

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington D.C. 20549

FORM 20-F

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE
SECURITIES EXCHANGE ACT OF 1934**

OR

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

for the fiscal year ended December 31, 2008

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

OR

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

Commission file number 001-33632

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

(Exact name of Registrant as specified in its charter)

Bermuda

(Jurisdiction of incorporation or organization)

Cannon's Court

22 Victoria Street,

Hamilton, HM 12, Bermuda

(Address of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Title of class

Name of each exchange on which registered

Limited Partnership Units

New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

22,486,269 Limited Partnership Units as of April 24, 2009

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP **International Financial Reporting Standards as issued by the International Accounting Standards Board** **Other**

If "Other" has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 **Item 18**

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

INTRODUCTION AND USE OF CERTAIN TERMS	1
FORWARD-LOOKING STATEMENTS	3
PART I	5
Item 1 Identity of Directors, Senior Management and Advisers	5
Item 2 Offer Statistics and Expected Timetable	5
Item 3 Key Information	5
3.A Selected Financial Data	5
3.B Capitalization and Indebtedness	6
3.C Reasons for the Offer and Use of Proceeds	6
3.D Risk Factors	7
Item 4 Information on the Company	32
4.A History and Development of BIP	32
4.B Business Overview	35
4.C Organizational Structure	46
4.D Property, Plants and Equipment	48
Item 4.E Unresolved Staff Comments	48
Item 5 Operating and Financial Review and Prospects	48
Item 6 Directors, Senior Management and Employees	75
6.A Directors and Senior Management	75
6.B Compensation	82
6.C Board Practices	82
6.D Employees	86
6.E Share Ownership	86
Item 7 Major Shareholders and Related Party Transactions	87
7.A Major Shareholders	87
7.B Related Party Transactions	87
7.C Interests of Experts and Counsel	96
Item 8 Financial Information	96
8.A Consolidated Statements and Other Financial Information	96
8.B Significant Changes	96
Item 9 The Offer and Listing	97
9.A Listing Details	97
9.B Plan of Distribution	97
9.C Market	97
9.D Selling Shareholders	97
9.E Dilution	97
9.F Expenses of the Issue	97
Item 10 Additional Information	97
10.A Share Capital	97
10.B Memorandum and Articles of Association	97
10.C Material Contracts	117
10.D Exchange Controls	118
10.E Taxation	118
10.F Dividends and Paying Agents	140
10.G Statement by Experts	140
10.H Documents on Display	140
10.I Subsidiary Information	141
Item 11 Quantitative and Qualitative Disclosures about Non-Product Related Market Risk	141
Item 12 Description of Securities other than Equity Securities	141
PART II	142
Item 13 Defaults, Dividend Arrearages and Delinquencies	142

Item	14	Material Modifications to the Rights of Security Holders and Use of Proceeds	142
Item	15	Controls and Procedures	142
Item	16.A	Audit Committee Financial Expert	143
Item	16.B	Code of Ethics	143
Item	16.C	Principal Accountant Fees and Services	143
Item	16.D	Exemptions from the Listing Standards for Audit Committees	143
Item	16.E	Purchases of Equity Securities by the Issuer and Affiliated Purchasers	144
Item	16.F	Change in Registrant's Certifying Accountant	144
Item	16.G	Corporate Governance	144
PART III			145
Item	17	Financial Statements	145
Item	18	Financial Statements	145
Item	19	Exhibits	145

INTRODUCTION AND USE OF CERTAIN TERMS

Unless the context requires otherwise, when used in this annual report on Form 20-F, the terms “BIP”, “we”, “us” and “our” refer to Brookfield Infrastructure Partners L.P., Brookfield Infrastructure, the Holding Entities and the operating entities, each as defined below, taken together. In addition, unless the context suggests otherwise, references to:

- an “affiliate” of any person are to any other person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such person;
- “Brookfield” are to Brookfield Asset Management and any affiliate of Brookfield Asset Management, other than us;
- “Brookfield Asset Management” are to Brookfield Asset Management Inc.;
- “Brookfield Infrastructure” are to Brookfield Infrastructure L.P.;
- the “current operations” are to the businesses in which we hold an interest in as set out in Item 4.B “Business Overview”;
- our “electricity transmission operations” refer to our interest in Transelec Chile S.A., or Transelec, our Chilean transmission operations, our investments in the Transmissoras Brasileiras de Energia companies, or TBE, our Brazilian transmission investments, which were transferred to us by Brookfield as described in Item 4.B “Business Overview—Current Operations—Electricity Transmission—Overview” and Great Lakes Power Transmission L.P., which holds our Ontario transmission operations as described in Item 4.B “Business Overview—Current Operations—Electricity Transmission—Overview”;
- “Holding Entities” are to the subsidiaries of Brookfield Infrastructure, from time-to-time, through which it indirectly holds all of our interests in the operating entities;
- the “infrastructure division” are to the portion of Brookfield’s infrastructure operations owned during the periods prior to November 27, 2007 that were contributed to us as part of the spin-off;
- the “Infrastructure General Partner” are to Brookfield Infrastructure General Partner Limited, which serves as the general partner of the Infrastructure GP LP;
- the “Infrastructure GP LP” are to Brookfield Infrastructure GP L.P., which serves as the general partner of Brookfield Infrastructure;
- “our limited partnership agreement” are to the amended and restated limited partnership agreement of our partnership;
- the “Manager” are to Brookfield Infrastructure Group Inc. and, unless the context otherwise requires, include any other affiliate of Brookfield that provides services to us pursuant to the Master Services Agreement or any other service agreement or arrangement;
- “our Managing General Partner” are to Brookfield Infrastructure Partners Limited, which serves as our partnership’s general partner;
- “Master Services Agreement” are to the master management and administration agreement dated as of December 4, 2007, among the Service Recipients, Brookfield Infrastructure Group Inc. and certain other affiliates of Brookfield Asset Management who are party thereto;
- “operating entities” are to the entities which directly or indirectly hold our current operations and assets that we may acquire in the future, including any assets held through joint ventures, partnerships and consortium arrangements;
- “our partnership” are to Brookfield Infrastructure Partners L.P.;

- the “Redemption-Exchange Mechanism” are to the mechanism by which Brookfield may request redemption of its limited partnership interests in Brookfield Infrastructure in whole or in part in exchange for cash, subject to the right of our partnership to acquire such interests (in lieu of such redemption) in exchange for limited partnership units of our partnership, as more fully set forth in Item 10.B “Memorandum and Articles of Association—Description of Brookfield Infrastructure’s Limited Partnership Agreement—Redemption-Exchange Mechanism”;
- “Redemption-Exchange Unit” is a unit of Brookfield Infrastructure that has the rights of the Redemption-Exchange Mechanism. See Item 10.B “Memorandum and Articles of Association—Description of Brookfield Infrastructure’s Limited Partnership Agreement—Units”;
- “Service Recipients” are to our partnership, Brookfield Infrastructure and the Holding Entities;
- our “social infrastructure operations” are to our interest in the following Public Private Partnership or “PPP” projects: (i) Long Bay Forensic and Prison Hospitals, Australia, in which we hold a 50% interest; (ii) Peterborough Hospital, United Kingdom, in which we hold a 30% interest; and (iii) Royal Melbourne Showgrounds, Australia, in which we hold a 50% interest;
- “spin-off” are to the issuance of the special dividend by Brookfield Asset Management to its shareholders of 23,344,508 of our units on January 31, 2008;
- our “timber operations” are to our interest in Island Timberlands Limited Partnership, or Island Timberlands, our Canadian timber operations and our interest in Longview Timber Holdings, Corp., or Longview, our U.S. timber operations; and
- “our units” are to the limited partnership units in our partnership and references to “our unitholders” are to the holders of our units.

FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains certain forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by terms such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “should,” “will” and “would” or the negative of those terms or other comparable terminology.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or are within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward looking statements. The following factors, among others, that could cause our actual results to vary from our forward looking statements:

- our partnership’s limited separate operating history;
- our financial statements may not present our financial results in the most meaningful manner;
- our assets are or may become highly leveraged and we intend to incur indebtedness above the asset level;
- foreign currency risk and risk management activities;
- our partnership is not regulated as an investment company under the U.S. Investment Company Act;
- we are not subject to the same disclosure requirements as a U.S. domestic public company;
- we are exempt from certain requirements of Canadian securities laws;
- general economic conditions and government regulation;
- impact of recent global economic downturn;
- recent disruption in global credit and financial markets;
- exposure to uninsurable losses;
- contingent liabilities;
- labor disruptions and economically unfavorable collective bargaining agreements;
- the competitive market for acquisition opportunities;
- our ability to execute our growth strategy, including completion of acquisitions, and to achieve desired results from acquisitions;
- some of our current operations are held in the form of joint ventures or partnerships or through consortium arrangements;
- electricity transmission may require substantial capital expenditures;
- electricity transmission development projects may expose us to construction risks;
- electricity transmission clients may default on their obligations;
- changes in tolls or regulated rates for electricity transmission;
- potential adverse claims to lands used in our electricity transmission operations;
- weather conditions, industry practice and regulations associated with forestry may adversely affect our timber operations;
- the competitive business environment for our timber operations;

- aboriginal claims to lands may adversely affect our timber operations;
- Canadian export regulations applicable to timber;
- default by sub-contractors under our PPP contracts;
- change in government policy towards our social infrastructure operations;
- change in political attitudes towards PPP funding models of social infrastructure;
- operating cost overruns in relation to our PPP projects;
- higher than expected costs associated with our replacement or refurbishment obligations in connection with our PPP projects;
- exposure to construction risks associated with our PPP projects;
- changes in law requiring capital expenditures associated with our PPP projects;
- default by our public sector clients on their obligations under contractual arrangements associated with our PPP projects;
- Brookfield's influence over our partnership;
- the lack of an obligation of Brookfield to source acquisition opportunities for us;
- our dependence on Brookfield and its professionals;
- interests in our Managing General Partner may be transferred to a third party without unitholder consent;
- Brookfield may increase its ownership of our partnership;
- Brookfield does not owe our unitholders any fiduciary duties;
- conflicts of interest between our partnership and our unitholders, on the one hand, and Brookfield, on the other hand;
- our arrangements with Brookfield may contain terms that are less favorable than those which otherwise might have been obtained from unrelated parties;
- our Managing General Partner may be unable or unwilling to terminate the Master Services Agreement;
- the limited liability of, and our indemnification of, the Manager;
- changes in tax law and practice; and
- other factors described in this Form 20-F, including, but not limited to, those described under Item 3.D "Risk Factors" and elsewhere in this Form 20-F.

Except as required by applicable law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the events described by our forward-looking statements might not occur. We qualify any and all of our forward-looking statements by these cautionary factors. Please keep this cautionary note in mind as you read this Form 20-F.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

3.A SELECTED FINANCIAL DATA

Actual Basis

The following table presents financial data for Brookfield Infrastructure as of and for the periods indicated:

<i>MILLIONS, UNAUDITED</i>	For the Year Ended December 31,		
	2008	2007⁽¹⁾	2006⁽¹⁾
Income Statement Key Metrics			
Revenue	\$ 32.9	\$ 33.1	\$30.7
Earnings (losses) from equity accounted investments	25.2	(7.8)	—
Dividend income	14.3	0.5	—
Interest expense	(12.9)	(6.9)	(5.8)
Net income	28.0	12.0	10.4
	As of the Year Ended		
	2008	2007⁽¹⁾	
Balance Sheet Key Metrics			
Total assets	\$1,174.3	\$1,157.9	
Partnership capital	899.9	984.5	
Corporate borrowings	139.5	—	
Non-recourse borrowings	97.6	115.0	

The following is non-GAAP financial information for Brookfield Infrastructure for the periods indicated:

<i>MILLIONS, UNAUDITED</i>	For the Year Ended December 31,		
	2008	2006	2005
Adjusted net operating income ⁽¹⁾	\$59.7	\$13.3	\$15.1

(1) Adjusted net operating income is defined as net income adding back depreciation and amortization, deferred income taxes and a performance fee accrued, net of minority interest related to those items, which are either directly on the statement of income or are a component of the equity earnings of an underlying investee company. Adjusted net operating income is a measure of operating performance that is not calculated in accordance with U.S. GAAP. Please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of Non-GAAP Financial Measures” for a discussion of adjusted net operating income and its limitations as a measure of our operating performance. The following table presents a reconciliation of adjusted net operating income to net income:

<i>MILLIONS, UNAUDITED</i>	For the Year Ended December 31,		
	2008	2007	2006
Net income	\$ 28.0	\$12.0	\$10.4
Add back or deduct the following:			
Depreciation, depletion and amortization	54.3	9.8	6.2
Deferred taxes	(14.9)	(8.4)	(1.5)
Performance fee	(12.8)	3.1	—
Unrealized loss on derivative instruments	3.9	—	—
Other non-cash items	1.2	(3.2)	—
Adjusted net operating income (ANOI)	\$ 59.7	\$13.3	\$15.1

Pro Forma Basis

As our electricity transmission and timber operations were seeded into Brookfield Infrastructure on November 27, 2007, there are no meaningful GAAP financial comparatives. Accordingly, we also review our performance on a pro forma basis. Please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of Unaudited Pro Forma Financial Statements”. The following table presents financial data for Brookfield Infrastructure on a pro forma basis as of and for the periods indicated:

<u>MILLIONS, UNAUDITED</u>	<u>For the Year Ended December 31,</u>		
	<u>2008</u>	<u>2007⁽¹⁾</u>	<u>2006</u>
Income Statement Key Metrics			
Revenue	\$ 32.9	\$ 33.1	\$ 30.7
Earnings (loss) from equity accounted investments	25.9	(9.5)	9.7
Dividend income	14.3	16.0	11.2
Interest expense	(12.9)	(12.5)	(11.3)
Net income	27.9	6.1	13.2

The following is non-GAAP financial information for Brookfield Infrastructure for the periods indicated:

<u>MILLIONS, UNAUDITED</u>	<u>As of the Year Ended</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Adjusted net operating income ⁽¹⁾	\$ 63.3	\$ 52.2	\$ 51.9

(1) Adjusted net operating income is defined as net income adding back depreciation and amortization, deferred income taxes and a performance fee accrued, net of minority interest related to those items, which are either directly on the statement of income or are a component of the equity earnings of an underlying investee company. Adjusted net operating income is a measure of operating performance that is not calculated in accordance with U.S. GAAP. Please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations Reconciliation—Non-GAAP Financial Measures” for a discussion of adjusted net operating income and its limitations as a measure of our operating performance. The following table presents a reconciliation of adjusted net operating income to net income:

<u>MILLIONS, UNAUDITED</u>	<u>For the Year Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net income	\$ 27.9	\$ 6.1	\$ 13.2
Add back or deduct the following:			
Depreciation, depletion and amortization	55.6	47.7	28.7
Deferred taxes	(15.6)	(20.9)	(3.6)
Performance fee	(12.8)	3.1	15.0
Unrealized (gains) losses on derivative instruments	6.9	15.3	(1.4)
Other non-cash items	1.3	0.9	—
Adjusted net operating income (ANOI)	<u>\$ 63.3</u>	<u>\$ 52.2</u>	<u>\$ 51.9</u>

3.B CAPITALIZATION AND INDEBTEDNESS

Not applicable.

3.C REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

3.D RISK FACTORS

You should carefully consider the following factors in addition to the other information set forth in this Form 20-F. Additional risks and uncertainties that we do not presently know about or that we currently believe are immaterial may also adversely impact our business, financial condition, results of operations or the value of our unitholders' units. If any of the following risks actually occur, our business, financial condition and results of operations and the value of our unitholders' units would likely suffer.

Risks Relating to Us and Our Partnership

Our partnership is a recently formed partnership with limited separate operating history and the historical financial information included herein for periods prior to November 27, 2007 does not reflect the financial condition or operating results we would have achieved during the periods presented, and therefore may not be a reliable indicator of our future financial performance.

Our partnership was formed on May 21, 2007 and commenced its activities on November 27, 2007. Our limited operating history will make it difficult to assess our ability to operate profitably and make distributions to unitholders. Although most of our current operations have been under Brookfield's control prior to the formation of our partnership, their combined results have only recently been reported on a stand-alone basis and the historical financial statements included in this Form 20-F cover periods during which some of our current operations were not under Brookfield's control or management and, therefore, may not be indicative of our future financial condition or operating results. You should carefully consider the basis on which the historical financial information included herein was prepared and presented.

Our partnership's and Brookfield Infrastructure's financial statements may not present our partnership's financial results in the most meaningful manner.

Our partnership's sole material asset is its 60% limited partnership interest in Brookfield Infrastructure, which our partnership accounts for using equity accounting because our partnership does not control Brookfield Infrastructure; the general partner of which is controlled by Brookfield. Furthermore, as most of our current operations are accounted for using equity or cost accounting, Brookfield Infrastructure's financial statements do not include a detailed breakdown of the components of net income, cash flows or unitholders' equity for most of our current operations. The only operations that are currently consolidated into Brookfield Infrastructure's financial statements are our Ontario transmission operations. Although we provide certain income statement and balance sheet line items for our current operations on a segmented basis in a note to Brookfield Infrastructure's financial statements, such information does not include the level of detail and note discussion that would be provided if such operations were consolidated into our partnership's and Brookfield Infrastructure's financial statements. While separate audited financial statements for most of our current operations are included in this Form 20-F, our obligation to provide similar disclosure in the future will depend on the significance of each of the current operations at each year end relative to our overall assets and income. Accordingly, we may not continue to provide separate audited financial statements for each or any of our operations on an ongoing basis.

In addition, we do not expect to be able to provide investors with audited financial statements containing meaningful year-to-year comparisons of financial performance for several years because our partnership's results only reflect results for our current operations from and after the date we or, in some cases, Brookfield acquired them.

Our assets are or may become highly leveraged and we may incur indebtedness in addition to asset-level indebtedness under our new credit facility, which contains certain restrictive covenants, or otherwise.

Our operating entities have a significant degree of leverage on their assets, including acquisition-related leverage, which is not reflected in our partnership's historical financial statements. In addition, we may increase the leverage on our assets. Highly leveraged assets are inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market and industry developments. A leveraged

company's income and net assets also tend to increase or decrease at a greater rate than would otherwise be the case if money had not been borrowed. As a result, the risk of loss associated with a leveraged company is generally greater than for companies with comparatively less debt. In addition, the use of indebtedness in connection with an acquisition may give rise to negative tax consequences to certain investors.

On a proportionate basis, the debt balance of all of our current operations was approximately \$1,190 million as of December 31, 2008, with an annual debt service obligation of approximately \$53 million. We may also incur indebtedness under one or more credit facilities, in addition to any asset-level indebtedness. On June 13, 2008, we entered into a \$450 million senior secured credit facility which is available to fund acquisitions. For example, we may incur indebtedness under this credit facility in order to acquire an additional indirect interest in Longview in the event that Brookfield contributes its remaining interest in Longview to a timberlands focused partnership with institutional investors. We have made a commitment of up to \$600 million to Brookfield to make such a purchase, subject to conditions, including a financing condition, described under Item 7.B "Related Party Transactions—Longview Purchase Agreement." Although we intend to complete any acquisition, including this indirect acquisition of Longview, with an appropriate mix of debt and equity financing for our capital structure, we may finance all or a portion of this or any other acquisition and other investments with debt.

The terms of our senior secured credit facility subjects us to financial and operating covenants which restrict our ability to engage in certain types of activities and make distributions in respect of equity. For example, the facility contains negative covenants that significantly restrict Brookfield Infrastructure including, among others, limitations on debt, liens, investments, mergers and operating activities, and restrictions from making any distributions on its equity unless immediately prior to, and after giving pro forma effect to, such distribution, no default has occurred and is continuing and Brookfield Infrastructure meets a minimum interest coverage ratio. If we fail to satisfy any debt service obligations under the facility or breach any financial or operating covenants thereunder, we will be prohibited from making any distributions until such breach is cured or the lenders could declare all advances outstanding under the senior secured credit facility to be immediately due and payable and could foreclose on our assets pledged as collateral.

We are subject to foreign currency risk and our risk management activities may adversely affect the performance of our operations.

Some of our current operations are in countries where the U.S. dollar is not the functional currency. These operations pay distributions in currencies other than the U.S. dollar which we must convert to U.S. dollars prior to making distributions and certain of our operations have revenues denominated in currencies different than our expense structure, thus exposing us to currency risk. Fluctuations in currency exchange rates could make it more expensive for our customers to purchase our services and consequently reduce the demand for our services. In addition, a significant depreciation in the value of such foreign currencies may have a material adverse effect on our results of operations and financial position.

When managing our exposure to such market risks, we may use forward contracts, options, swaps, caps, collars and floors or pursue other strategies or use other forms of derivative instruments. The success of any hedging or other derivative transactions that we enter into generally will depend on our ability to structure contracts that appropriately offset our risk position. As a result, while we may enter into such transactions in order to reduce our exposure to market risks, unanticipated market changes may result in poorer overall investment performance than if the transaction had not been executed. Such transactions may also limit the opportunity to gain if the value of a hedged position increases.

Our partnership is not, and does not intend to become, regulated as an investment company under the U.S. Investment Company Act (and similar legislation in other jurisdictions) and if our partnership was deemed an "investment company" under the U.S. Investment Company Act, applicable restrictions could make it impractical for us to operate as contemplated.

