securities transactions, and requires pre-clearance from the Canadian Manager's Chief Compliance Officer for access persons before acquiring beneficial ownership in an initial public offering or limited offering. The Canadian Manager prohibits, without prior written approval of the Chief Compliance Officer, all trading activity by supervised persons in any of the securities listed in any restricted trading list of the firm.

The Canadian Manager's supervised persons may, from time to time, come into possession of material nonpublic information about public companies. Under applicable law and pursuant to the Code, they are prohibited from using such information to gain personal benefit, or to pass on, or "tip" the information to someone who does.

Further to the Code, supervised persons are required to comply with applicable federal securities laws, including the Securities Act, the Securities Exchange Act of 1934, the Investment Company Act and the Advisers Act. The Code requires that supervised persons report any violations of the Code promptly to the Chief Compliance Officer.

Supervised persons must confirm adherence with the Code on an annual basis. A copy of the Code will be provided to any client or prospective client upon request to the Canadian Manager's Chief Compliance Officer.

### *Related Party Transactions*

The Canadian Manager or its affiliates may be presented with the opportunity to enter into investment transactions or arrangements that present conflicts of interest with respect to the Advised Funds.

For example, the Canadian Manager or the General Partners may buy or sell on behalf of

the Advised Funds securities in which the Canadian Manager or one of its affiliates has a financial interest. In the case of a “principal transaction,” an affiliate of the Canadian Manager may be a counterparty to the Advised Funds by selling certain of its existing assets to the Funds. A principal transaction would also occur when, upon its liquidation or in response to redemption requests, an Advised Fund may find itself in a position of selling to an affiliate of the Canadian Manager.

In addition, affiliates of the Canadian Manager may also perform services for portfolio entities that may result in the payment of fees to such affiliate. The Canadian Manager is not prohibited from reallocating resources away from the Funds to pursue these and other forms of commercial or other activities.

Any such related party transaction will be subject to restrictions and disclosure procedures described in the Advised Funds’ partnership agreements. The material commercial terms of the transactions are required to be disclosed, reviewed and approved by the Fund Advisory Committee due to the actual conflicts of interest that these types of transactions present. In addition, the transaction must be performed on an arm’s length basis.

## **ITEM 12      BROKERAGE PRACTICES**

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Because the Canadian Manager generally focuses on making investments in private securities, it does not typically deal with broker-dealers or incur brokerage commissions when buying or selling securities. To the extent that the Canadian Manager will trade in public securities on behalf of the Advised Funds, it will select brokers based on the broker’s ability to provide best execution for the Funds. The Canadian Manager’s objective will be to obtain the most favorable commission and the best price obtainable on each transaction in light of the quality of execution provided. The Canadian Manager will consider, among other things, the broker’s execution capability, trading expertise and commissions charged.

The General Partners of the Advised Funds have the authority to open brokerage accounts on behalf of the Funds, pursuant to the Funds’ partnership agreements.

When the Canadian Manager deems that the purchase or sale of a particular investment opportunity is in the best interest of more than one client and/or co-investment partner, it may aggregate the securities in order to obtain better pricing.

## **ITEM 13      REVIEW OF ACCOUNTS**

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The CEO, Chief Operating Officer, and the Chief Compliance Officer of the Canadian Manager will review all investments and disposals contemplated by the Advised Funds to ensure compliance with the investment restrictions and guidelines of the Fund prior to any acquisition or disposal. The Investment Committee of the Advised Funds will also review all investments and disposals contemplated by the Advised Funds prior to any acquisition or disposal.

The Advisory Committees of the Advised Funds will, among other things, review each quarterly and year-end valuation of portfolio investments, as well as quarterly and annual

financial statements and the annual budget of Fund expenses.

The Advised Funds provide the following written reports to their investors: (i) annual audited and quarterly unaudited financial statements, (ii) quarterly operational review of each portfolio investment and annual valuation report prepared by the Canadian Manager, and (iii) annual tax information necessary for applicable tax return. Pursuant to side letters, the Canadian Manager may provide certain investors in the Advised Funds with additional information or more frequent reports.

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**ITEM 14      CLIENT REFERRALS AND OTHER COMPENSATION**

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The Canadian Manager may provide certain asset or project management services to the Advised Funds' portfolio companies and may receive compensation from these companies in connection with such services. As described in Item 5 above, any such Additional Fees received by the Canadian Manager will offset the management fees and commitment fees payable by the Advised Funds.

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**ITEM 15      CUSTODY**

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The Canadian Manager and the General Partners are deemed to have custody of the assets of the Advised Funds because they have access to them. Except with respect to certain types of privately offered uncertificated securities, the Canadian Manager uses a qualified, unaffiliated custodian to hold assets of the Advised Funds. The Advised Funds are generally subject to a year-end audit by a major accounting firm that is a member of, and examined by, the Public Company Accounting Oversight Board. The Canadian Manager provides the audited financial statements to the investors of the Advised Funds within 120 days of the end of the Funds' fiscal year.

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**ITEM 16      INVESTMENT DISCRETION**

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The Canadian Manager generally has discretionary authority to manage investments on behalf of each Advised Fund pursuant to the terms of such Advised Fund's partnership agreement and management services agreement.

The Canadian Manager generally does not allow clients to place limitations on this authority. Pursuant to the Advised Funds' partnership agreements, however, the General Partners may enter into side letters with certain investors, altering the terms applicable to those investors. Such side letters may provide for the right to opt out of certain investments for legal, tax, regulatory or other reasons.

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**ITEM 17      VOTING CLIENT SECURITIES**

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The Canadian Manager may be granted discretion to vote proxies in relation to the Advised Funds based on the terms of an Advised Fund's partnership agreement, properly

approved delegations of authority or otherwise. Proxy voting includes exercising voting rights with respect to listed securities as well as exercising shareholder voting rights with respect to a portfolio company. In all cases where the Canadian Manager exercises discretion in voting proxies, the Canadian Manager will vote solely in the best interest of that client, consistent with its investment objective. The Canadian Manager does not consider voting as a director as voting under proxy.

The Canadian Manager's policy is to vote on all proxies and corporate events, unless it determines that abstaining from the vote would be in the best interest of the Advised Funds. If the Canadian Manager determines that it is not in the best interests of the Advised Funds to vote, or that it is not in the best interests to vote on a particular proxy, the Canadian Manager will document its reasons for such determinations.

If the Canadian Manager 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.

Clients of the Canadian Manager may obtain a copy of the Canadian Manager's proxy voting policies and procedures and voting history upon request to the Canadian Manager's Chief Compliance Officer.

## **ITEM 18      FINANCIAL INFORMATION**

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The Canadian Manager does not require prepayment of fees six months or more in advance. It does not have any financial condition that is reasonably likely to impair it to meet its contractual commitments to its clients. The Canadian Manager has not been the subject of any bankruptcy petition.