The U.S. Investment Company Act and the rules thereunder (and similar legislation in other jurisdictions) provide certain protections to investors and impose certain restrictions on companies that are registered as

investment companies. Among other things, such rules limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities and impose certain governance requirements. Our partnership has not been and does not intend to become regulated as an investment company and our partnership intends to conduct its activities so it will not be deemed to be an investment company under the U.S. Investment Company Act (and similar legislation in other jurisdictions). In order to ensure that we are not deemed to be an investment company, we may be required to materially restrict or limit the scope of our operations or plans, we will be limited in the types of acquisitions that we may make and we may need to modify our organizational structure or dispose of assets of which we would not otherwise dispose. Moreover, if anything were to happen which would potentially cause our partnership to be deemed an investment company under the U.S. Investment Company Act, it would be impractical for us to operate as intended. Agreements and arrangements between and among us and Brookfield would be impaired, the type and amount of acquisitions that we would be able to make as a principal would be limited and our business, financial condition and results of operations would be materially adversely affected. Accordingly, we would be required to take extraordinary steps to address the situation, such as the amendment or termination of the Master Services Agreement, restructuring our partnership and the Holding Entities, amendment of our limited partnership agreement or the termination of our partnership, any of which could materially adversely affect the value of our units. In addition, if our partnership were deemed to be an investment company under the U.S. Investment Company Act, it would be taxable as a corporation for U.S. federal income tax purposes, and such treatment could materially adversely affect the value of our units.

Our partnership is a “foreign private issuer” under U.S. securities laws and as a result is subject to disclosure obligations different from requirements applicable to U.S. domestic issuers listed on the NYSE.

Although our partnership is subject to the periodic reporting requirement of the U.S. Securities Exchange Act, as amended, or the Exchange Act, the periodic disclosure required of foreign private issuers under the Exchange Act is different from periodic disclosure required of U.S. domestic issuers. Therefore, there may be less publicly available information about our partnership than is regularly published by or about other public limited partnerships in the United States and our partnership is exempt from certain other sections of the Exchange Act that U.S. domestic issuers would otherwise be subject to, including the requirement to provide our unitholders with information statements or proxy statements that comply with the Exchange Act. In addition, insiders and large unitholders of our partnership are not obligated to file reports under Section 16 of the Exchange Act and certain of the governance rules imposed by the NYSE are inapplicable to our partnership.

Our partnership is an “SEC foreign issuer” under Canadian securities regulations and is exempt from certain requirements of Canadian securities laws.

Although our partnership is a reporting issuer in Canada, it is an “SEC foreign issuer” and is exempt from certain Canadian securities laws relating to continuous disclosure obligations and proxy solicitation if our partnership complies with certain reporting requirements applicable in the United States, provided that the relevant documents filed with the U.S. Securities and Exchange Commission, or the SEC, are filed in Canada and sent to our partnership’s security holders in Canada to the extent and in the manner and within the time required by applicable U.S. requirements. Therefore, there may be less publicly available information in Canada about our partnership than would be available if we were a typical Canadian reporting issuer.

Risks Relating to Our Operations and the Infrastructure Industry

Risks Relating to Our Current Operations and Infrastructure Generally

All of our operating entities are subject to general economic conditions and government regulation.

All of our operating entities depend on the financial health of their customers who may be sensitive to the overall performance of the economy. Adverse local, regional or worldwide economic trends that affect each respective economy could have a material adverse effect on our financial condition and results of operations. Our

financial condition and results of operations could also be affected by changes in economic or other government policies or other political or economic developments in each country or region, as well as regulatory changes or administrative practices over which we have no control such as: the regulatory environment related to our business operations and concession agreements; interest rates; currency fluctuations; exchange controls and restrictions; inflation; liquidity of domestic financial and capital markets; tax policies; and other political, social and economic developments that may occur in or affect the countries in which our operating entities operate or the countries in which the customers of our operating entities operate or both.

The recent unprecedented events in global financial markets have had a profound impact on the global economy and could have a material adverse effect on our business.

Many industries, including the industries in which we operate, are impacted by the recent unprecedented events in the global financial markets. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit spreads, devaluations and high volatility in global equity, commodity and foreign exchange markets, and a general lack of market liquidity. A continued deterioration in the financial markets or other key measures of the global economy, including, but not limited to, new home construction, employment rates, business conditions, inflation, fuel and energy costs, lack of available credit, the state of the financial markets, interest rates and tax rates may adversely affect our growth and profitability. Specifically, the current global credit/liquidity crisis could materially impact the cost and availability of our financing and our overall liquidity; the volatility of commodity output prices and currency exchange markets could materially impact our revenues, profits and cash flow; volatile energy, commodity input and consumables prices and currency exchange rates could materially impact our production costs; and the devaluation and volatility of global stock markets could materially impact the valuation of our units. Any one of these factors could have a material adverse effect on our condition and results of operations.

Recent market events and conditions and the deterioration of general economic indicators have led to a loss of confidence in global credit and financial markets, restricted access to capital and credit, and increased counterparty risk. If this continues, our operations could be adversely impacted and the trading price of our units may be adversely affected.

Beginning in 2007, the U.S. credit markets began to experience and continue to experience serious disruption due in large part to a deterioration in residential property values, defaults and delinquencies in the residential mortgage market (particularly, sub-prime and non-prime mortgages) and a decline in the credit quality of mortgage backed securities. These conditions continued and worsened in 2008, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by the U.S. and foreign governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. In addition, general economic indicators have further deteriorated, resulting in declining consumer sentiment, increased unemployment and declining economic growth and uncertainty about corporate earnings. These unprecedented disruptions could, among other things, make it more difficult for us to obtain, or increase our cost of obtaining, capital and financing for our operations. Our access to additional capital may not be available on terms acceptable to us or at all. Failure to raise capital when needed or on reasonable terms may have a material adverse effect on our business, financial condition and results of operations. In addition, recent market events and conditions have significantly raised the risk of counterparty default. We are subject to counterparty risk and may be impacted in the event that a counterparty becomes insolvent. These factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil continue, our operations could be adversely impacted and the trading price of our units may be adversely affected.

We may be exposed to uninsurable losses.

The assets of infrastructure businesses are exposed to unplanned interruptions caused by significant catastrophic events such as floods, earthquakes, fires, major plant breakdowns, pipeline or electricity line ruptures or other disasters. Operational disruption, as well as supply disruption, could adversely affect the cash flows available from these assets. In addition, the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged interruption may result in a permanent loss of customers, substantial litigation or penalties or regulatory or contractual non-compliance. Moreover, any loss from such events may not be recoverable under relevant insurance policies.

Given the nature of the assets operated by our operating entities, we may be more exposed to risks in the insurance market that lead to limitations on coverage and/or increases in premium. For example, our timber operations are not insured against losses from fires and many components of our Chilean transmission operations are not insured against losses from earthquakes. Even if such insurance were available, the cost would be prohibitive. While not a risk borne directly by our partnership, the ability of the operating entities to obtain the required insurance coverage at a competitive price may have an impact on the returns generated by them and accordingly the returns received by our partnership.

The acquisition of our current operations may give rise to contingent liabilities and the integration of our current operations may not be successful.

Most of our current operations were recently acquired from third parties and have only been operated by us and Brookfield for a short period of time. We are subject to any contingent liabilities that are attached to our current operations, such as claims for failure to comply with government regulations or other past activities. Accordingly, there is risk regarding any undisclosed or unknown liabilities or issues concerning the current operations. The representations, warranties and indemnities of Brookfield to us in connection with our acquisition of the current operations are limited and for the most part do not protect us against these liabilities or guarantee the value of the current operations. Although the sellers of such operations made various representations to Brookfield in connection with the acquisitions, certain of the indemnification obligations are limited in duration and amount and may have already expired. In addition, even if we could make a claim against the seller of the interest for the amount that is required to be contributed, there can be no assurance that the seller would be willing or able to satisfy any claim that may be brought or that any claim would be successful. We also may not successfully integrate the business and operations of our current operations or realize any of the anticipated benefits of their acquisition and accordingly our results of operations and financial condition could be adversely affected.

Performance of our operating entities may be harmed by future labor disruptions and economically unfavorable collective bargaining agreements.

Several of our current operations have workforces that are unionized and, as a result, they are required to negotiate the wages, benefits and other terms with many of their employees collectively. If an operating entity were unable to negotiate acceptable contracts with any of its unions as existing agreements expire, it could experience a significant disruption of its operations, higher ongoing labor costs and restrictions of its ability to maximize the efficiency of its operations, which could have a material adverse effect on its operations and financial results.

Our operating entities may be exposed to higher levels of regulation than in other sectors and breaches of such regulations could expose our operating entities to claims for financial compensation and adverse regulatory consequences.

In many instances, ownership and operation of infrastructure assets involves an ongoing commitment to a governmental agency. The nature of these commitments exposes the owners of infrastructure assets to a higher

level of regulatory control than typically imposed on other businesses. For example, our timber operations are subject to provincial, state and federal government regulations relating to forestry practices and the export of logs and our electricity transmission operations are subject to government regulation of their rates and revenues. The risk that a governmental agency will repeal, amend, enact or promulgate a new law or regulation or that a governmental authority will issue a new interpretation of the law or regulations, could affect our operating entities substantially.

In addition, our operating entities are subject to laws and regulations relating to pollution and the protection of the environment. They are also subject to laws and regulations governing health and safety matters, protecting both the public and their employees. Any breach of these obligations, or even incidents relating to the environment or health and safety that do not amount to a breach, could adversely affect the results of our operating entities and their reputations and expose them to claims for financial compensation or adverse regulatory consequences. There is also the risk that our operating entities do not have, or might not obtain, permits necessary for their operations. Permits or special rulings may be required on taxation, financial and regulatory related issues. Even though most permits and licences are obtained before the commencement of operations, many of these licences and permits have to be renewed or maintained over the life of the business.

We operate in a highly competitive market for acquisition opportunities.

Our acquisition strategy is dependent to a significant extent on the ability of Brookfield to identify acquisition opportunities that are suitable for us. We face competition for acquisitions primarily from investment funds, operating companies acting as strategic buyers, construction companies, commercial and investment banks and commercial finance companies. Many of these competitors are substantially larger and have considerably greater financial, technical and marketing resources than are available to us. Some of these competitors may also have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of acquisitions. Due to the capital intensive nature of infrastructure acquisitions, in order to finance acquisitions we will need to compete for equity capital from institutional investors and other equity providers, including Brookfield, and our ability to consummate acquisitions will be dependent on such capital continuing to be available. Increases in interest rates could also make it more difficult to consummate acquisitions because our competitors may have a lower cost of capital which may enable them to bid higher prices for assets. In addition, because of our affiliation with Brookfield, there is a higher risk that when we participate with Brookfield and others in joint ventures, partnerships and consortiums on acquisitions we may become subject to anti-trust or competition laws that we would not be subject to if we were acting alone. These factors may create competitive disadvantages for us with respect to acquisition opportunities.

We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations or that Brookfield will be able to identify and make acquisitions on our behalf that are consistent with our objectives or that generate attractive returns for our unitholders. We may lose acquisition opportunities in the future if we do not match prices, structures and terms offered by competitors, if we are unable to access sources of equity or obtain indebtedness at attractive rates or if we become subject to anti-trust or competition laws. Alternatively, we may experience decreased rates of return and increased risks of loss if we match prices, structures and terms offered by competitors.

Future acquisitions may subject us to additional risks.

Future acquisitions will likely involve some or all of the following risks, which could materially and adversely affect our business, results of operations or financial condition: the difficulty of integrating the acquired operations and personnel into our current operations; potential disruption of our current operations; diversion of resources, including Brookfield's time and attention; the difficulty of managing the growth of a larger organization; the risk of entering markets in which we have little experience; the risk of becoming involved in labor, commercial or regulatory disputes or litigation related to the new enterprise; and the risk of environmental or other liabilities associated with the acquired business.

Brookfield has structured some of our current operations as joint ventures, partnerships and consortium arrangements, and we will do so in the future, which will reduce Brookfield's and our control over our operations and may subject us to additional obligations.

Brookfield has structured some of our current operations as joint ventures, partnerships and consortium arrangements. An integral part of our strategy is to participate with institutional investors in Brookfield sponsored or co-sponsored consortiums for single asset acquisitions and as a partner in or alongside Brookfield sponsored or co-sponsored partnerships that target acquisitions that suit our profile. These arrangements are driven by the magnitude of capital required to complete acquisitions of infrastructure assets and other industrywide trends that we believe will continue. Such arrangements involve risks not present where a third party is not involved, including the possibility that partners or co-venturers might become bankrupt or otherwise fail to fund their share of required capital contributions. Additionally, partners or co-venturers might at any time have economic or other business interests or goals different from us and Brookfield.

Joint ventures, partnerships and consortium investments generally provide for a reduced level of control over an acquired company because governance rights are shared with others. Accordingly, decisions relating to the underlying operations, including decisions relating to the management and operation and the timing and nature of any exit, are often made by a majority vote of the investors or by separate agreements that are reached with respect to individual decisions. In addition, such operations may be subject to the risk that the company may make business, financial or management decisions with which we do not agree or the management of the company may take risks or otherwise act in a manner that does not serve our interests. Because we may not have the ability to exercise control over such operations, we may not be able to realize some or all of the benefits that we believe will be created from our and Brookfield's involvement. If any of the foregoing were to occur, our financial condition and results of operations could suffer as a result.

In addition, because some of our current operations are structured as joint ventures, partnerships or consortium arrangements, the sale or transfer of interests in some of our operations are subject to rights of first refusal or first offer, tag along rights or drag along rights and some agreements provide for buy-sell or similar arrangements. For example, our Chilean transmission operations are subject to a shareholders' agreement which allows for an en bloc sale of the assets without our consent and our Brazilian transmission investments are subject to put/call agreements with third parties. Such rights may be triggered at a time when we may not want them to be exercised and such rights may inhibit our ability to sell our interest in an entity within our desired time frame or on any other desired basis.

Risks Relating to Our Electricity Transmission Operations

Our electricity transmission operations may require substantial capital expenditures in the future.

In some of the jurisdictions in which we have electricity transmission operations, such as Brazil and Chile, certain maintenance capital expenditures may not be covered by the regulatory framework. If our electricity transmission operations in these jurisdictions require significant capital expenditures to maintain our asset base, we will not be able to cover such costs through the regulatory framework. In addition, we may be exposed to disallowance risk in other jurisdictions to the extent that capital expenditures and costs are not fully recovered through the regulatory framework.

Our electricity transmission operations may engage in development projects which may expose us to various risks associated with construction.

Our electricity transmission operations may engage in development projects. If such development projects enter the construction phase, we are likely to retain some risk that the project will not be completed within budget, within the agreed timeframe and to the agreed specifications. During the construction phase, the major risks include a delay in the projected completion of the project and a resultant delay in the commencement of cash flows, an increase in the capital needed to complete construction and the insolvency of the head contractor,

a major subcontractor and/or key equipment supplier. Although frequently the main risks of any delay in completion of the construction or any “overrun” in the costs of construction will typically have been passed on by us contractually to a subcontractor, there is some risk that the anticipated returns of the relevant project may be adversely affected as a result. Unexpected increases in costs may also result in increased debt service costs and in funds being insufficient to complete construction. In addition, due to any of the aforementioned delays or cost overruns, regulatory changes or other external influences, we may decide to abandon construction or development of any given project resulting in a write-off of any cost recovery we may have received for costs to the point of abandonment. This would negatively impact our income and cash flow.

Clients of our electricity transmission operations may default on their obligations under the relevant contractual arrangements.

Some of our electricity transmission operations have customer contracts as well as concession agreements in place with public and private sector clients. On the public sector side this may include central government departments, local government bodies and quasi-government agencies. Since it cannot be assumed that a central government will in all cases assume liability for the obligation of quasi-government agencies or those central government departments will themselves not default on their obligations, the possibility of a default remains. Our electricity transmission operations also have contracts with private sector clients. There is an increased risk of default by private sector clients compared with public sector clients. For example, we have a single customer which represented approximately 71% of revenues of our Chilean transmission operations in 2008. As this accounts for a majority of its cash flow, our Chilean transmission operations could be materially adversely affected by any material change in the assets, financial condition or results of operations of that customer.

Our electricity transmission operations may be adversely affected by changes in tolls or regulated rates.

Some of our electricity transmission operations are regulated with respect to revenues and they recover their investment in transmission assets through tolls or regulated rates which are charged to third parties (including generating companies). In general, our electricity transmission operations are entitled to earn revenue that represents a rate of return on the regulated investment value of assets and to collect provisions for operating, maintenance and administrative costs. If any of the respective regulators in the jurisdictions in which we operate decide to change the tolls or rates we are allowed to charge or the amounts of the provisions we are allowed to collect, we may not be able to earn a rate of return on our businesses that we had planned or we may not be able to recover our initial investment cost.

The lands used in our electricity transmission operations may be subject to adverse claims.

Although we believe that we have valid rights to all easements, licences and rights of way necessary for our electricity transmission operations, not all of our easements, licences and rights of way are registered against the lands to which they relate and may not bind subsequent owners. In addition, our rights may be adversely affected by rights of governments or aboriginal groups.

Risks Relating to Our Timber Operations

The financial performance of our timber operations may be affected by economic recessions or downturns.

The vast majority of the products from our timber operations are sensitive to macro-economic conditions in North America and Japan and are thus susceptible to economic recessions or downturns in these markets. Decreases in the level of residential construction, repair and remodeling activity generally reduce demand for logs and wood products, resulting in lower revenues, profits and cash flows for lumber mills who are important customers to our timber operations. Depressed commodity prices in lumber, pulp or paper may also cause mill operators to temporarily or permanently shut down their mills if their product prices fall to a level where mill operation would be uneconomic. Moreover, these operators may be required to temporarily suspend operations at

one or more of their mills to bring production in line with market demand or in response to market irregularities. Any of these circumstances could significantly reduce the prices that we realize for our timber as well as the volume of our timber that we may be able to sell. In addition to impacting our timber operations' sales, cash flows and earnings, weakness in the market prices of timber products will also have an effect on our ability to attract additional capital, the cost of that capital and the value of our timberland assets. Further, we may reduce near term harvest levels to preserve our inventory for periods of higher pricing, which would negatively impact the near term results and cashflow of our timber operations.

A variety of factors may limit or prevent harvesting by our timber operations.

Weather conditions, industry practices and federal, state and provincial laws and regulations associated with forestry practices, sale of logs and environmental matters, including wildlife and water resources, may limit or prevent harvesting, road building and other activities on the timberlands owned by our timber operations. In the case of restrictions arising from regulatory requirements, the size of the area subject to restriction will vary depending on the protected species at issue, the time of year and other factors. In addition, if regulations become more restrictive, the amount of the timberlands subject to harvest restrictions could increase. The timberlands owned by our timber operations may also suffer damage by fire, insect infestation, wind, disease, prolonged drought and other natural and man-made disasters. There can be no assurance that our timber operations will achieve harvest levels in the future necessary to maintain or increase revenues, earnings and cash flows. There can be no assurance that the forest management planning by our timber operations, including silviculture, will have the intended result of ensuring that their asset base appreciates over time.

Our timber operations operate in a highly competitive industry, subject to price fluctuations.

Timberland companies operate in a highly competitive business environment in which companies compete, to a large degree, on the basis of price and also on the basis of service and ability to provide a steady supply of products over the long-term. The prime competitors to our timber operations are governments, other large forestland owners and small private forestland owners. In addition, wood and paper products are subject to increasing competition from a variety of substitute products, including non-wood and engineered wood products and electronic media. The competitive position of our timber operations and the price realized for our products is also influenced by a number of other factors including: the ability to attract and maintain long-term customer relationships; the quality of our products; the health of the regional converting industry; the costs of timber production; the availability, quality and cost of labor; the cost of fuel; shipping and transportation costs; changes in global timber supply; technological advances that increase yield in other regions; and the price and availability of substitute wood and non-wood products.

Our ability to harvest timber may be adversely affected by aboriginal claims.

Aboriginal claims could adversely affect our ability to harvest timber in our Canadian (and to a lesser degree, U.S.) timber operations. Canadian courts have recognized that aboriginal peoples may possess rights at law in respect of land used or occupied by their ancestors where treaties have not been concluded to deal with these rights. In Canada, aboriginal groups have made claims in respect of land governed by Canadian authorities, which could affect a portion of our timber operations. Any settlements in respect of these claims could lower the volume of timber managed by our Canadian timber operations and could increase the cost to harvest timber on such lands.

Our Canadian timber operations are subject to federal restrictions which may require them to decrease their planned export of logs.

Currently, logs from most private timberlands in Canada are not subject to provincial export regulations, but are subject to federal export regulations. As a result, all export logs must be advertised for local consumption and may be exported only if there is a surplus of domestic supply as indicated by the absence of fair market value

offers (based on current domestic prices) from domestic lumber mills. Accordingly, an increase in domestic demand could result in our Canadian timber operations being required to decrease their planned export of logs. The provincial government in British Columbia is currently reviewing its log export policy, and may recommend that the federal government impose a policy that may further restrict the export of logs from private lands in British Columbia. As export market pricing is generally at a premium to the domestic market pricing, any reduction in log exports could have an adverse effect on our Canadian timber operations.

Risks Relating to Our Public Private Partnership (or PPP) and Social Infrastructure Operations

We may be required to retain risks inherent in a PPP project and may be exposed to risks of default by our sub-contractors.

As described in further detail under Item 4.B “Business Overview—Current Operations—Social Infrastructure-Overview”, contractual arrangements entered into by PPP project companies are generally structured to minimize the retention by the project company of risks inherent in the project by, among other things, passing these risks on under relevant sub-contracting arrangements. If the project company is required to replace a sub-contractor due to, for example, non-performance or other default, the project company will often bear the risk of any deductions that may accrue as a result of replacement and will bear the risk of any increased costs resulting from the replacement. Non-performance may also trigger a right for our public sector client to require us to replace a sub-contractor. In addition, the project company may be forced to retain certain residual risks where they are not assumed by the public sector client and cannot be passed on to sub-contractors.

Government policy towards our social infrastructure operations may change.

The policies of the relevant government entities in Australia and the UK, and other jurisdictions in which we may develop or acquire such assets, toward social infrastructure may change, which may cause a decrease in the use of PPP initiatives in those jurisdictions. If there is such a change in policy, the relevant government entity may seek to terminate the social infrastructure operation pursuant to the relevant project agreement. While termination should lead to compensation being paid to us, the compensation may not be sufficient to ensure that anticipated returns from the social infrastructure operation are realized.

Political attitudes towards PPP funding models of social infrastructure may change.

PPP funding of social infrastructure development has grown markedly in recent years worldwide, mainly in Europe, Australia and Canada. However, the PPP funding model is opposed by some political groups. If the PPP model of social infrastructure development were to decline worldwide due to increased political opposition, this would negatively affect our opportunities for growth in this area.

We may experience operating cost overruns in relation to a project.

In pricing our PPP projects, we will make allowances for certain direct operating costs of the project company, including operating insurances, management, accounting, and other professional services during the term. Any inadequacy in such projections will likely negatively impact upon our financial results.

We may experience higher than expected costs associated with Lifecycle Replacement or latent defects

Our project companies typically retain the obligation to undertake replacement and refurbishment of projects (frequently referred to as “Lifecycle Replacement”) during the term as may be necessary to ensure the performance of the facilities to the contracted standards. Performance deductions resulting from a failure to undertake necessary Lifecycle Replacement are generally not eligible to be passed on to sub-contractors. In addition, project companies often bear the risk of latent defects after a specified number of years, prior to which this risk is borne by the construction contractor. Unanticipated costs of Lifecycle Replacement or the presence of latent defects could have a material adverse effect on our financial condition and financial results.

Our PPP project activities may include significant development activities, which may expose us to various risks associated with construction.

Our PPP project activities may include significant development activities. If such development activities enter the construction phase, we are likely to retain some risk that the project will not be completed within budget, within the agreed time frame and to the agreed specifications. During the construction phase, the major risks include a delay in the projected completion of the project and a resultant delay in the commencement of cash flows, an increase in the capital needed to complete construction and the insolvency of the head contractor, a major subcontractor and/or key equipment supplier. Although frequently the main risks of any delay in completion of the construction or any “overrun” in the costs of construction will typically have been passed on by us contractually to a sub-contractor, there is some risk that the anticipated returns of the relevant project may be adversely affected as a result. Unexpected increases in costs may also result in increased debt service costs and in funds being insufficient to complete construction. In addition, due to any of the aforementioned delays or cost overruns, regulatory changes or other external influences, we may decide to abandon construction or development of any given project resulting in a write-off of any cost recovery we may have received for costs to the point of abandonment. This would negatively impact our income and cash flow.

Changes in law requiring capital expenditures could have a material adverse effect on our operations.

Changes in law relating to the construction phase or the general performance of the services, in connection with a PPP project, are typically passed directly to the relevant sub-contractors. Where changes in law result in a requirement to make capital expenditures, however, our project company often shares this risk with the public sector client on a graduated scale, which could have a material adverse effect on our financial condition and financial results.

Our public sector clients may default on their obligations under the relevant contractual arrangements.

The concessions granted in our social infrastructure operations are granted by a variety of public sector clients, including central/state governments and statutory corporations. Although the creditworthiness and ability of each such body to enter into a project agreement (along with any related guarantees from higher government entities) has been considered on a case-by-case basis with the benefit of advice, the possibility of a default remains.

Risks Relating to Our Relationship with Brookfield

Brookfield exercises substantial influence over our partnership and we are highly dependent on the Manager.

Brookfield is the sole shareholder of our Managing General Partner. As a result of its ownership of our Managing General Partner, Brookfield is able to control the appointment and removal of our Managing General Partner’s directors and, accordingly, exercise substantial influence over our partnership. In addition, our partnership holds its interest in the operating entities indirectly and will hold any future acquisitions indirectly through Brookfield Infrastructure, the general partner of which is controlled by Brookfield. As our partnership’s only substantial asset is the limited partnership interests that it holds in Brookfield Infrastructure, our partnership does not have a right to participate directly in the management or activities of Brookfield Infrastructure or the Holding Entities, including with respect to the making of decisions.

Our partnership and Brookfield Infrastructure do not have any employees and depend on the management and administration services provided by the Manager. Brookfield personnel and support staff that provide services to us are not required to have as their primary responsibility the management and administration of our partnership or Brookfield Infrastructure or to act exclusively for either of us. Any failure to effectively manage our current operations or to implement our strategy could have a material adverse effect on our business, financial condition and results of operations.

Brookfield has no obligation to source acquisition opportunities for us and we may not have access to all infrastructure acquisitions that Brookfield identifies.

Our ability to grow depends on Brookfield's ability to identify and present us with acquisition opportunities. Brookfield has stated that we are its primary vehicle to own and operate certain infrastructure assets on a global basis. However, Brookfield has no obligation to source acquisition opportunities for us. In addition, Brookfield has not agreed to commit to us any minimum level of dedicated resources for the pursuit of infrastructure related acquisitions. There are a number of factors which could materially and adversely impact the extent to which suitable acquisition opportunities are made available from Brookfield, for example:

- there is no accepted industry standard for what constitutes an infrastructure asset. Brookfield may consider certain assets that have both real-estate related characteristics and infrastructure related characteristics to be real estate and not infrastructure;
- it is an integral part of Brookfield's (and our) strategy to pursue the acquisition of infrastructure assets through consortium arrangements with institutional investors, strategic partners or financial sponsors and to form partnerships to pursue such acquisitions on a specialized or global basis. Although Brookfield has agreed with us that it will not enter any such arrangements that are suitable for us without giving us an opportunity to participate in them, there is no minimum level of participation to which we will be entitled;
- the same professionals within Brookfield's organization that are involved in acquisitions that are suitable for us are responsible for the consortiums and partnerships referred to above, as well as having other responsibilities within Brookfield's broader asset management business. Limits on the availability of such individuals will likewise result in a limitation on the availability of acquisition opportunities for us;
- Brookfield will only recommend acquisition opportunities that it believes are suitable for us. Our focus is on assets where we believe that our operations-oriented approach can be deployed to create value. Accordingly, opportunities where Brookfield cannot play an active role in influencing the underlying operating company or managing the underlying assets may not be suitable for us, even though they may be attractive from a purely financial perspective. Legal, regulatory, tax and other commercial considerations will likewise be an important consideration in determining whether an opportunity is suitable and will limit our ability to participate in these more passive investments and may limit our ability to have more than 50% of our assets concentrated in a single jurisdiction; and
- in addition to structural limitations, the question of whether a particular acquisition is suitable is highly subjective and is dependent on a number of factors including our liquidity position at the time, the risk profile of the opportunity, its fit with the balance of our then current operations and other factors. If Brookfield determines that an opportunity is not suitable for us, it may still pursue such opportunity on its own behalf, or on behalf of a Brookfield sponsored partnership or consortium.

In making these determinations, Brookfield may be influenced by factors that result in a mis-alignment or conflict of interest. See Item 7.B "Related Party Transactions—Conflicts of Interest and Fiduciary Duties."

The departure of some or all of Brookfield's professionals could prevent us from achieving our objectives.

We depend on the diligence, skill and business contacts of Brookfield's professionals and the information and opportunities they generate during the normal course of their activities. Our future success will depend on the continued service of these individuals, who are not obligated to remain employed with Brookfield. Brookfield has experienced departures of key professionals in the past and may do so in the future, and we cannot predict the impact that any such departures will have on our ability to achieve our objectives. The departure of a significant number of Brookfield's professionals for any reason, or the failure to appoint qualified or effective successors in the event of such departures, could have a material adverse effect on our ability to achieve our objectives. Our limited partnership agreement and our Master Services Agreement do not require Brookfield to maintain the employment of any of its professionals or to cause any particular professionals to provide services to us or on our behalf.

The control of our Managing General Partner may be transferred to a third party without unitholder consent.

Our Managing General Partner may transfer its general partnership interest to a third party in a merger or consolidation or in a transfer of all or substantially all of its assets without the consent of our unitholders. Furthermore, at any time, the shareholder of our Managing General Partner may sell or transfer all or part of its shares in our Managing General Partner without the approval of our unitholders. If a new owner were to acquire ownership of our Managing General Partner and to appoint new directors or officers of its own choosing, it would be able to exercise substantial influence over our partnership's policies and procedures and exercise substantial influence over our management and the types of acquisitions that we make. Such changes could result in our partnership's capital being used to make acquisitions in which Brookfield has no involvement or in making acquisitions that are substantially different from our targeted acquisitions. Additionally, our partnership cannot predict with any certainty the effect that any transfer in the ownership of our Managing General Partner would have on the trading price of our units or our partnership's ability to raise capital or make investments in the future, because such matters would depend to a large extent on the identity of the new owner and the new owner's intentions with regard to our partnership. As a result, the future of our partnership would be uncertain and our partnership's financial condition and results of operations may suffer.

Brookfield may increase its ownership of our partnership and Brookfield Infrastructure relative to other unitholders.

Brookfield holds approximately 40% of the issued and outstanding interests in Brookfield Infrastructure through a 1% general partnership interest and a 39% limited partnership interest. The limited partnership interests held by Brookfield are redeemable for cash or exchangeable for our units in accordance with the Redemption-Exchange Mechanism, which could result in Brookfield eventually owning 39% of our issued and outstanding units. See Item 10.B "Memorandum and Articles of Association—Description of Brookfield Infrastructure's Limited Partnership Agreement—Redemption-Exchange Mechanism." Brookfield also acquired 0.2% of our units in connection with the satisfaction of Canadian federal and U.S. "backup" withholding tax requirements upon the spin-off. Brookfield may also acquire additional units of Brookfield Infrastructure pursuant to an equity commitment provided by Brookfield. See Item 7.B "Related Party Transactions—Equity Commitment and Other Financing." Infrastructure GP LP may also reinvest incentive distributions in exchange for units of Brookfield Infrastructure. See Item 7.B "Related Party Transactions—Incentive Distributions." In addition, Brookfield has advised our partnership that it may from time-to-time reinvest distributions it receives from Brookfield Infrastructure in Brookfield Infrastructure's distribution reinvestment plan, with the result that Brookfield will receive additional units of Brookfield Infrastructure. Additional units of Brookfield Infrastructure acquired, directly or indirectly, by Brookfield are redeemable for cash or exchangeable for our units in accordance with the Redemption-Exchange Mechanism. See Item 10.B "Memorandum and Articles of Association—Description of Brookfield Infrastructure's Limited Partnership Agreement—Redemption-Exchange Mechanism." Brookfield may also purchase additional units of our partnership in the market. Any of these events may result in Brookfield increasing its ownership of our partnership and Brookfield Infrastructure above 50%.

Brookfield does not owe our unitholders any fiduciary duties under the Master Services Agreement or our other arrangements with Brookfield.

The obligations of Brookfield under the Master Services Agreement and our other arrangements with them are contractual rather than fiduciary in nature. As a result, our Managing General Partner, which is an affiliate of Brookfield, in its capacity as our partnership's general partner, has sole authority and discretion to enforce the terms of such agreements and to consent to any waiver, modification or amendment of their provisions.

Our limited partnership agreement and Brookfield Infrastructure's limited partnership agreement contain various provisions that modify the fiduciary duties that might otherwise be owed to our partnership and our unitholders, including when such conflicts of interest arise. These modifications may be important to our

unitholders because they restrict the remedies available for actions that might otherwise constitute a breach of fiduciary duty and permit our Managing General Partner and the Infrastructure General Partner to take into account the interests of third parties, including Brookfield, when resolving conflicts of interest. See Item 7.B “Related Party Transactions—Conflicts of Interest and Fiduciary Duties.” It is possible that conflicts of interest may be resolved in a manner that is not in the best interests of our partnership or the best interests of our unitholders.

Our organizational and ownership structure may create significant conflicts of interest that may be resolved in a manner that is not in the best interests of our partnership or the best interests of our unitholders.

Our organizational and ownership structure involves a number of relationships that may give rise to conflicts of interest between our partnership and our unitholders, on the one hand, and Brookfield, on the other hand. In certain instances, the interests of Brookfield may differ from the interests of our partnership and our unitholders, including with respect to the types of acquisitions made, the timing and amount of distributions by our partnership, the reinvestment of returns generated by our operations, the use of leverage when making acquisitions and the appointment of outside advisors and service providers, including as a result of the reasons described under Item 7.B “Related Party Transactions.”

Our arrangements with Brookfield were negotiated in the context of an affiliated relationship and may contain terms that are less favorable than those which otherwise might have been obtained from unrelated parties.

The terms of our arrangements with Brookfield were effectively determined by Brookfield in the context of the spin-off. While our Managing General Partner’s independent directors are aware of the terms of these arrangements and have approved the arrangements on our behalf, they did not negotiate the terms. These terms, including terms relating to compensation, contractual or fiduciary duties, conflicts of interest and Brookfield’s ability to engage in outside activities, including activities that compete with us, our activities and limitations on liability and indemnification, may be less favorable than otherwise might have resulted if the negotiations had involved unrelated parties. Under our limited partnership agreement, persons who acquire our units and their transferees will be deemed to have agreed that none of those arrangements constitutes a breach of any duty that may be owed to them under our limited partnership agreement or any duty stated or implied by law or equity.

Our Managing General Partner may be unable or unwilling to terminate the Master Services Agreement.

The Master Services Agreement provides that the Service Recipients may terminate the agreement only if the Manager defaults in the performance or observance of any material term, condition or covenant contained in the agreement in a manner that results in material harm to us and the default continues unremedied for a period of 30 days after written notice of the breach is given to the Manager; the Manager engages in any act of fraud, misappropriation of funds or embezzlement against any Service Recipient that results in material harm to us; the Manager is grossly negligent in the performance of its duties under the agreement and such negligence results in material harm to the Service Recipients; or upon the happening of certain events relating to the bankruptcy or insolvency of the Manager. Our Managing General Partner cannot terminate the agreement for any other reason, including if the Manager or Brookfield experiences a change of control, and there is no fixed term to the agreement. In addition, because our Managing General Partner is an affiliate of Brookfield, it may be unwilling to terminate the Master Services Agreement, even in the case of a default. If the Manager’s performance does not meet the expectations of investors, and our Managing General Partner is unable or unwilling to terminate the Master Services Agreement, the market price of our units could suffer. Furthermore, the termination of the Master Services Agreement would terminate our partnership’s rights under the Relationship Agreement and the licensing agreement. See Item 7.B “Related Party Transactions—Relationship Agreement” and Item 7.B “Related Party Transactions—Licensing Agreement.”

The liability of the Manager is limited under our arrangements with it and we have agreed to indemnify the Manager against claims that it may face in connection with such arrangements, which may lead it to assume greater risks when making decisions relating to us than it otherwise would if acting solely for its own account.

Under the Master Services Agreement, the Manager has not assumed any responsibility other than to provide or arrange for the provision of the services described in the Master Services Agreement in good faith and will not be responsible for any action that our Managing General Partner takes in following or declining to follow its advice or recommendations. In addition, under our limited partnership agreement, the liability of the Managing General Partner and its affiliates, including the Manager, is limited to the fullest extent permitted by law to conduct involving bad faith, fraud or willful misconduct or, in the case of a criminal matter, action that was known to have been unlawful. The liability of the Manager under the Master Services Agreement is similarly limited, except that the Manager is also liable for liabilities arising from gross negligence. In addition, our partnership has agreed to indemnify the Manager to the fullest extent permitted by law from and against any claims, liabilities, losses, damages, costs or expenses incurred by an indemnified person or threatened in connection with our operations, investments and activities or in respect of or arising from the Master Services Agreement or the services provided by the Manager, except to the extent that the claims, liabilities, losses, damages, costs or expenses are determined to have resulted from the conduct in respect of which such persons have liability as described above. These protections may result in the Manager tolerating greater risks when making decisions than otherwise would be the case, including when determining whether to use leverage in connection with acquisitions. The indemnification arrangements to which the Manager is a party may also give rise to legal claims for indemnification that are adverse to our partnership and our unitholders.

Risks Relating to Our Units

Our unitholders do not have a right to vote on partnership matters or to take part in the management of our partnership.

Under our limited partnership agreement, our unitholders are not entitled to vote on matters relating to our partnership, such as acquisitions, dispositions or financing, or to participate in the management or control of our partnership. In particular, our unitholders do not have the right to remove our Managing General Partner, to cause our Managing General Partner to withdraw from our partnership, to cause a new general partner to be admitted to our partnership, to appoint new directors to our Managing General Partner's board of directors, to remove existing directors from our Managing General Partner's board of directors or to prevent a change of control of our Managing General Partner. In addition, except as prescribed by applicable laws, our unitholders' consent rights apply only with respect to certain amendments to our limited partnership agreement. As a result, unlike holders of common stock of a corporation, our unitholders are not able to influence the direction of our partnership, including its policies and procedures, or to cause a change in its management, even if they are unsatisfied with the performance of our partnership. Consequently, our unitholders may be deprived of an opportunity to receive a premium for their units in the future through a sale of our partnership and the trading price of our units may be adversely affected by the absence or a reduction of a takeover premium in the trading price.

Risks Relating to Taxation

General

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

Our structure, including the structure of the Holding Entities and the operating entities, is based on prevailing taxation law and practice in the local jurisdictions in which we operate. Any change in tax legislation (including in relation to taxation rates) and practice in these jurisdictions could adversely affect such company or entity, as well as the net amount of distributions payable to our unitholders. Furthermore, the manner in which we seek to structure acquisitions is dependent on the tax legislation and practice applicable at that time in the

relevant jurisdiction. This may mean that we find it difficult to carry out acquisitions in a particular territory or in certain asset classes in any such territory for a period of time. Taxes and other constraints that would be applicable to us in such jurisdictions may not be applicable to local institutions or other parties and such parties may therefore have a significantly lower effective cost of capital and a corresponding competitive advantage in pursuing such acquisitions.

Our partnership's ability to make distributions depends on us receiving sufficient cash distributions from our underlying operations and we cannot assure our unit holders that our partnership will be able to make cash distributions to them in amounts that are sufficient to fund their tax liabilities.

We are subject to local taxes in each of the relevant territories and jurisdictions (such as Canada, the United States, the United Kingdom, Australia, Brazil and Chile) in which we have operations, including taxes on our income, profits or gains and withholding taxes. As a result, our partnership's cash available for distribution is reduced by such taxes and the post-tax return to investors is similarly reduced by such taxes. We intend that future acquisitions be assessed on a case-by-case basis and, where possible and commercially viable, structured so as to minimize any adverse tax consequences for us as a result of making such acquisitions.

Each of our unitholders will be required to include in their income its allocable share of our partnership's items of income, gain, loss, deduction and credit (including, so long as it is treated as a partnership for tax purposes, our partnership's allocable share of those items of Brookfield Infrastructure) for each of our taxable years ending with or within such unitholder's taxable year. See Item 10.E "Taxation." With respect to each of our unitholders, the cash distributed to a unitholder may not be sufficient to fund the payment of the full amount of such unitholder's tax liability in respect of its investment in our partnership because such unitholder's tax liability is dependent on their particular tax situation and we will make simplifying tax assumptions in determining the amount of the distribution. In addition, the actual amount and timing of distributions will always be subject to the discretion of our Managing General Partner's board of directors and we cannot assure our unitholders that our partnership will in fact make cash distributions as intended. See Item 8.A "Consolidated Statements and Other Financial Information." Even if our partnership is unable to distribute cash in an amount that is sufficient to fund our unitholders tax liabilities, each of our unitholders will still be required to pay income taxes on their share of our partnership's taxable income.

Our unitholders may be subject to taxes and tax filing obligations in jurisdictions in which they are not resident for tax purposes or are not otherwise subject to tax.

Because of our unitholders' holdings in our partnership, our unitholders may be subject to taxes and tax return filing obligations in jurisdictions other than the jurisdiction in which they are a resident for tax purposes or are not otherwise subject to tax. Although we will attempt, to the extent reasonably practicable, to structure our operations and investments so as to minimize income tax filing obligations by our unitholders in such jurisdictions, there may be circumstances in which we are unable to do so. Income or gains from our holdings may be subject to withholding or other taxes in jurisdictions outside our unitholders' jurisdiction of residence for tax purposes or in which they are not otherwise subject to tax. If any of our unitholders wish to claim the benefit of an applicable income tax treaty, such unitholders may be required to submit information to our partnership and/or the tax authorities in such jurisdictions.

Our unitholders may be exposed to transfer pricing risks.

To the extent that our partnership, Brookfield Infrastructure, the Holding Entities or the operating entities enter into transactions or arrangements with parties with whom they do not deal at arm's length, including Brookfield, the relevant tax authorities may seek to adjust the quantum or nature of the amounts received or paid by such entities if they consider that the terms and conditions of such transactions or arrangements differ from those that would have been made between persons dealing at arm's length. This could result in more tax being paid by such entities and therefore the return to investors could be reduced.

Our Managing General Partner and the Infrastructure GP LP believe that the base management fee and any other amount that is paid to the Manager will be commensurate with the value of the services being provided by the Manager and are comparable to the fees or other amounts that would be agreed to in an arm's length arrangement. The Managing General Partner and the Infrastructure GP LP therefore do not anticipate that the amounts of income (or loss) allocated to our unitholders will be adjusted. However, no assurance can be given in this regard.

If the relevant tax authority were to assert that an adjustment should be made under the transfer pricing rules to an amount (most likely, an expense) that is relevant to the computation of the income of Brookfield Infrastructure or our partnership, such assertion could result in adjustments to amounts of income (or loss) allocated to our unitholders by our partnership for tax purposes. In addition, our unitholders may also be liable for transfer pricing penalties in respect of transfer pricing adjustments unless reasonable efforts were made to determine, and use, arm's length transfer prices. Generally, reasonable efforts in this regard are only considered to be made if contemporaneous documentation has been prepared in respect of such transactions or arrangements that support the transfer pricing methodology. Our Managing General Partner and Infrastructure GP LP advise that satisfactory contemporaneous documentation for these purposes has been and will be prepared in respect of all transactions or arrangements with Brookfield, and in particular with respect to the Master Services Agreement. Accordingly, our Managing General Partner and the Infrastructure General Partner do not anticipate that the amounts of income (or loss) allocated to our unitholders for tax purposes will be required to be adjusted or that our unitholders, our partnership, or Brookfield Infrastructure will be subject to transfer pricing penalties described above. However, no assurance can be given in this regard.

United States

If either our partnership or Brookfield Infrastructure were to be treated as a corporation for U.S. federal income tax purposes, the value of our units may be adversely affected.

The value of our units will depend in part on our partnership and Brookfield Infrastructure being treated as partnerships for U.S. federal income tax purposes. Our partnership and Brookfield Infrastructure have each made an election to be treated as a partnership for U.S. federal income tax purposes. However, in order for our partnership to be considered a partnership for U.S. federal income tax purposes, under present law, 90% or more of our partnership's gross income for every taxable year must consist of qualifying income, as defined in Section 7704 of the U.S. Internal Revenue Code of 1986, as amended, or the U.S. Internal Revenue Code, and the partnership must not be required to register, if it were a U.S. corporation, as an investment company under the U.S. Investment Company Act and related rules. Although we intend to manage our affairs so that our partnership would not need to be registered as an investment company if it were a U.S. corporation and so that it will meet the 90% test described above in each taxable year, our partnership may not meet these requirements or current law may change so as to cause, in either event, our partnership to be treated as a corporation for U.S. federal income tax purposes. If our partnership were treated as a corporation for U.S. federal income tax purposes, (i) the deemed conversion to corporate status would generally result in recognition of gain (but not loss) to U.S. unitholders; (ii) our partnership would likely be subject to U.S. corporate income tax and branch profits tax with respect to income, if any, that is effectively connected to a U.S. trade or business; (iii) distributions to our U.S. unitholders would be taxable as dividends to the extent of our partnership's earnings and profits; (iv) dividends, interest, and certain other passive income our partnership receives from U.S. entities would, in most instances, be subject to U.S. withholding tax at a rate of 30% (although certain non-U.S. holders of our units nevertheless may be entitled to certain treaty benefits in respect of their allocable share of such income), and U.S. unitholders (other than certain U.S. corporate unitholders who own 10% or more of our units) would not be allowed a tax credit with respect to any such tax withheld; (v) the "portfolio interest" exemption would not apply to interest income of our partnership derived from entities bearing certain relationships to our partnership (although certain non-U.S. holders of our units nevertheless may be entitled to certain treaty benefits in respect of their allocable share of such income) and (vi) our partnership could be classified as a "passive foreign investment company" (as defined in the U.S. Internal Revenue Code), and such classification would have

adverse tax consequences to U.S. unitholders with respect to distributions and gain recognized on the sale of our units. In addition to the foregoing consequences, if our partnership were treated as a corporation for U.S. federal income tax purposes, and, as of the time of conversion from partnership status to corporate status, the value of our partnership's U.S. assets equaled or exceeded sixty percent of the value of our partnership's total assets, some or all of the net income recognized by our partnership subsequent to such conversion would be subject to U.S. corporate income tax. It is not expected that our partnership's U.S. assets will at any time equal or exceed such thresholds. If Brookfield Infrastructure were to be treated as a corporation for U.S. federal income tax purposes, consequences similar to those described above would apply.

Neither our partnership nor Brookfield Infrastructure has requested, and they do not plan to request, a ruling from the IRS on their tax status for U.S. federal income tax purposes or as to any other matter affecting us.

A non-U.S. person who holds more than 5% of our units very likely will be subject to special rules under the Foreign Investment Real Property Tax Act of 1980, which may have a material adverse effect on the return to such person from an investment in our units.

A non-U.S. person who holds more than 5% of our units very likely will be subject to special rules under the Foreign Investment Real Property Tax Act of 1980, or FIRPTA. For purposes of determining whether a non-U.S. person holds more than 5% of our units, special attribution rules apply. The application of the FIRPTA rules to a non-U.S. person who holds (or is deemed to hold) more than 5% of our units could have a material adverse effect on such non-U.S. person. Accordingly, our partnership does not believe that it is generally advisable for a non-U.S. person to own more than 5% of our units. If any of our unitholders is a non-U.S. person and owns or anticipates owning more than 5% of our units, such person should consult their tax advisors. See Item 10.E "Taxation—United States Tax Considerations—Consequences to Non-U.S. Holders of Our Units."

We may be subject to U.S. "backup" withholding tax or other U.S. withholding taxes if our unitholders fail to comply with U.S. tax reporting rules or if the IRS or other applicable state and local taxing authorities do not accept our withholding methodology, and such excess withholding tax cost will be an expense borne by our partnership, and, therefore, all of our unitholders on a pro rata basis.

We may become subject to U.S. "backup" withholding tax at the applicable rate (currently 28%) or other U.S. withholding taxes (potentially as high as 30%) if our U.S. and non-U.S. unitholders fails to timely provide our partnership (or the clearing agent or other intermediary) with an IRS Form W-9 or IRS Form W-8, as the case may be, or if the withholding methodology we use is not accepted by the IRS or applicable state and local taxing authorities. See Item 10.E "Taxation—United States Tax Considerations—Administrative Matters—Backup and Other Administrative Withholding Issues." Accordingly, it is important that each of our unitholders timely provides our partnership (or the clearing agent or other intermediary) with an IRS Form W-9 or IRS Form W-8, as applicable. To the extent that any unitholder fails to timely provide the applicable forms (or such form is not properly completed), or should the IRS or other applicable state and local taxing authorities not accept our withholding methodology, our partnership may treat such U.S. "backup" withholding taxes or other U.S. withholding taxes as an expense, which will be borne by all unitholders on a pro rata basis. As a result, our unitholders that fully comply with their U.S. tax reporting obligations may bear a share of such burden created by other unitholders that do not comply with the U.S. tax reporting rules.

Tax-exempt entities face unique U.S. tax issues from owning our units that may result in adverse U.S. tax consequences to them.

Our partnership and Brookfield Infrastructure are not prohibited from incurring indebtedness, and at times either or both may do so. If any such indebtedness were used to acquire property by our partnership or by Brookfield Infrastructure, such property generally would constitute "debt-financed property," and any income or gain realized on such property and allocated to a tax-exempt entity generally would constitute "unrelated business taxable income" to such tax-exempt entity. In addition, even if such indebtedness were not used either by our partnership or by Brookfield Infrastructure to acquire property but were instead used to fund distributions

to our unitholders, if a tax-exempt U.S. unitholder used such proceeds to make an investment outside our partnership, the IRS could assert that such investment constitutes “debt-financed property” to such unitholder with the consequences noted above. A tax-exempt entity is subject to U.S. federal income tax at regular graduated rates on the net amount of its unrelated business taxable income. In addition, a tax-exempt entity is required to file a U.S. federal income tax return for any taxable year that the tax-exempt entity derives gross income characterized as unrelated business taxable income in excess of \$1,000. The potential for having income characterized as unrelated business taxable income may make our units an unsuitable investment for a tax-exempt entity.

There may be limitations on the deductibility of our partnership’s interest expense.

For so long as our partnership is treated as a partnership for U.S. federal income tax purposes, each of our unitholders that is a U.S. person (or otherwise taxable in the United States) generally will be taxed on their share of our partnership’s net taxable income. However, U.S. federal income tax law may limit the deductibility of such a unitholder’s share of our partnership’s interest expense. In addition, deductions for such a unitholder’s share of our partnership’s interest expense may be limited or disallowed for U.S. state and local tax purposes. Therefore, any such unitholders may be taxed on amounts in excess of such unitholder’s share of the net income of our partnership. This could adversely impact the value of our units if our partnership was to incur (either directly or indirectly) a significant amount of indebtedness. See Item 10.E “Taxation—United States Tax Considerations—Consequences to U.S. Holders—Holding of Our Units.”

Non-U.S. persons face unique U.S. tax issues from owning our units that may result in adverse tax consequences to them.

Our partnership believes that it is not engaged in a U.S. trade or business for U.S. federal income tax purposes, and intends to use commercially reasonable efforts to structure its activities to avoid generating income treated as effectively connected with a U.S. trade or business, including effectively connected income attributable to the sale of a “United States Real Property Interest,” as defined in the U.S. Internal Revenue Code. Accordingly our partnership’s non-U.S. unitholders will generally not be subject to U.S. federal income tax on interest, dividends and gains derived from non-U.S. sources. It is possible, however, that the IRS could disagree or that the U.S. federal tax laws and Treasury regulations could change and our partnership could be deemed to be engaged in a U.S. trade or business, which would have a material adverse effect on non-U.S. unitholders. If, contrary to our partnership’s expectations, our partnership is considered to be engaged in a U.S. trade or business or realizes gain from the sale or other disposition of a United States Real Property Interest, non-U.S. unitholders would be required to file U.S. federal income tax returns and would be subject to U.S. federal income tax at the regular graduated rates, which our partnership may be required to withhold.

To meet U.S. federal income tax and other objectives, our partnership and Brookfield Infrastructure will invest through foreign and domestic Holding Entities that are treated as corporations for U.S. federal income tax purposes, and such Holding Entities may be subject to corporate income tax.

To meet U.S. federal income tax and other objectives, our partnership and Brookfield Infrastructure will invest through foreign and domestic Holding Entities that are treated as corporations for U.S. federal income tax purposes, and such Holding Entities may be subject to corporate income tax. Consequently, items of income, gain, loss, deduction and credit realized in the first instance by our operating entities will not flow, for U.S. federal income tax purposes, directly to Brookfield Infrastructure, our partnership, or our unitholders, and any such items may be subject to a corporate income tax, in the United States and other jurisdictions, at the level of the Holding Entities. Any such additional taxes may adversely affect our ability to operate solely to maximize our cash flow.

Certain of our Holding Entities or operating entities may be, or may be acquired through, an entity classified as a “passive foreign investment company” for U.S. federal income tax purposes.

With the exception of our social infrastructure operations, based on our analysis of our operating entities and Holding Entities, as well as our expectations regarding future operations, we do not believe that any

operating entities are or are likely to become a “passive foreign investment company” for U.S. federal income tax purposes. However, we may in the future acquire certain investments or operating entities through one or more Holding Entities which may be treated as corporations for U.S. federal income tax purposes, and such future Holding Entities or other companies in which we acquire an interest may be or become treated as passive foreign investment companies. U.S. unitholders face unique U.S. tax issues from indirectly owing interests in a passive foreign investment company that may result in adverse U.S. tax consequences to them. See Item 10.E “Taxation—United States Tax Considerations—Consequences to U.S. Holders—Passive Foreign Investment Companies.”

Tax gain or loss on disposition of our units could be more or less than expected.

If our unitholders sell their units and are taxable in the United States, they will recognize a gain or loss for U.S. federal income tax purposes equal to the difference between the amount realized and the adjusted tax basis in those units. Prior distributions to our unitholders in excess of the total net taxable income allocated to them, which decreased the tax basis in their units, will in effect become taxable income to them for U.S. federal income tax purposes if the units are sold at a price greater than their tax basis in those units, even if the price is less than the original cost. A portion of the amount realized, whether or not representing gain, may be ordinary income to our unitholders.

Our structure involves complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. Our structure also is subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis.

The U.S. federal income tax treatment of our unitholders depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. Our unitholders should be aware that the U.S. federal income tax rules, particularly those applicable to partnerships, are constantly under review (including currently) by the Congressional tax-writing committees and other persons involved in the legislative process, the IRS, the U.S. Treasury Department and the courts, frequently resulting in revised interpretations of established concepts, statutory changes, revisions to regulations and other modifications and interpretations, any of which could adversely affect the value of our units and be effective on a retroactive basis. For example, changes to the U.S. federal tax laws and interpretations thereof could adversely affect the U.S. federal income tax treatment of publicly traded partnerships, including changes that make it more difficult or impossible for our partnership (and Brookfield Infrastructure) to meet the “qualifying income” exception to be treated as a partnership for U.S. federal income tax purposes that is not taxable as a corporation and changes that reduce the net amount of distributions available to our unitholders. Such changes could also affect or cause us to change the way we conduct our activities, affect the tax considerations of an investment in our partnership, change the character or treatment of portions of our partnership’s income (including changes that recharacterize certain allocations as potentially non-deductible fees) and adversely affect an investment in our units.

Our partnership’s organizational documents and agreements permit our Managing General Partner to modify our limited partnership agreement from time-to-time, without the consent of our unitholders, to address certain changes in U.S. federal income tax regulations, legislation or interpretation. In some circumstances, such revisions could have a material adverse impact on some or all of our unitholders.

The IRS may not agree with certain assumptions and conventions that we use in attempting to comply with applicable U.S. federal income tax laws or that we use to report income, gain, loss, deduction and credit to our unitholders.

Our partnership will apply certain assumptions and conventions in an attempt to comply with applicable rules and to report income, gain, deduction, loss and credit to our unitholders in a manner that reflects such unitholders’ beneficial ownership of partnership items, taking into account variation in ownership interests

during each taxable year because of trading activity. Because our partnership cannot match transferors and transferees of our units, our partnership will adopt depreciation, amortization and other tax accounting conventions that may not conform with all aspects of existing Treasury regulations. In order to maintain the fungibility of all of our units at all times, we seek to achieve the uniformity of U.S. tax treatment for all purchasers of our units which are acquired at the same time and price (irrespective of the identity of the particular seller of the units or the time when the units are issued by our partnership) through the application of certain accounting principles that we believe are reasonable for our partnership. A successful IRS challenge to any of the foregoing assumptions or conventions could adversely affect the amount of tax benefits available to our unitholders and could require that items of income, gain, deductions, loss or credit, including interest deductions, be adjusted, reallocated or disallowed in a manner that adversely affects our unitholders. It also could affect the timing of these tax benefits or the amount of gain on the sale of our units and could have a negative impact on the value of our units or result in audits of and adjustments to our unitholders' tax returns.

Our unitholders may be subject to state, local and non-U.S. taxes and return filing requirements as a result of holding our units.

Our unitholders may be subject to state, local and non-U.S. taxes, including unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which either our partnership or Brookfield Infrastructure does business or owns property now or in the future, even if our unitholders do not reside in any of those jurisdictions. Our unitholders may be required to file income tax returns and pay income taxes in some or all of these jurisdictions. Further, our unitholders may be subject to penalties for failure to comply with those requirements. It is the responsibility of each of our unitholders to file all U.S. federal, state, local and non-U.S. tax returns that may be required of such unitholder.

Our partnership may not be able to furnish to each of our unitholders specific tax information within 90 days after the close of each calendar year, which means that our unitholders who are U.S. taxpayers should anticipate the need to file annually a request for an extension of the due date of their income tax return.

It may require longer than 90 days after the end of our partnership's fiscal year to obtain the requisite information from all lower-tier entities so that Schedule K-1s may be prepared for our partnership. For this reason, our unitholders who are U.S. taxpayers should anticipate the need to file annually with the IRS (and certain states) a request for an extension past April 15 or the otherwise applicable due date of their income tax return for the taxable year. See Item 10.E "Taxation—United States Tax Considerations—Administrative Matters—Information Returns."

The sale or exchange of 50% or more of our units will result in the termination of our partnership for U.S. federal income tax purposes.

Our partnership will be considered to have been terminated for U.S. federal income tax purposes if there is a sale or exchange of 50% or more of our units within a 12-month period. A termination of our partnership would, among other things, result in the closing of our taxable year for U.S. federal income tax purposes for all our unitholders and could result in possible acceleration of income to certain of our unitholders and certain other consequences that may adversely affect the value of our units. See Item 10.E "Taxation—United States Tax Considerations—Administrative Matters—Constructive Termination."

Canada

Tax proposals may deny the deductibility of losses arising from our unitholders' units in our partnership in computing their income for Canadian federal income tax purposes.

On October 31, 2003, the Department of Finance released for public comment tax proposals, or the REOP Proposals, regarding the deductibility of interest and other expenses for purposes of the Income Tax Act (Canada), or the Tax Act. Under the REOP Proposals, a taxpayer would be considered to have a loss from a

source that is a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit (excluding capital gains or losses) from the business or property during the period that the business is carried on or that the property is held. In general, these proposals may deny the deduction of losses arising from our unitholders' units in our partnership in computing their income for Canadian federal income tax purposes in a particular taxation year, if, in the year the loss is claimed, it is not reasonable to expect that an overall cumulative profit would be earned from the investment in our partnership for the period in which our unitholders held and can reasonably be expected to hold the investment. Our Managing General Partner and the Infrastructure General Partner do not anticipate that the activities of our partnership and Brookfield Infrastructure will, in and of themselves, generate losses. However, investors may incur expenses in connection with an acquisition of units in our partnership that could result in a loss that would be affected by the REOP Proposals. The REOP Proposals have been the subject of a number of submissions to the Minister of Finance (Canada). As part of the 2005 federal budget, the Minister of Finance (Canada) announced that an alternative proposal to reflect the REOP Proposals would be released for comment at an early opportunity. No such alternative proposal has been released to date. There can be no assurance that such alternative proposal will not adversely affect our unitholders or that it may not differ significantly from the REOP Proposals described above and in Item 10.E "Taxation—Canadian Federal Income Tax Considerations."

If the non-Canadian subsidiaries in which Brookfield Infrastructure directly invests earn income that is foreign accrual property income our unitholders may be required to include amounts allocated from our partnership in computing their income for Canadian federal income tax purposes even though there may be no corresponding cash distribution.

Each of the non-Canadian subsidiaries in which Brookfield Infrastructure will directly invest is expected to be a "controlled foreign affiliate", as defined in the Tax Act, of Brookfield Infrastructure. If any of such non-Canadian subsidiaries earns income that is "foreign accrual property income", or FAPI, as defined in the Tax Act, in a taxation year, Brookfield Infrastructure's proportionate share of such FAPI must be included in computing the income of Brookfield Infrastructure for Canadian federal income tax purposes for the fiscal period of Brookfield Infrastructure in which the taxation year of such controlled foreign affiliate that earned the FAPI ends, whether or not Brookfield Infrastructure actually receives a distribution of such income. Our partnership will include its share of such FAPI of Brookfield Infrastructure in computing its income for Canadian federal income tax purposes and our unitholders will be required to include their proportionate share of such FAPI allocated from our partnership in computing their income for Canadian federal income tax purposes. As a result, our unitholders may be required to include amounts in their income even though they have not and may not receive an actual cash distribution of such amount.

If any of the non-Canadian subsidiaries in which Brookfield Infrastructure directly invests were not considered to be a controlled foreign affiliate of Brookfield Infrastructure or is a tracked interest, the interest in the non-Canadian subsidiary would be subject to the proposals regarding the taxation of investments in foreign investment entities, unless another exemption is available.

Each of the non-Canadian subsidiaries in which Brookfield Infrastructure will directly invest is expected to be a controlled foreign affiliate and not a tracked interest of Brookfield Infrastructure. On that basis, Brookfield Infrastructure's interest in such non-Canadian subsidiaries will be exempt from the legislative proposals regarding the taxation of investments in foreign investment entities or the FIE Proposals. However, if any of such non-Canadian subsidiaries becomes a tracked interest or ceases to be a controlled foreign affiliate of Brookfield Infrastructure or if interests in subsequently acquired non-Canadian subsidiaries are tracked interests or such subsequently acquired non-Canadian subsidiaries are not controlled foreign affiliates of Brookfield Infrastructure, Brookfield Infrastructure's interest in such non-Canadian subsidiary would be subject to the FIE Proposals, unless another exemption from the FIE Proposals is available. If the FIE Proposals were to apply, the income tax consequences of an investment in our partnership could be materially different in certain respects from those described in Item 10.E "Taxation—Canadian Federal Income Tax Considerations," and our unitholders may be required to include amounts in their income even though they have not and may not receive an actual cash distribution of such amount.

Unitholders who are not resident in Canada may be subject to Canadian federal income tax with respect to any Canadian source business income earned by our partnership or Brookfield Infrastructure if our partnership or Brookfield Infrastructure were considered to carry on business in Canada.

If our partnership or Brookfield Infrastructure were considered to carry on a business in Canada for purposes of the Tax Act, unitholders who are not resident in Canada or deemed to be resident in Canada for purposes of the Tax Act, or non-Canadian limited partners, would be subject to Canadian federal income tax on their proportionate share of any Canadian source business income earned or considered to be earned by our partnership, subject to the potential application of the safe harbour rule in section 115.2 of the Tax Act and any relief that may be provided by any relevant income tax treaty or convention.

Our Managing General Partner and the Infrastructure General Partner intend to manage the affairs of our partnership and Brookfield Infrastructure, to the extent possible, so that they do not carry on business in Canada and are not considered or deemed to carry on business in Canada for purposes of the Tax Act. Nevertheless, because the determination of whether our partnership or Brookfield Infrastructure is carrying on business and, if so, whether that business is carried on in Canada, is a question of fact that is dependent upon the surrounding circumstances, the CRA might contend successfully that either or both of our partnership and Brookfield Infrastructure carries on business in Canada for purposes of the Tax Act.

If our partnership or Brookfield Infrastructure is considered to carry on business in Canada or is deemed to carry on business in Canada for the purposes of the Tax Act, non-Canadian limited partners that are corporations would be required to file a Canadian federal income tax return for each of the taxation years in which they were a non-Canadian limited partner regardless of whether relief from Canadian taxation is available under an applicable income tax treaty or convention. Non-Canadian limited partners who are individuals would only be required to file a Canadian federal income tax return for any taxation year in which they are allocated income from our partnership from carrying on business in Canada that is not exempt from Canadian taxation under the terms of an applicable income tax treaty or convention. However, for 2009 and subsequent years non-Canadian limited partners will not be required to file a Canadian federal income tax return in respect of a disposition of taxable Canadian property by our Partnership or Brookfield Infrastructure if the disposition is an “excluded disposition” (as discussed below).

Non-Canadian limited partners may be subject to Canadian federal income tax on capital gains realized by our partnership or Brookfield Infrastructure on dispositions of “taxable Canadian property”.

A non-Canadian limited partner will be subject to Canadian federal income tax on its proportionate share of capital gains realized by our partnership or Brookfield Infrastructure on the disposition of “taxable Canadian property” as defined in the Tax Act (which includes, but is not limited to, property that is used or held in a business carried on in Canada, shares of corporations resident in Canada that are not listed on a designated stock exchange, and listed shares where the number of shares owned exceeds prescribed amounts) other than “treaty protected property” as defined in the Tax Act. Property of our partnership and Brookfield Infrastructure generally will be treaty-protected property to a non-Canadian limited partner if the gain from the disposition of the property would, because of an applicable income tax treaty or convention, be exempt from tax under the Tax Act. Our Managing General Partner and the Infrastructure General Partner advise that our partnership and Brookfield Infrastructure are not expected to realize capital gains or losses from dispositions of taxable Canadian property. However, no assurance can be given in this regard. For 2009 and subsequent years non-Canadian limited partners will not be required to file a Canadian federal income tax return in respect of a disposition of taxable Canadian property by our partnership or Brookfield Infrastructure if the disposition is an “excluded disposition” for the purposes of the Tax Act. However, non-Canadian limited partners that are corporations will still be required to file a Canadian federal income tax return in respect of a disposition if tax would otherwise be payable under Part I of the Tax Act by the non-Canadian limited partner in respect of the disposition but is not because of a tax treaty. In general, an “excluded disposition” is a disposition of property by a taxpayer in a taxation year where (a) the taxpayer is a non-resident of Canada at the time of the disposition; (b) no tax is payable by the taxpayer under Part I of the Tax Act for the taxation year; (c) the taxpayer is not liable to pay any amounts under the Tax Act in respect of any previous taxation year (other than certain amounts for which CRA holds adequate security);

and (d) each taxable Canadian property disposed of by the taxpayer in the taxation year is either (i) “excluded property” as defined in subsection 116(6) of the Tax Act or (ii) is property in respect of the disposition of which a certificate under subsection 116(2),(4) or (5.2) has been issued by CRA. Non-Canadian limited partners should consult their own tax advisors with respect to the requirements to file a Canadian federal income tax return in respect of a disposition of taxable Canadian property by our partnership or Brookfield Infrastructure after 2008.

Non-Canadian limited partners may be subject to Canadian federal income tax on capital gains realized on the disposition of our units if our units are taxable Canadian property.

Any capital gain arising from the disposition or deemed disposition of our units by a non-Canadian limited partner will be subject to taxation in Canada, if, at the time of the disposition or deemed disposition, the units are taxable Canadian property, unless the units are treaty-protected property to such non-Canadian limited partner. In general, our units will be taxable Canadian property at the time of disposition or deemed disposition if, at any time within the 60-month period ending at the time of disposition or deemed disposition, the fair market value of all of the properties of our partnership that were taxable Canadian property, certain types of resource properties, income interests in trusts resident in Canada or interests in or options in respect thereof, was greater than 50% of the fair market value of all of its properties. Since our partnership’s assets will consist principally of units of Brookfield Infrastructure, our units would generally be taxable Canadian property if the units of Brookfield Infrastructure held by us were considered to be used or held by us in a business carried on in Canada or if applying the greater than 50% test to Brookfield Infrastructure, its units were taxable Canadian property at any time during the relevant 60-month period. Units of our partnership will be treaty protected property if the gain on the disposition of the units is exempt from tax under the Tax Act under the terms of an applicable income tax treaty or convention. Our Managing General Partner advises that our units are not expected to be taxable Canadian property but no assurance can be given in this regard. See Item 10.E “Taxation—Canadian Federal Income Tax Considerations—Taxation of Non-Canadian Limited Partners.” Prior to 2009, if our units constitute taxable Canadian property, non-Canadian limited partners will be required to file a Canadian federal income tax return for any taxation year in which the non-Canadian limited partner disposes of our units even if any gain arising therefrom is exempt from Canadian federal income tax under an applicable income tax treaty or convention. For 2009 and subsequent years, if our units constitute taxable Canadian property, non-Canadian limited partners will not be required to file a Canadian federal income tax return in respect of a disposition of our units if the disposition is an excluded disposition (as discussed above). If our units constitute taxable Canadian property, non-Canadian limited partners should consult their own tax advisors with respect to the requirement to file a Canadian federal income tax return in respect of a disposition of our units after 2008.

Non-Canadian limited partners may be subject to Canadian federal reporting and withholding tax requirements on the disposition of taxable Canadian property.

Non-Canadian limited partners who dispose of taxable Canadian property, other than “excluded property” as defined in the Tax Act (or who are considered to have disposed of such property on the disposition of such property by our partnership or Brookfield Infrastructure), are obligated to comply with the procedures set out in section 116 of the Tax Act and obtain a certificate thereunder. In order to obtain such certificate, the non-Canadian limited partner is required to report certain particulars relating to the transaction to the CRA either prior to the transaction or not later than 10 days after the disposition occurs. Our Managing General Partner advises that our units are not expected to be taxable Canadian property and our Managing General Partner and the Infrastructure General Partner advise that our partnership and Brookfield Infrastructure are not expected to dispose of property that is taxable Canadian property but no assurance can be given in these regards.

Payments of dividends or interest (other than interest exempt from Canadian federal withholding tax) by residents of Canada to Brookfield Infrastructure will be subject to Canadian federal withholding tax and we may be unable to apply a reduced rate taking into account the residency or entitlement to relief under an applicable income tax treaty or convention of our unitholders.

Our partnership and Brookfield Infrastructure will be deemed to be a non-resident person in respect of certain amounts paid or credited to them by a person resident or deemed to be resident in Canada, including

dividends or interest. Dividends or interest (other than interest exempt from Canadian federal withholding tax) paid by a person resident or deemed to be resident in Canada to Brookfield Infrastructure will be subject to withholding tax under Part XIII of the Tax Act at the rate of 25%. However, CRA's administrative practice in similar circumstances is to permit the rate of Canadian federal withholding tax applicable to such payments to be computed by looking through the partnership and taking into account the residency of the partners (including partners who are resident in Canada) and any reduced rates of Canadian federal withholding tax that any non-Canadian limited partners may be entitled to under an applicable income tax treaty or convention provided that the residency status and entitlement to treaty benefits can be established. In determining the rate of Canadian federal withholding tax applicable to amounts paid by the Holding Entities to Brookfield Infrastructure, we expect the Holding Entities to look-through Brookfield Infrastructure and our partnership to the residency of the partners of our partnership (including partners who are residents of Canada) and to take into account any reduced rates of Canadian federal withholding tax that non-Canadian limited partners may be entitled to under an applicable income tax treaty or convention in order to determine the appropriate amount of Canadian federal withholding tax to withhold from dividends or interest paid to Brookfield Infrastructure. However, there can be no assurance that CRA would apply its administrative practice in this context. If CRA's administrative practice is not applied and the Holding Entities withhold Canadian federal withholding tax from applicable payments on a look-through basis, the Holding Entities may be liable for additional amounts of Canadian federal withholding tax plus any associated interest and penalties. Pursuant to recent amendments made by the "Fifth Protocol" to the Canada-U.S. Tax Treaty, a Canadian resident payer may be required to look-through fiscally transparent partnerships such as our partnership and Brookfield Infrastructure to the residency of limited partners of our partnership who are entitled to relief under that treaty and take into account reduced rates of Canadian federal withholding tax that such limited partners may be entitled to under that treaty.

While we expect the Holding Entities to look-through our partnership and Brookfield Infrastructure in determining the rate of Canadian federal withholding tax applicable to amounts paid by the Holding Entities to Brookfield Infrastructure, we may be unable to accurately or timely determine the residency of our unitholders for purposes of establishing the extent to which Canadian federal withholding taxes apply or whether reduced rates of withholding apply to some or all of our unitholders. In such a case, we will withhold Canadian federal withholding tax from all payments made to Brookfield Infrastructure that are subject to Canadian federal withholding tax at the rate of 25%. Canadian resident unitholders will be entitled to claim a credit for such taxes against their Canadian federal income tax liability but non-Canadian limited partners will need to take certain steps to receive a refund or credit in respect of any such Canadian federal withholding taxes withheld equal to the difference between the withholding tax at a rate of 25% and the withholding tax at the reduced rate they are entitled to under an applicable income tax treaty or convention. See Item 10.E "Taxation—Canadian Federal Income Tax Considerations" for further detail. Investors should consult their own tax advisors concerning all aspects of Canadian federal withholding taxes.

We may not be able to provide unitholders with specific information required to file their Canadian federal income tax returns by the time such tax returns are due.

We may not be able to provide unitholders with specific information required to file their Canadian federal income tax returns by the time such tax returns are due. In such cases, our unitholders who are required to file Canadian federal income tax returns will be required to estimate the income or loss arising in respect of their investment in our partnership for the relevant year. This could result in liability for additional taxes, interest and possibly penalties if the actual amount of income allocable from the investment in our partnership for such year turns out to be higher.

Our units may or may not continue to be "qualified investments" under the Tax Act for registered plans.

Units of our partnership should be "qualified investments" under the Tax Act for trusts governed by registered retirement savings plans, deferred profit sharing plans, registered retirement income funds, registered education savings plans, registered disability savings plans, and commencing 2009, tax-free savings accounts,

collectively registered plans, provided that our units are listed on a designated stock exchange (which would include the NYSE). In certain limited circumstances Units of our partnership might not be a qualified investment. Unitholders should consult their own tax advisors for advice with respect to whether our units would be a prohibited investment for their tax-free savings account. There can also be no assurance that tax laws relating to qualified investments will not be changed. Taxes may be imposed in respect of the acquisition or holding of non-qualified investments by registered plans and certain other taxpayers.

The Canadian federal income tax consequences to our unitholders could be materially different in certain respects from those described in this Form 20-F if our partnership or Brookfield Infrastructure is a “specified investment flow-through” partnership.

Under the SIFT Rules, certain income and gains earned by a “specified investment flow-through” partnership, or SIFT Partnership, will be subject to income tax at a rate similar to a corporation and allocations of such income and gains to its partners will be taxed as a dividend from a taxable Canadian corporation. In particular, a SIFT Partnership will be required to pay a tax on the total of its income from businesses carried on in Canada, income from “non-portfolio properties” as defined in the SIFT Rules (other than taxable dividends), and taxable capital gains from dispositions of non-portfolio properties. “Non-portfolio properties” include, among other things, equity interests or debt of corporations, trusts or partnerships that are resident in Canada, and of non-resident persons or partnerships the principal source of income of which is one or any combination of sources in Canada, that are held by the SIFT Partnership and have a fair market value that is greater than 10% of the equity value of such entity, or that have, together with debt or equity that the SIFT Partnership holds of entities affiliated with such entity, an aggregate fair market value that is greater than 50% of the equity value of the SIFT Partnership. The tax rate applied to the above mentioned sources of income and gains is set at a rate equal to the federal corporate tax rate, plus an amount on account of provincial tax.

Under the SIFT Rules, our partnership and Brookfield Infrastructure could each be a SIFT Partnership if it is a “Canadian resident partnership”. However, Brookfield Infrastructure would not be a SIFT Partnership if our partnership is a SIFT Partnership, whether or not Brookfield Infrastructure is a Canadian resident partnership. Our partnership and Brookfield Infrastructure will be a “Canadian resident partnership” if the central management and control of these partnerships is located in Canada. This determination is a question of fact and is expected to depend on where our Managing General Partner and the Infrastructure General Partner are located and exercise central management and control of the respective partnerships. Our Managing General Partner and the Infrastructure General Partner advise that they will each take appropriate steps so that the central management and control of these entities is not located in Canada such that the SIFT Rules should not apply to our partnership and Brookfield Infrastructure at any relevant time. However, no assurance can be given in this regard. If our partnership or Brookfield Infrastructure are SIFT Partnerships under the SIFT Rules, the Canadian income tax consequences to our unitholders could be materially different in certain respects from those described in Item 10.E “Taxation—Canadian Federal Income Tax Considerations.” In addition, even if the SIFT Rules do not apply to our partnership or to Brookfield Infrastructure at any relevant time, there can be no assurance that the SIFT Rules will not be revised or amended in the future such that the SIFT Rules will apply.

ITEM 4. INFORMATION ON THE COMPANY

4.A HISTORY AND DEVELOPMENT OF BIP

Our partnership, Brookfield Infrastructure Partners L.P., is a Bermuda exempted limited partnership that was established on May 21, 2007 under the provisions of the Exempted Partnership Act, 1992 of Bermuda and the Limited Partnership Act, 1883 of Bermuda. Our registered office is Cannon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda. Our head office is 7 Reid Street, 4th Floor, Hamilton HM 11, Bermuda and our telephone number at that address is +1 441 296-4480.

Our partnership and its related entities were established by Brookfield Asset Management as its primary vehicle to own and operate certain infrastructure assets on a global basis. Brookfield was a promoter of the

spinoff within the meaning of applicable Canadian securities legislation for its role in founding and organizing our partnership. We focus on high quality, long-life assets that generate stable cash flows, require relatively minimal maintenance capital expenditures and, by virtue of barriers to entry or other characteristics, tend to appreciate in value over time. Our current operations consist of electricity transmission systems, timberlands and social infrastructure projects, but we intend to seek acquisition opportunities in other sectors with similar attributes and in which we can deploy our operations-oriented approach to create value. Our Manager is an affiliate of Brookfield. Our sole material asset is a 60% limited partnership interest in Brookfield Infrastructure, a limited partnership through which we indirectly hold all of our current operations. Brookfield holds the remaining 40% interest in Brookfield Infrastructure through a 1% general partnership interest and a 39% limited partnership interest. Brookfield's 1% general partnership interest in Brookfield Infrastructure also entitles it to receive incentive distributions from Brookfield Infrastructure. The economic interests in Brookfield Infrastructure noted above do not reflect the exercise of the equity commitment referred to in this Form 20-F or interests to be acquired under Brookfield Infrastructure's distribution reinvestment plan.

All of the interests in our partnership, from its formation until the completion of the spin-off on January 31, 2008, were held by Brookfield and its subsidiaries. Prior to the spin-off, Brookfield effected a reorganization so that our electricity transmission and timber operations were held by the Holding Entities, the common shares of which are wholly-owned by Brookfield Infrastructure. Prior to the spin-off, Brookfield held an approximate 60% limited partnership interest in Brookfield Infrastructure and one or more wholly-owned subsidiaries of Brookfield held the remaining 40% interest in Brookfield Infrastructure through a 1% general partnership interest and an approximate 39% limited partnership interest. In order to complete the spin-off, Brookfield transferred the approximate 60% limited partnership interest in Brookfield Infrastructure that it held to our partnership in consideration for our units. These units were then distributed by Brookfield on January 31, 2008 to holders of record of its Class A limited voting shares and Class B limited voting shares as a special dividend. The remaining limited partnership interest in Brookfield Infrastructure held by one or more wholly-owned subsidiaries of Brookfield is subject to the Redemption-Exchange Mechanism.

Brookfield had acquired the following interests in our electricity transmission and timber operations prior to the spin-off: (i) a 50% interest in Island Timberlands, our Canadian timber operations, in May 2005; (ii) a 27.8% interest in Transelec, our Chilean transmission operations, in June 2006; (iii) 7%-18% interests in TBE, a group of five related transmission investments in Brazil, in 2006; (iv) a 100% interest in Great Lakes Power Transmission L.P., our Ontario transmission operations, in 1982; and (v) a 100% interest in Longview, our U.S. timber operations, on April 20, 2007. Upon completion of the spin-off and certain follow-on transactions, Brookfield transferred to us certain interests in these assets. Brookfield retained an interest in each of Transelec, Island Timberlands and Longview, and therefore the infrastructure division's ownership interests in these operations is different than the current ownership interests of Brookfield Infrastructure. Brookfield acquired its interests in our social infrastructure operations through its acquisition of Brookfield Multiplex (formerly Multiplex Limited) in October 2007.

Our current operations include interests in electricity transmission assets held directly and through consortiums in Chile, Brazil and Canada, comprised of:

- a 17.8% interest in Transelec which owns approximately 8,200 kilometers, or km, of transmission lines in Chile that serve 98% of the population of the country which include 100% of Chile's 500 kV transmission lines, the highest voltage lines in the country, and approximately 45% and 95% of the 200kV and 154 kV lines in Chile, respectively;
- ownership of 7% to 18% interests in a group of five related transmission investments comprising over 2,100 km of transmission lines in Brazil, with one transmission line located in the south and the remaining four lines located in the northeast. Four of the lines are rated 500 kV or higher and one line is rated at 230 kV. The transmission lines began service between 2002 and 2005; and
- a 100% interest in Great Lakes Power Transmission L.P. which owns approximately 550 km of 44 kV to 230 kV transmission lines in Canada that comprise an important component of Ontario's

transmission system that connects generation in Northern Ontario to electricity demand in Southern Ontario. Our Ontario operations were transferred by Brookfield to us on March 12, 2008 following receipt of required regulatory approvals.

On September 23, 2008, we exercised our option to sell our interests in TBE to a Brazilian state-owned utility. See Item 4.B “Business Overview—Current Operations—Electricity Transmission” for further detail.

Our current operations also include interests in timberlands held in partnership with Brookfield and other consortium members in the coastal region of British Columbia, Canada and the Pacific Northwest region of the United States, comprised of:

- a 37.5% interest in Island Timberlands which owns approximately 634,000 acres of freehold timberlands located principally on Vancouver Island with an estimated merchantable inventory of 58.0 million cubic meters, or m³, primarily comprised of high value Douglas-fir, Hemlock and Cedar with a long-run sustainable yield of 1.8 million m³, and approximately 33,163 acres of higher and better use properties, or HBU lands, which are properties that we believe will have greater value if used for a purpose other than as timberlands, such as real estate development or conservation; and
- a 30% interest in Longview (7% of which is held through the Brookfield Global Timber Fund) which owns approximately 655,000 acres of freehold timberlands in Oregon and Washington with an estimated merchantable inventory of 42.1 million m³, primarily comprised of high value Douglas-fir and Hemlock with a long-run sustainable yield of 2.6 million m³.

In addition, we have the ability to acquire an additional indirect interest in Longview in the event that Brookfield contributes its remaining interest in Longview to a timberlands focused partnership with institutional investors. We have agreed that we will participate in any such partnership through a commitment of up to \$600 million provided that: (i) third party institutional investors commit at least \$400 million; (ii) the transfer of Longview is at a price equal to the appraised value of the timberlands and real estate plus working capital, and (iii) the transaction is completed within 18 months. Our agreement is also subject to a financing condition in our favor.

Our social infrastructure operations were acquired from an affiliate of Brookfield following the spin-off on the dates indicated below. These assets are comprised of the following PPP interests:

- a 50% interest in Long Bay Forensic and Prison Hospitals located in Sydney, Australia comprised of a 135-bed forensic hospital, 85-bed prison hospital and administration building, acquired on December 5, 2008;
- a 30% interest in Peterborough Hospital located in Peterborough, United Kingdom comprised of a 612-bed acute hospital, 102- bed mental health unit and an integrated care center, acquired on December 5, 2008; and
- a 50% interest in Royal Melbourne Showgrounds located in Melbourne, Australia consisting of a special purpose exhibition facility on a 19 ha site comprising office complexes, open air arenas and large scale tension structures, acquired on February 3, 2009.

About Brookfield

Brookfield is a global asset management company focused on property, power and other infrastructure assets with approximately \$80 billion of assets under management and more than 400 investment professionals and 14,000 operating employees around the world. Brookfield’s strategy, which is part of our strategy as well, is to combine best-in-class operating platforms and best-in-class transaction execution capabilities to acquire and invest in targeted assets and actively manage them in order to achieve superior returns.

4.B BUSINESS OVERVIEW

Our Partnership

Our partnership and its related entities were established by Brookfield Asset Management as its primary vehicle to own and operate certain infrastructure assets on a global basis. We focus on high quality, long-life assets that generate stable cash flows, require relatively minimal maintenance capital expenditures and, by virtue of barriers to entry or other characteristics, tend to appreciate in value over time. Our current operations consist principally of the ownership and operation of electricity transmission systems, timberlands and social infrastructure, but we intend to seek acquisition opportunities in other sectors with similar attributes and in which we can deploy our operations oriented approach to create value. Our Manager is an affiliate of Brookfield. Our sole material asset is a 60% limited partnership interest in Brookfield Infrastructure, a limited partnership through which we indirectly hold all of our current operations.

Current Operations

Electricity Transmission

Overview

Electricity transmission assets provide the critical link for the high-voltage transmission of electricity from generators to consumers of electricity. Electricity transmission is a natural monopoly and is generally provided by a single supplier, with revenues regulated either on a cost plus basis or under long-term concessions. Both of these revenue mechanisms provide secure cash flow streams that, in many instances, are not subject to volume or utilization risk. Due to their combination of high capital costs and low variable costs, electricity transmission systems generally have very high operating margins. Since the cost of electricity transmission is typically a minor component of an end user's electricity bill, regulators in many jurisdictions are sanctioning pricing regimes that encourage capital investment to ensure reliability and support economic growth rather than focusing on lowering transmission rates.

Our current electricity transmission assets are held directly and through consortiums in Chile, Brazil and Canada.

<u>Location</u>	<u>Description</u>	<u>Our Interest</u>
Chile	approximately 8,200 km of transmission lines that serve 98% of the population of the country which include 100% of Chile's 500 kV transmission lines, the highest voltage lines in the country, and approximately 45% and 95% of the 200 kV and 154 kV lines in Chile, respectively	17.8% ⁽¹⁾
Brazil	over 2,100 km of transmission lines, with one transmission line located in the south and the remaining four lines located in the northeast. Four of the lines are rated 500 kV or higher and one line is rated at 230 kV. The transmission lines began service between 2002 and 2005	7% to 18% ⁽²⁾
Canada	approximately 550 km of 44 kV to 230 kV transmission lines that comprise an important component of Ontario's transmission system that connects generators in Northern Ontario to electricity demand in Southern Ontario	100% ⁽³⁾

- (1) Percentage includes the increase in ownership resulting from the April 4, 2008 purchase price adjustment which was made upon finalization of the previous transmission industry rate proceeding.*
- (2) Our Brazilian transmission investments are comprised of interests in a group of five related transmission operations owned with four other industry partners, with ownership in each asset ranging from 7% to 18%. On September 23, 2008, we exercised our option to sell our interests in TBE to a Brazilian state-owned utility. See below for further detail.*
- (3) Our Ontario transmission operations were transferred by Brookfield to us on March 12, 2008 following receipt of required regulatory approvals.*

Our Chilean operations were acquired by Brookfield on June 30, 2006 from Hydro Quebec International Inc. and International Finance Corporation by a consortium of buyers led by Brookfield. As part of the stock purchase agreement between the parties, the buyers agreed to pay a purchase price adjustment of \$160 million that was determined on April 4, 2008 following the final resolution of the previous transmission industry rate proceeding. In conjunction with our disproportionate funding of this purchase price adjustment, our ownership in Transelec increased from 10.7% to 17.8%.

Brookfield acquired our Brazilian transmission investments in July 2006. These investments were transferred to us in November 2007. Our Brazilian transmission investments are comprised of interests in a group of five related transmission operations owned with four other industry partners with ownership ranging from 7% to 18%. On September 23, 2008, we exercised our option to sell our interests in TBE to a Brazilian state-owned utility. Closing of the transaction is expected in the second quarter of 2009, subject to the receipt of regulatory and other approvals. After-tax proceeds from the sale are expected to be approximately \$274 million, of which \$68 million has already been received from realized hedge gains.

Our Ontario transmission operations were transferred to us on March 12, 2008 upon receipt of approval by the Ontario Energy Board, or OEB.

Revenue Framework

The revenue framework for our transmission operations is a combination of regulated sales, concessions and long-term contracts with large customers.

In Chile, which has a long tradition of supportive regulatory frameworks for utility assets, regulated revenues are determined every four years based on a 10% annuity return on replacement cost of the existing transmission system for high voltage transmission (500 kV or above) plus annual payments that provide for recovery of operational, maintenance and administrative costs. Between rate reviews, both revenue components are adjusted on a semi-annual basis by a multi-component inflation index that is designed to approximate the changes in underlying costs drivers. The replacement, operational, maintenance and administration costs, the indexation formula and the asset life of the transmission system are determined every four years in a transmission study performed by an independent consultant, subject to final approval by the experts' panel, which is the arbitrator for the electricity industry in Chile. Once revenue has been calculated, it is allocated to market participants as a fixed charge; thus our Chilean high voltage transmission operations do not have volume risk. For lower voltage transmission lines the framework for regulatory revenues is similar to that for high voltage transmission lines; however, the 10% annuity return is assessed on the demand adapted system, which factors in projected usage of the system over a forecast period in determining replacement cost. Since our regulated Chilean operations earn a 10% annuity return on replacement cost, we effectively earn a real pre-tax 10% return on capital investments. In addition, the 10% return rate framework is provided for by Chilean law which would require legislative action to revise.

Approximately 60% of our revenues in Chile are derived from a number of long-term transmission contracts, primarily with power generators. These contracts have a pricing framework that is similar to the regulatory framework; however, we believe these contracts have greater certainty than our regulated revenues since all of the material drivers such as the regulated asset base and the indexation formula are stipulated in the contracts rather than periodically determined. The largest of these contracts expires in 2016. Following the expiration of these contracts, a majority of this contracted revenue will convert to the regulatory framework; the balance remaining contractual. We believe that the risks of default or non-renewal on similar terms for these contracts is relatively low because transmission is an essential operating expense that must be paid by generators in order for them to sell the power output of their generating assets. In particular, our largest single customer's power generation portfolio is comprised principally of hydroelectric facilities, which we believe have a minimal risk of shut down for economic reasons.

For both the regulated and contracted revenues of our Chilean operations, we earn a return on replacement cost that is comprised of Chilean pesos and U.S. dollars. As a result, even though our revenues are converted into Chilean pesos and billed to customers on a monthly basis, we economically have a combination of Chilean peso and U.S. dollar revenue.

Pursuant to Chilean law, for our high voltage transmission lines we have the exclusive ability to invest in any approved upgrades to our trunk transmission asset base at rates determined in accordance with the Chilean regulatory framework described above. Expansions to the transmission system are put out to competitive bid, under which the qualified bidder with the lowest fixed price 20-year toll is awarded the project. Due to our scale within Chile and our intimate knowledge of the transmission system and permitting landscape, we believe that we are well positioned to compete for expansion projects. For our lower voltage transmission lines, we have the discretion to invest in upgrades and expansions of our system, as well as the responsibility to invest sufficient capital to maintain reliability without having to obtain regulatory approval to obtain reimbursement.

In Brazil, the federal electricity regulator, Agência Nacional de Energia Elétrica regulates expansion of the transmission system through the award of long-term concessions. Concessionaires are remunerated based on Annual Permitted Revenues, or APR, that is adjusted annually to account for changes in Brazilian inflation. APR is independent of load, volume or utilization of the transmission lines. Extraordinary revisions to APR are permissible due to changes in taxes, regulatory charges, required investments and other items that alter the economic-financial equilibrium of the concession in the view of the regulator. APR is subject to pre-specified penalties due to transmission line unavailability. In order to facilitate the financing of new projects, transmission concession revenues are front end loaded and have a single step down provision which reduces the capacity component of APR by 50% beginning in year 16 of transmission following commencement of operations for the remaining term of the 30-year concession.

Our Brazilian transmission investees generate their revenues in reais under five separate 30-year concession agreements. The average remaining life of our concessions is 26 years. Under the capacity component of revenues for each respective concession will be reduced by 50% beginning in 2017 through 2020, as provided under the concession agreements.

Our Brazilian transmission investments are subject to put/call agreements with third parties whereby we have the right to sell and the third parties have the right to buy our investments at a price that will yield a real, compounded annual return equal to 14.8% paid in Brazilian reais, including all distributions received to that date. On September 23, 2008, we exercised our option to sell our interests in TBE to a Brazilian state-owned utility. After-tax proceeds from the sale are expected to be approximately \$274 million, of which \$68 million has already been received from realized hedge gains. Closing is expected in the second quarter of 2009, subject to the receipt of regulatory and other approvals.

Although it is a high quality transmission asset, Brookfield Infrastructure's investment in TBE is passive.

In Ontario, transmission revenues are based on periodic rate cases in which the OEB determines allowed revenue that provides for recovery of our operating and financing costs plus an after-tax return on equity.

Currently, we are allowed to earn an 8.61% return on the equity, which is deemed to be 45% of our rate base. In Ontario, regulated rate base is equal to the historic cost of the system assets plus any capital expenditures less depreciation and other deductibles. The regulatory framework in Ontario does not provide for any inflationary adjustments. Once our revenue requirement has been determined, the OEB establishes tariffs. All transmission tariffs are combined into one pool and allocated to system users throughout the province. Our operating revenues do not fluctuate with usage of our system but do fluctuate based on provincial electric loads which are measured by the Independent Electricity System Operator. We expect our next rate review will occur in 2009 for implementation in 2010.

The principal means to grow our Ontario operations is to invest capital in excess of depreciation. Brookfield recently completed the construction of an \$80 million upgrade to the system in Northern Ontario which increased adjusted net operating income. In the near term, we expect that our capital expenditures will exceed depreciation by approximately \$15 million. Over the longer term, there are a number of potential electricity transmission projects in Ontario under development. If any of these projects come to fruition, we expect that we will have an opportunity to further grow our regulated rate base and corresponding earnings.

Key Highlights of our Electricity Transmission Operations

We believe that our transmission operations have a number of favorable characteristics that position us well for continued strong and growing cash flows as follows:

- ***Stable revenues with inflationary growth.*** Due to our regulatory frameworks and contracts, combined with the essential nature of our service, our transmission systems have a very secure competitive position. All three systems generate stable revenue with no material volume risk and, in many instances, have automatic inflation escalators. Revenues for all three of our transmission operations are spread across a large user base, or have high quality credit investors, mitigating credit risk.
- ***Constructive regulatory regimes.*** Our Chilean and Brazilian systems are subject to favorable regulatory regimes. Our Chilean system's 10% return on replacement cost is stipulated in Chilean law. Thus, a change of law would be required to reduce this return. Furthermore, since it is a return on total assets, the risk that a regulator reduces rates based upon actual capital structure deployed is reduced. For our Brazilian system, rates are established in the concession agreement. The only factor that causes rates to fluctuate during the concession period is the cumulative change in Brazilian inflation.
- ***Strong free cash flow generation.*** Since the Chilean regulatory and contractual frameworks are based on replacement cost and the Brazilian revenues are based on stipulated contractual amounts, we are not required to invest at our level of depreciation to prevent a decline in revenues in those countries. Since both systems are in good physical condition, maintenance capital expenditures are at relatively low levels. As a result of high profit margins combined with low maintenance capital expenditures, our transmission operations generate strong cash flow.
- ***Expansion opportunities.*** Our Chilean and Ontario systems have significant revenue generating capital investment opportunities. Both Chile and Canada have economic generation that is many miles away from customers. Upgrades and expansions of the electricity transmission system will be required to connect this economic generation to load centers to satisfy increased electricity demand resulting from economic growth. In addition, our Chilean operations are also well positioned to pursue opportunities to expand their subtransmission lines to augment their existing network.

Timber

Overview

Timber is a vital component of the global economy. In North America, timber is generally harvested for one of three types of end users: (1) lumber mills (which use saw logs to produce lumber), (2) pulp mills (which use pulpwood as a major source of fiber for use in the paper and containerboard industries) and (3) other wood products such as boards, structural and non-structural panels, moldings, etc. In addition, timber by-products are being increasingly viewed as a source of fuel or feed stock for biomass energy and ethanol production.

The use of timber in new home construction results in exposure to general economic and housing construction cycles. However, use in the much less cyclical repair and renovation and general construction markets as well as diversification across export markets provides mitigation to economic cycles. In addition, timber can either be harvested and sold in attractive price environments or "warehoused on the stump" for later harvest if and when prices recover. This ability to delay harvest and increase the value of timber inventory allows

timberland owners to maximize the long-term value of timberlands by matching harvest opportunities to market conditions. Furthermore, this ability to warehouse timber has historically moderated timber supply and pricing, resulting in the volatility of timber prices being less than the volatility of prices for finished forest products such as oriented strand board, framing lumber, pulp, newsprint and fine papers.

Our current timberlands assets are held in partnership with Brookfield and other consortium members and are located in the coastal region of British Columbia, Canada and the Pacific Northwest region of the United States.

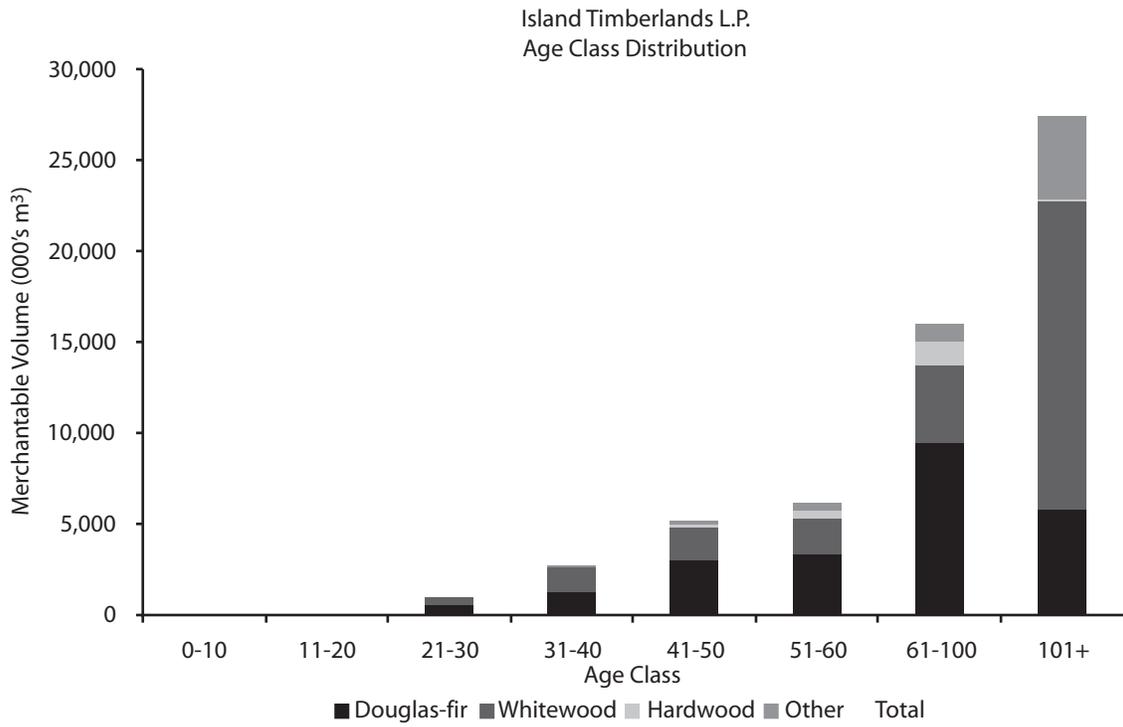
<u>Location</u>	<u>Description</u>	<u>Our Ownership Percentage</u>
Coastal British Columbia, Canada	approximately 634,000 acres of freehold timberlands located principally on Vancouver Island with an estimated merchantable inventory of 58.0 million m ³ , primarily comprised of high value Douglas-fir, Hemlock and Cedar with a long-run sustainable yield of 1.8 million m ³ and approximately 33,163 acres of HBU lands	37.5%
Oregon and Washington, United States	approximately 655,000 acres of freehold timberlands in Oregon and Washington with an estimated merchantable inventory of 37.5 million m ³ , primarily comprised of high value Douglas-fir and Hemlock with a long-run sustainable yield of 2.6 million m ³	30%

In addition, we have the ability to acquire an additional indirect interest in Longview in the event that Brookfield contributes its remaining interest in Longview to a timberlands focused partnership with institutional investors. We have agreed that we will participate in any such partnership through a commitment of up to \$600 million provided that: (i) third party institutional investors commit at least \$400 million; (ii) the transfer of Longview is at a price equal to the appraised value of the timberlands and real estate plus working capital, and (iii) the transaction is completed within 18 months. Our agreement is also subject to a financing condition in our favour.

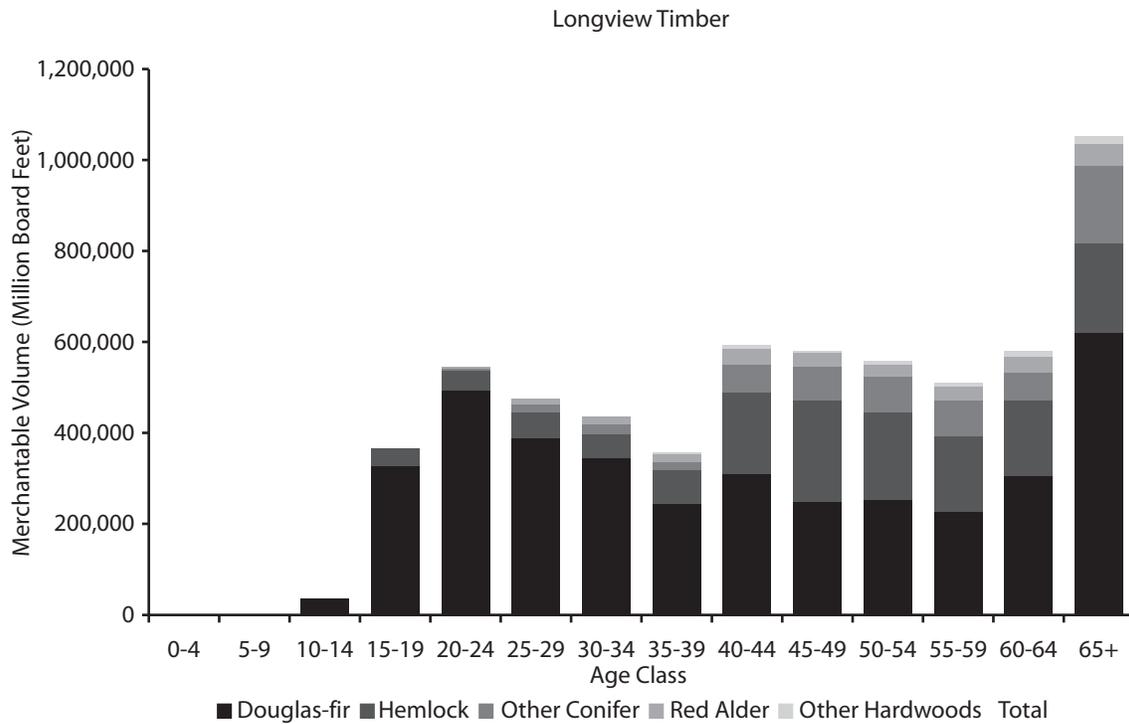
Our Canadian operations were acquired by Brookfield on May 30, 2005. Of our U.S. operations, 588,000 acres were acquired by Brookfield on April 20, 2007, and an additional 67,661 acres were acquired in November 2008.

These timberlands have a combined merchantable inventory of over 95 million m³ with 55% of this inventory in Douglas-fir, 31% in Whitewoods and the remainder composed of Cedar, Alder, Cypress and other species. These timberlands are heavily weighted to merchantable timber which offers strong, high value near term harvest opportunities.

Merchantable volume by species and age class—Canada (000s m³)



Merchantable volume by species and age class—United States (000s mmbf)



Revenue Framework

The revenue framework for our timber business is a combination of log sales and, to a lesser degree, the sale of HBU lands. Our timber operations have very few long-term sales agreements, accounting for less than 10% of the value of annual log sales, with all logs sold at market prices and payments received in advance of delivery.

Our primary markets are the Pacific Northwest region of the United States and Japan and, for our Canadian operations, the coastal region of British Columbia. Secondary markets include South Korea, China and other Asian markets. The preference of Japanese customers for large, high value primary growth Douglas-fir logs, for which no substitute exists, is a key driver in establishing export market demand.

Some of our timber operations, particularly those located in Canada, are located in regions where the land may be better served as a residential or commercial development. We estimate that approximately 33,163 acres of our lands are HBU lands that, as market conditions develop, could be opportunistically developed and sold for greater value if used for a purpose other than timberlands, such as real estate development or conservation, without materially impacting our sustainable harvest levels.

Key Highlights of our Timber Operations

We believe that our timber operations have a number of favorable characteristics that position us well for strong and growing cash flows as follows:

- ***Scarce, high value, premium asset.*** Our timberlands are primarily comprised of softwood such as Douglas-fir and Hemlock that is generally preferred over hardwood for construction lumber and plywood because of its strength and flexibility. Our timberlands include significant volumes of finegrained Douglas-fir, which is considered a premium product and is in strong demand in the Asian export markets because of its aesthetic appeal and structural properties.
- ***Market access and location.*** The coastal location of our Canadian timberlands provides access to the western U.S. and Asian markets, and our U.S. timberlands also have ready access to the Asian marketplace through the port of Longview. This access to multiple markets provides us flexibility to react quickly to changes in market conditions.
- ***Favorable long-term industry dynamics.*** Sawmill modernization and construction has resulted in over three billion board feet of additional lumber manufacturing capacity in the Pacific Northwest in the last five years. We also expect our timberlands to benefit from increasing scarcity in global timber supplies. This increasing scarcity is expected to result from a number of factors including the Western Canadian mountain pine beetle infestation which has had a significant impact on the supply of Canadian timber from the interior of British Columbia and Alberta, newly implemented Russian log export restrictions, continued withdrawals of North American timberlands for conservation and alternative uses and competition for wood fibre for use in bio fuels.
- ***Diversified product mix in highly productive climate.*** Our timberlands are diversified by species mix, age distribution, geographic location and customer type. As a result, we are well-positioned to serve the Canadian, U.S. and Asian timber markets. Species and age diversification allows us to offer over 200 different log sort grades, enabling us to meet the needs of a large customer base. Also, due to the climate of our coastal location, we have among the most productive timberlands in North America with an overall average annual growth rate on unmanaged natural stands of 3.68 m³ per acre, more than three times the average annual growth rate of timberlands located in the northeastern part of North America.
- ***High margin business with sustainable cash flows.*** Our timber operations generate strong profit margins due to our low fixed cost structure and strategic harvesting decisions designed to enhance margins. In addition, our timberlands require minimal amounts of maintenance capital. This low capital intensity, together with high operating margins, allows our timberlands to produce sustainable cash flows that generally will capture inflationary price increases.

However, despite these characteristics which we believe will position us well in the medium to long-term, we expect that the continued softness in the U.S. housing market, exacerbated by the extreme dislocations in the mortgage financing market, will result in continued reduction in demand from sawmills that produce lumber for the housing market, putting downward pressure on log prices.

Social Infrastructure

Overview

Social infrastructure includes assets such as hospitals, convention centers, court houses, schools and police stations. The Public Private Partnership or PPP model (also referred to as the Private Finance Initiative or PFI model) has been developed by governments to facilitate private sector participation in the development, operation and financing of such infrastructure assets. Under a typical social infrastructure PPP, a government entity grants a long-term concession to a private sector participant, often referred to as the “concessionaire”, who designs, constructs and operates an asset for the duration of the concession contract. Typically the concession contracts are structured such that the concessionaire does not take any volume or patronage risk. There may, however, be reductions in the amount payable to the concessionaire to the extent it does not meet the performance or availability requirements specified in the contract. The concessionaire will often hedge this risk by entering into long term service contracts with subcontractors who commit to similar performance or availability standards and agree to pay damages to the concessionaire in the event that such standards are not achieved.

The PPP market continues to grow rapidly as governments continue to recognize the benefits of delivering social infrastructure services in conjunction with the private sector. According to industry sources, from 1994 to 2005, the private sector has invested approximately \$260 billion in infrastructure based PPPs globally, primarily in Europe, Australia and Canada. Industry sources also estimate that in 2007, \$70 billion was invested in infrastructure assets by the private sector worldwide through the PPP model, an increase of approximately 40% on the previous year. We believe that this market will grow substantially as governments worldwide continue to adopt this model as a means of funding critical social infrastructure projects in an era of substantial governmental budgetary constraints.

Our current social infrastructure operations are based on the PPP model and were originally developed and held by Brookfield Multiplex (formerly Multiplex Limited), which Brookfield acquired in late 2007. We believe that we will benefit from Brookfield’s experience in designing, building and maintaining social infrastructure assets developed under the PPP model. This experience was initially gained through the design and construction of such projects, followed by expansion into facilities management roles and, more recently, in the capacity of an equity investor. Our social infrastructure operations consist of interests in the following concessions: (i) a 30% interest in Peterborough Hospital located in the United Kingdom and acquired from Brookfield Multiplex on December 5, 2008, (ii) a 50% interest in Long Bay Forensic and Prison Hospitals, located in Australia and acquired from Brookfield Multiplex on December 5, 2008; and, (iii) a 50% interest in Royal Melbourne Showgrounds located in Australia and acquired from Brookfield Multiplex on February 3, 2009, for aggregate consideration of approximately \$15.3 million.

<u>Asset</u>	<u>Location</u>	<u>Description</u>	<u>Our Ownership Percentage</u>	<u>Concession Details</u>
Peterborough Hospital	Peterborough, United Kingdom	A 612-bed acute hospital, 102-bed mental health unit and an integrated care centre	30%	34 year concession with 3 UK National Health Trusts
Long Bay Forensic and Prison Hospitals	Sydney, Australia	A 135-bed forensic hospital, 85-bed prison hospital and administration building	50%	26 year concession with State Government of New South Wales
Royal Melbourne Showgrounds	Melbourne, Australia	A special purpose exhibition facility on a 19ha site comprising office complexes, open air arenas and large scale tension structures	50%	23 year concession with State Government of Victoria

As described in greater detail above, our social infrastructure operations consist of assets that were constructed by Brookfield Multiplex, a wholly-owned subsidiary of Brookfield. As shown in the table below, facilities management obligations have been sub-contracted to Brookfield Multiplex Services Pty Limited, Brookfield Europe Services Limited, both wholly-owned subsidiaries of Brookfield, and Honeywell Limited. The facilities managers are responsible for meeting the performance and availability requirements and bear the associated operational risk. In the case of Long Bay and Showgrounds, the facilities manager subcontractors are also responsible for maintaining the physical condition of the asset through ongoing capital expenditure programs.

	<u>Royal Melbourne Showgrounds</u>	<u>Long Bay Forensic and Prison Hospitals</u>	<u>Peterborough Hospital</u>
Design and Construct subcontractor:	Brookfield Multiplex Constructions Pty Limited	Brookfield Multiplex Constructions Pty Limited	Brookfield Europe Constructions Limited
Facilities Manager subcontractor:	Brookfield Multiplex Services Pty Limited	Honeywell Limited	Brookfield Europe Services Limited

Revenue Framework

Revenue for our current social infrastructure operations is received through an availability-based payment arrangement set out in the relevant contract. Once a project is operational, we are required to operate and maintain the project to documented performance and availability standards. The applicable government body makes service payments which are dependent on us providing for the availability of the facilities and meeting the standard of service obligations under the contract. We take no patronage risk under the contract structure. We in turn make payments to the facilities manager subcontractor subject to any abatement it may suffer in the event that the performance standards are not met. This structure is designed to substantially shelter us as the project company from operational risk.

Key Highlights of our Social Infrastructure Operations

We believe our social infrastructure operations have a number of attractive attributes, including:

- **Secure and stable revenues.** Due to the long-term contractual arrangements with local governments our social infrastructure operations have very secure and stable revenues. The contracts range between 23 years and 34 years. Revenues are availability based with no volume or patronage risk.
- **Strong free cash flow.** Since all major operational and maintenance risks are typically passed on to subcontractors through long term service contracts, our social infrastructure operations' cash flow is stable and predictable for the duration of the concession contract. We believe that our PPP contracts are backed by strong counterparties and in most cases come with additional security such as letters of credit or corporate guarantees.
- **Growth opportunities.** PPP investments remain a growth market with billions of dollars in projects expected to be tendered globally in 2009, according to industry sources.

While our current social infrastructure operations are small relative to our electricity transmission and timber operations, we believe that we can build this platform into a meaningful business unit. We believe we have a competitive advantage in the social infrastructure industry as a result of Brookfield's track record of developing, constructing, managing and, most recently, investing in these types of facilities in Australia and the United Kingdom.

Our Growth Strategy

Our vision is to be a leading owner and operator of high quality infrastructure assets. We seek to grow by deploying our operations-oriented approach to enhance value and by leveraging our relationship with Brookfield to pursue acquisitions. To execute our strategy, we seek to:

- incorporate our technical insight into the evaluation and execution of acquisitions;

- maintain a disciplined approach to acquisitions;
- actively manage our assets to improve operating performance; and
- employ a hands-on approach to key value drivers such as capital investments, development projects, follow-on acquisitions and financings.

We believe that our relationship with Brookfield provides us with competitive advantages in comparison with a stand-alone infrastructure company in the following respects:

- ***Ability to leverage Brookfield’s transaction structuring expertise.*** With its extensive background in the real estate, power generation and other hard asset industries, Brookfield has in depth experience acquiring and financing different classes of hard assets.
- ***Ability to pursue acquisitions of businesses that own infrastructure assets together with other assets that have a riskier cash flow profile.*** Such transactions may not be appropriate for us on a stand-alone basis. Brookfield has the skills and capital to acquire such companies and separate the infrastructure assets from the non-infrastructure assets. A good example of this is the acquisition of Longview, which had both a timber business and an integrated converting business that increased the overall risk profile of the company. Brookfield separated these two businesses and contributed an interest in the timber operations to us while retaining and restructuring the more volatile converting business. We believe that we will have an opportunity to acquire infrastructure assets through similar transactions in the future.
- ***Ability to acquire assets developed by Brookfield through its operating platforms.*** Brookfield is well positioned to identify development opportunities. For example, Brookfield is actively pursuing greenfield development projects in the electricity transmission sector, and we expect that, if and when these development projects come to fruition, we will have an opportunity to acquire an interest in them from Brookfield.
- ***Ability to participate alongside Brookfield and in or alongside Brookfield sponsored consortiums and partnerships.*** Our acquisition strategy focuses on large scale transactions, for which we believe there is less competition and where Brookfield has sufficient influence or control so that our operations-oriented approach can be deployed to create value. Due to similar asset characteristics and capital requirements, we believe that the infrastructure industry will evolve like the real estate industry in which assets are commonly owned through consortiums and partnerships of institutional equity investors and owner/operators such as ourselves. Accordingly, an integral part of our strategy is to participate with institutional investors in Brookfield sponsored or co-sponsored consortiums for single asset acquisitions and as a partner in or alongside Brookfield sponsored or co-sponsored partnerships that target acquisitions that suit our profile. Brookfield has a strong track record of leading such consortiums and partnerships and actively managing underlying assets to improve performance.

Brookfield has agreed that it will not sponsor such arrangements that are suitable for us in the infrastructure sector unless we are given an opportunity to participate. See Item 7.B “Related Party Transactions—Relationship Agreement”.

Since Brookfield has large, well established operations in real estate and renewable power which is separate from us, Brookfield will not be obligated to provide us with any opportunities in these sectors. In addition, since Brookfield has granted an affiliate the right to act as the exclusive vehicle for Brookfield’s timberland acquisitions in Eastern Canada and the Northeastern U.S., we will not be entitled to participate in timberland acquisitions in those geographic regions.

Employees

Our partnership does not employ any of the individuals who carry out the management and activities of our partnership. The personnel that carry out these activities are employees of Brookfield, and their services are

provided to our partnership or for our benefit under our Master Services Agreement. For a discussion of the individuals from Brookfield's management team that are expected to be involved in our infrastructure business, see Item 6.A "Directors and Senior Management—Our Management".

Intellectual Property

Our partnership, as licensee, has entered into a licensing agreement with Brookfield pursuant to which Brookfield has granted us a non-exclusive, royalty-free license to use the name "Brookfield" and the Brookfield logo in connection with marketing activities. Other than under this limited license, we do not have a legal right to the "Brookfield" name and the Brookfield logo. Brookfield may terminate the licensing agreement immediately upon termination of our Master Services Agreement and it may be terminated in the circumstances described under Item 7.B "Related Party Transactions—Licensing Agreement".

Properties

Our partnership's principal office is at 7 Reid Street, 4th Floor, Hamilton HM 11, Bermuda and its registered office is Cannon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. Our partnership does not directly own any real property.

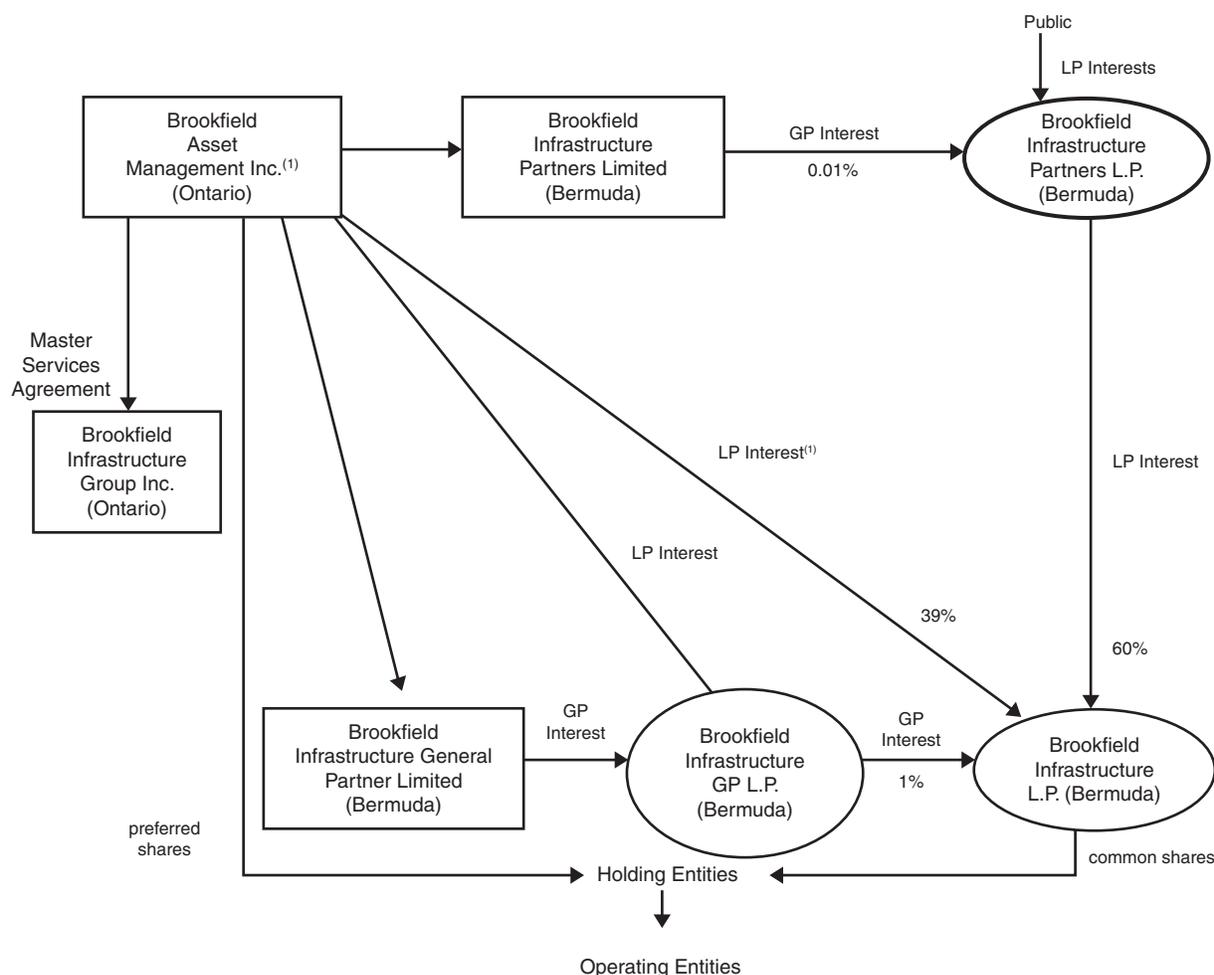
Governmental, Legal and Arbitration Proceedings

Our partnership may be named as a party in various claims and legal proceedings which arise in the ordinary course of business. Our partnership has not been in the previous 12 months and is not currently subject to any material governmental, legal or arbitration proceedings which may have or have had a significant impact on our partnership's financial position or profitability nor is our partnership aware of such proceedings that are pending or threatened.

4.C ORGANIZATIONAL STRUCTURE

Organizational Chart

The chart below presents a simplified summary of our ownership and organizational structure. Please note that on this chart all interests are 100% unless otherwise indicated and “GP Interest” denotes a general partnership interest and “LP Interest” denotes a limited partnership interest. This chart should be read in conjunction with the explanation of our ownership and organizational structure below and the information included under Item 4.B “Business Overview,” Item 6.C “Board Practices” and Item 7.B “Related Party Transactions.”



(1) Brookfield’s limited partnership interest in Brookfield Infrastructure is redeemable for cash or exchangeable for our units in accordance with the Redemption-Exchange Mechanism, which could result in Brookfield Asset Management eventually owning approximately 39% of our issued and outstanding units. See Item 10.B “Memorandum and Articles of Association—Description of Brookfield Infrastructure’s Limited Partnership Agreement—Redemption-Exchange Mechanism.”

Our Partnership

Our partnership, Brookfield Infrastructure Partners L.P., is a Bermuda exempted limited partnership that was established on May 21, 2007. Our partnership's head office is 7 Reid Street, 4th Floor, Hamilton HM 11, Bermuda, and our registered office is Cannon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. Our partnership and its related entities were established by Brookfield as its primary vehicle to own and operate certain infrastructure assets on a global basis.

Our partnership's sole material asset is its approximate 60% limited partnership interest in Brookfield Infrastructure. Our partnership anticipates that the only distributions that it will receive in respect of our partnership's limited partnership interests in Brookfield Infrastructure will consist of amounts that are intended to assist our partnership in making distributions to our unitholders in accordance with our partnership's distribution policy and to allow our partnership to pay expenses as they become due. The declaration and payment of cash distributions by our partnership is at the discretion of our Managing General Partner which is not required to make such distributions and our partnership cannot assure you that it will make such distributions as intended.

Our Manager and Brookfield

The Service Recipients have engaged the Manager, an affiliate of Brookfield, to provide them with management and administration services pursuant to the Master Services Agreement.

Our Managing General Partner

Our Managing General Partner serves as our partnership's general partner and has sole authority for the management and control of our partnership which is exercised exclusively by its board of directors in Bermuda. Because our partnership's only interest in Brookfield Infrastructure consists of limited partnership interests in Brookfield Infrastructure, which by law do not entitle the holders thereof to participate in partnership decisions, our Managing General Partner's directors are not entitled to participate in the management or activities of Brookfield Infrastructure or the Holding Entities, including with respect to any acquisition decisions that they may make.

Brookfield Infrastructure and Holding Entities

Our partnership indirectly holds its interests in operating entities through the Holding Entities. Brookfield Infrastructure owns all of the common shares of the Holding Entities. Brookfield has provided an aggregate of \$20 million of working capital to the Holding Entities through a subscription for preferred shares of such Holding Entities. These preferred shares are entitled to receive a cumulative preferential dividend equal to 6% of their redemption value as and when declared by the board of directors of the applicable Holding Entity and are redeemable at the option of the Holding Entity, subject to certain limitations, at any time after the tenth anniversary of their issuance. The preferred shares are not entitled to vote, except as required by law.

Infrastructure GP LP and Infrastructure General Partner

The Infrastructure GP LP serves as the general partner of Brookfield Infrastructure and has sole authority for the management and control of Brookfield Infrastructure. The general partner of Infrastructure GP LP is the Infrastructure General Partner, a corporation owned indirectly by Brookfield Asset Management. Infrastructure GP LP is entitled to receive incentive distributions from Brookfield Infrastructure as a result of its ownership of the general partnership interests of Brookfield Infrastructure. See Item 7.B "Related Party Transactions—Incentive Distributions."

See also the information contained in this Form 20-F under Item 3.D "Risk Factors—Risk Relating to Us and Our Partnership," Item 3.D "Risk Factors—Risk Relating to our Relationship with Brookfield," Item 6.A "Directors and Senior Management," Item 7.B "Related Party Transactions," Item 10.B "Memorandum and

Articles of Association—Description of Our Units and Our Limited Partnership,” Item 10.B “Memorandum and Articles of Association—Description of Brookfield Infrastructure’s Limited Partnership Agreement” and Item 7.A “Major Shareholders.”

4.D PROPERTY, PLANTS AND EQUIPMENT

Our partnership’s principal office is at 7 Reid Street, 4th Floor, Hamilton HM 11, Bermuda and its registered office is Cannon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda. Our partnership does not directly own any real property.

See also the information contained in this Form 20-F under Item 3.D “Risk Factors—Risks Relating to Our Operations and the Infrastructure Industry—Risks Relating to Our Electricity Transmission Operations—Our electricity transmission operations may require substantial capital expenditures in the future,” “—Our electricity transmission operations may engage in development projects which may expose us to various risks associated with construction,” “—Risks Relating to Our Timber Operations—A variety of factors may limit or prevent harvesting by our timber operations,” “—Risks Relating to Our Public Private Partnership (or PPP) and Social Infrastructure Operations—We may experience operating cost overruns in relation to a project,” “—We may experience higher than expected cost associated with Lifecycle Replacement or latent defects,” “—Our PPP project activities may include significant development activities, which may expose us to various risks associated with construction,” “—Changes in law requiring capital expenditures could have a material adverse effect on our operations,” and Item 5 “Operating and Financial Review and Prospects.”

ITEM 4E. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

This management discussion and analysis (“MD&A”) should be read in conjunction with the remainder of the information contained in this Form 20-F. Additional information, is available on the Partnership’s web site at www.brookfieldinfrastructure.com, on SEDAR’s *website at www.sedar.com* and on EDGAR’s web site at www.edgar.com.

Business Overview

Brookfield Infrastructure Partners L.P. (the “Partnership”) was established by Brookfield Asset Management Inc. (“Brookfield”) as its primary vehicle to own and operate certain infrastructure assets on a global basis. The Partnership, through its related entities, operates high quality, long-life assets that generate stable cash flows, require relatively minimal maintenance capital expenditures and, by virtue of barriers to entry and other characteristics, tend to appreciate in value over time. Its current business consists of the ownership and operation of premier electricity transmission systems, timberlands and social infrastructure in North and South America, the United Kingdom and Australia, and it seeks acquisition opportunities in other infrastructure sectors with similar attributes.

Our vision is to be a leading owner and operator of high quality infrastructure assets that produces an attractive risk-adjusted total return for our unit holders. We will seek to leverage Brookfield’s best-in-class operating platforms to invest in targeted assets and actively manage them to extract additional value following acquisition close. Due to similar asset characteristics and capital requirements, we believe that the infrastructure

industry will evolve like the real estate industry in which assets are commonly owned through consortiums and partnerships of institutional equity investors and owner/operators such as ourselves. Accordingly, an integral part of our strategy is to participate with institutional investors in Brookfield sponsored consortiums for single asset acquisitions and as a partner in or alongside Brookfield sponsored partnerships that target acquisitions that suit our profile. We will focus on consortiums and partnerships where Brookfield has sufficient influence or control to deploy our operations oriented approach. Brookfield has a strong track record of leading such transactions and actively managing underlying assets to improve performance.

Basis of Presentation

The Partnership's sole material asset is its 60% limited partnership interest in Brookfield Infrastructure L.P. ("Brookfield Infrastructure"), which is accounted for using the equity method. As a result, we believe the financial statements of Brookfield Infrastructure are more relevant than the Partnership's because they present the financial position and results of our underlying operations in greater detail. Brookfield and its affiliates own the remaining 40% of Brookfield Infrastructure, which through a redemption exchange mechanism can be converted into an equivalent interest in the Partnership.

Upon formation of Brookfield Infrastructure on November 27, 2007, Brookfield Infrastructure's ownership interests in its underlying operations were as follows: 10.7% of Transelec Chile S.A. ("Transelec" or our "Chilean transmission operations"), 37.5% of Island Timberlands Limited Partnership ("Island Timberlands" or our "Canadian timber operations"), 30% of Longview Timber Holdings Corp. ("Longview" or our "U.S. timber operations") and 7-18% of Transmissoras Brasileiras de Energia ("TBE").

On March 12, 2008, Brookfield Infrastructure acquired 100% of the transmission division of Great Lakes Power Limited (our "Ontario transmission operations") from Brookfield. Since our Ontario transmission operations remained under common control by Brookfield following the transfer to Brookfield Infrastructure, its results of operations are included in our historical results from January 1, 2006.

On April 4, 2008, Brookfield Infrastructure acquired an additional 7.1% interest in Transelec, bringing its ownership interest to 17.8%.

On November 4, 2008, Longview Timber Holdings Corp. ("Longview"), in which Brookfield Infrastructure holds a 30% interest, completed the add-on acquisition of a 67,661 acre tree farm in Washington State for \$163 million. Concurrently, Longview repaid its outstanding bridge loan whose principal amount was approximately \$250 million. In order to fund these amounts, Longview issued \$70 million of long-term debt and financed the balance with new equity. Brookfield Infrastructure invested approximately \$103 million directly and indirectly (through the Brookfield Global Timber Fund) into Longview in order to maintain its interest at the 30% level.

On December 5, 2008, Brookfield Infrastructure completed the acquisition of Brookfield Multiplex's interest in two social infrastructure Public Private Partnerships ("PPP")—the Peterborough Hospital in the United Kingdom and the Long Bay Forensic and Prison Hospitals in Australia for a total investment of approximately \$12.3 million. On February 3, 2009, subsequent to year end, Brookfield Infrastructure completed the acquisition of Brookfield Multiplex's interest in an additional PPP Project—the Royal Melbourne Showgrounds in Australia—for an investment of approximately \$3.0 million.

The unaudited results that are presented in this MD&A reflect the financial position and results of our current operations for the year ended December 31, 2008.

We will also present our results on a pro forma basis to reflect the following transactions as if they occurred on January 1, 2006:

- Brookfield Infrastructure's increased investment in Transelec, which increased our ownership to approximately 17.8%;

- The seeding of the assets into Brookfield Infrastructure on November 27, 2007; and
- The spin-off of Brookfield Infrastructure from Brookfield and related transactions including entry into the master services agreement with Brookfield (the “Master Services Agreement”), and any related corporate general and administrative expenses as well as financing fees.

For each of its business segments, this MD&A discusses Brookfield Infrastructure’s proportionate share of results for its consolidated operations and equity accounted investments in order to demonstrate the impact of key value drivers of each of these segments on Brookfield Infrastructure’s overall performance. Consistent with how the business is managed, the segments are electricity transmission and timber. Each of these platforms have their own management teams responsible for their operations and investments. Certain items, such as corporate administration costs, are not included in this segmented financial information. All figures are provided in U.S. dollars, unless otherwise noted.

Performance Targets and Key Measures

Our objective is to earn a total return of 11% to 15% per annum from the infrastructure assets that we acquire, including our current operations, when measured over the long term. This return will be generated from our initial adjusted net operating income plus growth in adjusted net operating income and asset values. We endeavor to manage our operations to generate increasing adjusted net operating income per unit over a very long period of time. If we are successful in doing so, we will be able to increase distributions to unitholders. Furthermore, the increase in our adjusted net operating income should result in capital appreciation of our operations. Thus, our key performance measure is the growth of adjusted net operating income per unit. We also measure our cash return on equity, which demonstrates how effectively we deploy the capital which has been entrusted to us by our unitholders. However, we recognize that a certain amount of the capital appreciation of our operations may not be reflected in our financial results for many years, if ever, until a realization event, which typically takes the form of gains on a direct or indirect disposition of the assets.

Based on the foregoing, our intention is to provide unitholders with an attractive total return on their investment, consisting of both cash distributions as well as increased unit value.

Although these are our long-term objectives, we cannot assure you that we will achieve them in any particular reporting period or year. Furthermore, we intend to pursue acquisitions that we believe are attractive on a long-term cash flow or total return basis, but may not be accretive on a short-term cash flow basis. Such acquisitions may adversely impact our adjusted net operating income per unit on a near-term basis following the acquisition.

Overview of Performance

In this section we review our performance and our financial position for the year ended December 31, 2008. As the operating assets were seeded into Brookfield Infrastructure on November 27, 2007, there are no meaningful GAAP financial comparatives. Accordingly, we also review our performance on a pro forma basis. Further details on our operations and financial position are contained within the review of Operating Platforms.

To measure performance, we focus on net income as well as adjusted net operating income or ANOI. We define adjusted net operating income as net income excluding the impact of depreciation, depletion and amortization, deferred taxes and other items as detailed in the reconciliation shown under the Reconciliation Of Non-GAAP Financial Measures section of this MD&A. Adjusted net operating income is a measure of operating performance that is not calculated in accordance with, and does not have any standardized meaning prescribed by, U.S. generally accepted accounting principles (“GAAP”). Adjusted net operating income is therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted net operating income has limitations as an analytical tool. See the Reconciliation Of Non-GAAP Financial Measures section for a more fulsome discussion including a reconciliation to the most directly comparable GAAP measure.

Results of Operations

The following table summarizes the financial results of Brookfield Infrastructure.

<i>MILLIONS, UNAUDITED</i>	As at and for the Years Ended December 31		
	2008	2007 ^{(1),(2)}	2006 ⁽¹⁾
Income Statement Key Metrics			
Revenue	\$ 32.9	\$ 33.1	\$30.7
Earnings (losses) from equity accounted investments	25.2	(7.8)	—
Dividend income	14.3	0.5	—
Interest expense	(12.9)	(6.9)	(5.8)
Net income	28.0	12.0	10.4
Adjusted net operating income (ANOI)	59.7 ⁽²⁾	13.3	15.1
Balance Sheet Key Metrics			
Total assets	\$1,174.3	\$1,157.9	
Partnership capital ⁽³⁾	899.9	984.5	
Corporate borrowings	139.5	—	
Non-recourse borrowings	97.6	115.0	

(1) Brookfield Infrastructure was formed on November 27, 2007, accordingly, results for 2007 reflect only one month of Brookfield Infrastructure activity. In addition, results for 2007 and 2006 reflect the historical results of our Ontario transmission operations.

(2) Certain prior period amounts have been reclassified to conform to the current period's presentation.

(3) Includes redeemable partnership units as they can be converted to an equivalent interest in partnership units through a redemption exchange mechanism.

Due to our levels of ownership and control, Brookfield Infrastructure's financial statements reflect a mix of consolidation accounting (Ontario transmission operations), equity accounting (Transelec, Island Timberlands, Longview, PPP) and cost accounting (TBE).

For the year ended December 31, 2008, we recorded net income of \$28.0 million compared to \$12.0 million for the same period of 2007. Brookfield Infrastructure was formed on November 27, 2007, accordingly, results for 2007 reflect only one month of Brookfield Infrastructure activity. In addition, since it remained under common control by Brookfield following its transfer to Brookfield Infrastructure, results reflect the historical results of our Ontario transmission operations for the full year in 2007 and 2006. Under GAAP, the historical results transfer to Brookfield Infrastructure as a result of this continuity of interest. In addition, 2008 results reflect Brookfield Infrastructure's increased 17.8% ownership of Transelec beginning April 4, 2008.

As at December 31, 2008, Brookfield Infrastructure had \$1,174.3 million in assets and \$899.9 million in Partnership capital. Corporate borrowings were \$139.5 million at year end. Brookfield Infrastructure's credit facility was drawn in the fourth quarter of 2008 to fund the additional investment in Longview, the acquisition of the PPP assets and for general working capital purposes. The amount will be repaid with the proceeds from the previously announced TBE divestiture, expected to be received in the second quarter of 2009. Please refer to the Overview of Performance—Business Development—Electricity Transmission section of this MD&A for further information regarding the TBE divestiture. In addition, our consolidated balance sheet at December 31, 2008 reflects \$97.6 million in non-recourse borrowings at our Ontario transmission operations.

The following table presents both net income and adjusted net operating income by segment:

<i>MILLIONS, UNAUDITED</i>	For the Year Ended December 31,		
	2008	2007⁽¹⁾	2006⁽¹⁾
Net income (loss) by segment			
Electricity transmission	\$ 39.9	\$ 9.8	\$10.4
Timber	6.7	(6.2)	—
Corporate	(18.6)	8.4	—
Net income	\$ 28.0	\$12.0	\$10.4
Adjusted net operating income by segment			
Electricity transmission	\$ 64.0	\$17.4	\$15.1
Timber	12.8	(4.1)	—
Corporate	(17.1)	—	—
Adjusted net operating income (ANOI)	\$ 59.7⁽²⁾	\$13.3	\$15.1

(1) Brookfield Infrastructure was formed on November 27, 2007, accordingly, results for 2007 reflect only one month of Brookfield Infrastructure activity. In addition, 2007 and 2006 results reflect a full year of the historical results of our Ontario transmission operations.

(2) Certain prior period amounts have been reclassified to conform to the current period's presentation.

Pro Forma Results of Operations

As the operating assets were seeded into Brookfield Infrastructure on November 27, 2007, there are no meaningful GAAP financial comparatives. Accordingly, we also review our performance on a pro forma basis. The Reconciliation of Unaudited Pro Forma Financial Information section of this MD&A contains additional information regarding this pro forma presentation.

The following table summarizes the financial results of Brookfield Infrastructure for the year on a pro forma basis to reflect the following transactions as if they occurred on January 1, 2006:

- Brookfield Infrastructure's increased investment in Transelec, which increased our ownership to approximately 17.8%;
- The seeding of the assets into Brookfield Infrastructure on November 27, 2007; and
- The spin-off of Brookfield Infrastructure from Brookfield and related transactions including entry into the Master Services Agreement, and any related corporate general and administrative expenses as well as financing fees.

<i>MILLIONS, UNAUDITED</i>	For the Year Ended December 31,		
	2008	2007⁽¹⁾	2006
Income Statement Key Metrics			
Revenue	\$ 32.9	\$ 33.1	\$ 30.7
Earnings (loss) from equity accounted investments	25.9	(9.5)	9.7
Dividend income	14.3	16.0	11.2
Interest expense	(12.9)	(12.5)	(11.3)
Net income	27.9	6.1	13.2
Adjusted net operating income (ANOI)	\$ 63.3	\$ 52.2	\$ 51.9

(1) Certain prior period amounts have been reclassified to conform to the current period's presentation.

For the year ended December 31, 2008, we recorded pro forma net income of \$27.9 million compared to income of \$6.1 million and \$13.2 million for 2007 and 2006 respectively. The increase is primarily driven by strong performance from our transmission segment and non-recurring revenue of \$8.5 million as a result of retroactive application of the 2006 trunk transaction study at our Chilean transmission operations.

The following table presents both pro forma net income and adjusted net operating income by segment:

<i>MILLIONS, UNAUDITED</i>	For the Year Ended December 31,		
	2008	2007⁽¹⁾	2006
Net Income (loss) by segment			
Electricity transmission	\$ 40.7	\$ 27.4	\$ 31.2
Timber	6.7	(10.6)	(0.1)
Corporate	(19.5)	(10.7)	(17.9)
Net income	<u>\$ 27.9</u>	<u>\$ 6.1</u>	<u>\$ 13.2</u>
Adjusted net operating income by segment			
Electricity transmission	\$ 68.4	\$ 54.2	\$ 43.3
Timber	12.8	15.9	26.5
Corporate	(17.9)	(17.9)	(17.9)
Adjusted net operating income (ANOI)	<u>\$ 63.3</u>	<u>\$ 52.2</u>	<u>\$ 51.9</u>

(1) Certain prior period amounts have been reclassified to conform to the current period's presentation.

Changes in net income and adjusted net operating income for each segment, as presented above, are discussed in the Operating Platforms section of this supplemental information, which follows. Corporate expenditures are comparable with the prior years, with the exception that 2007 corporate expenditures impacting net income includes the benefit of a \$8.4 million income tax recovery which arose on the formation of Brookfield Infrastructure.

Operating Platforms

In this section, we review the operating results of our two principal operating platforms, Electricity Transmission and Timber.

Electricity Transmission Operations

Our transmission segment generates stable revenue that is governed by regulated frameworks and long-term contracts. Accordingly, we expect this segment to produce consistent revenue and margins that should increase with inflation and other factors such as operational improvements. We also expect to achieve continued growth in revenues and income as we earn a return on the investment of additional capital into our existing operations.

The following table presents our electricity transmission segment's proportionate share of financial results. As it is accounted for on a cost basis, TBE's results are reflected as dividend income.

<i>MILLIONS, UNAUDITED</i>	For the Year Ended December 31,		
	2008	2007⁽¹⁾	2006⁽¹⁾
Revenue	\$ 86.4	\$35.5	\$30.7
Costs attributed to revenues	(15.8)	(6.4)	(5.1)
Dividend income	14.3	0.5	—
Net operating income	84.9	29.6	25.6
Other income (expense)	1.6	0.3	(0.3)
Interest expense ⁽²⁾	(21.1)	(8.0)	(5.8)
Cash taxes	(1.4)	(4.5)	(4.4)
Adjusted net operating income (ANOI)	64.0⁽²⁾	17.4	15.1
Depreciation and amortization	(17.6)	(8.0)	(6.2)
Unrealized gains (losses) on derivative instruments	(2.9)	1.5	—
Deferred taxes and other items	(3.6)	(1.1)	1.5
Net income	\$ 39.9	\$ 9.8	\$10.4

(1) Brookfield Infrastructure was formed on November 27, 2007, accordingly, results for 2007 reflect only one month of Brookfield Infrastructure activity. In addition, 2007 and 2006 results reflect the historical results of our Ontario transmission operations.

(2) Excludes non-cash components of interest expense which are included in the line item deferred taxes and other items.

On a proportionate basis, our transmission operations earned \$84.9 million of net operating income, \$64.0 million of adjusted net operating income and \$39.9 million of net income for the year ended December 31, 2008. Results for 2007 and 2006 are not comparable as they reflect only one month of Brookfield Infrastructure activity as Brookfield Infrastructure was formed on November 27, 2007. In addition, results reflect the historical results of our Ontario transmission operations.

The following table presents the transmission segment's pro forma proportionate share of financial results.

<i>MILLIONS, UNAUDITED</i>	For the Year Ended December 31,		
	2008	2007⁽²⁾	2006
Revenue	\$ 93.0	\$ 78.1	\$ 70.1
Costs attributed to revenues	(16.5)	(13.3)	(13.7)
Dividend income	14.3	16.0	11.2
Net operating income	90.8	80.8	67.6
Other income (expenses)	1.6	0.9	3.0
Interest expense ⁽¹⁾	(22.6)	(23.0)	(22.6)
Cash taxes	(1.4)	(4.5)	(4.7)
Adjusted net operating income (ANOI)	68.4	54.2	43.3
Depreciation and amortization	(18.9)	(17.8)	(15.6)
Unrealized gains (losses) on derivative instruments	(6.6)	(15.0)	—
Deferred taxes and other items	(2.2)	6.0	3.5
Net income	\$ 40.7	\$ 27.4	\$ 31.2

(1) Excludes non-cash components of interest expense which are included in the line item deferred taxes and other items.

(2) Certain prior period amounts have been reclassified to conform to the current period's presentation.

On a pro forma proportionate basis, our transmission businesses recorded strong results. For the year ended December 31, 2008 Transelec's net operating income and ANOI were \$50.9 million and \$37.3 million, respectively, compared with \$37.5 million and \$22.3 million for the prior year. Transelec's results reflected non-recurring revenues of \$8.5 million as a result of retroactive application of the 2006 trunk transmission study. Adjusting for non-recurring revenue, Transelec's ANOI increased 29% relative to the prior year primarily as a result of the rate increases provided for in the 2006 trunk transmission study, the benefit of growth capital expenditures and indexation of revenues resulting from inflation and foreign exchange movements. After adjusting for non-recurring revenues, operating margins at our Chilean transmission operations were 82% which are in line with historical levels.

For the year ended December 31, 2008, Ontario transmission's net operating income and ANOI were \$25.6 million and \$16.8 million, respectively, compared with \$27.3 million and \$15.9 million from the prior year. Revenues from our Ontario transmission operations were essentially flat compared with the prior year. Operating and maintenance expenses increased relative to the prior year due to personnel costs associated with the establishment of Ontario transmission as an independent operation for which we intend to apply for cost recovery in our upcoming rate case. This increase in costs contributed to the decline in net operating income. This decline was more than offset by lower cash taxes in 2008, resulting in an increase in ANOI.

Dividends received from our TBE investment in 2008 were \$14.3 million for the year compared to \$16.0 million in 2007. Dividends from TBE are paid on a periodic basis.

Non-cash expenses are primarily comprised of depreciation and amortization which reflect application of purchase accounting in our Chilean transmission operations, as well as non-cash inflation indexations on our Chilean peso denominated debt. Depreciation and amortization amounted to \$18.9 million in 2008, up from \$17.8 million in 2007 related to incremental depreciation booked in conjunction with the expansion of our regulated asset base.

Overall our transmission businesses recorded stronger operating results in 2007 compared to 2006 primarily as a result of higher investment income from our Brazilian transmission investment and higher margins earned at our Chilean transmission operations. Operating margins at our Chilean transmission operations increased to 83% for 2007, in comparison with 78% in 2006, when margins were impacted by acquisition integration costs and higher maintenance expenses. Net income decreased \$3.8 million in 2007 compared to 2006 as the strong operating results were offset by unrealized losses on derivative instruments.

Our transmission operations have a combination of regulatory and contractual frameworks, some of which are indexed. For our transmission operations with revenue indexation, increases in revenue are primarily a result of inflation, changes in foreign exchange rates and growth capital expenditures. For our remaining operations, revenue increases are primarily attributable to growth capital expenditures. Growth and maintenance capital expenditures are discussed in the Capital Expenditures section of this MD&A. The following table breaks down our proportionate share of revenue by these categories:

<i><u>MILLIONS, UNAUDITED</u></i>	For the Year Ended December 31,		
	2008	2007	2006
Contractual revenue with indexation	\$27.3	\$25.4	\$23.0
Regulated revenue with indexation	30.2	15.4	14.7
	57.5	40.8	37.7
Other transmission revenue	35.5	37.3	32.4
	\$93.0	\$78.1	\$70.1

For the year, adjusting for non-recurring revenues of \$8.5 million, our proportionate share of revenues with indexation increased by \$8.2 million or 20% in 2008 compared with 2007. Of the total, \$4.3 million was due to

the ongoing benefit from the increased replacement cost provided in the 2006 trunk transmission study, \$2.9 million was attributable to inflation indexation and \$1.0 million was attributable to growth capital expenditures.

Revenues with indexation increased by 8% in 2007 compared to 2006. This was primarily driven by Chilean inflation which was higher in 2007 compared to 2006, thus contributing approximately \$2.5 million to the increase and also due to growth capital expenditures which contributed approximately \$0.5 million to the increase.

Business Development—Electricity Transmission

As previously disclosed, Brookfield Infrastructure has exercised an option to sell its minority interests in TBE. The primary purchaser of TBE will be CEMIG, the electric utility for the state of Minas Gerais in Brazil. Closing is expected to occur in the second quarter of 2009, subject to receipt of regulatory and other approvals. Concurrent with the exercise of the put option, Brookfield Infrastructure entered into a foreign exchange hedge to lock in projected proceeds in U.S. dollars. Brookfield Infrastructure expects to receive after tax proceeds from the sale of approximately \$274 million, of which \$27 million was received from realized hedge gains in 2008 and an additional \$41 million was received from realized hedge gains in January of 2009. The proceeds will be used to repay corporate borrowings, fund growth capital investments and acquisitions as well as for general corporate working capital purposes. In 2008, Transelec's growth capital expenditures were \$71 million which was lower than expected primarily due to a number of budgeted projects that were deferred. As a result of the deferral of certain projects and approximately \$190 million of new projects that were booked during the year, Transelec's capital expenditure backlog (projects that have been awarded to Transelec for which expenditures have not yet been made) was approximately \$240 million at the end of 2008 compared with \$120 million at the end of the prior year. Furthermore, as we enter 2009, we are experiencing an increase in opportunities to build transmission lines for unregulated customers such as generators and copper mines as they seek to deploy their capital more efficiently in the current difficult economic environment. As Transelec enters the second year of its five-year plan to invest \$1 billion in growth capital expenditures on a 100% basis, of which Brookfield Infrastructure's share is approximately \$180 million, we remain optimistic that this objective can be achieved. We will continue to look for opportunities to grow this business and have adjusted our investment hurdle rates to reflect the current environment.

In order to partially finance its growth plan, Transelec has executed a capital expenditure credit facility of approximately \$130 million. The objective is to draw the facility to fund capital expenditures and to refinance the facility over time through the issuance of long-term debt.

In 2008, Transelec implemented a long-term hedge program in order to substantially convert Transelec to a U.S. dollar asset with minimal ongoing exposure to the Chilean peso. The program was comprised of matched maturity cross-currency interest rate swaps which converted Transelec's U.S. dollar debt into inflation indexed Chilean peso debt and foreign exchange swaps to convert the residual Chilean peso equity investment into U.S. dollars. This program was completed in August 2008, prior to the recent significant devaluation of the Chilean peso. Although the hedge program was designed to limit the impact of foreign exchange on U.S. dollar denominated adjusted net operating income, foreign exchange movements will continue to impact the various components of ANOI. Going forward, for example, we expect the recent devaluation of the Chilean peso would decrease Transelec's net operating income, principally due to the impact of foreign exchange on revenue indexation offset to a degree by its impact on operating costs. Interest expense would also decrease due to the recent foreign currency devaluation. Additionally, fair market value gains on the foreign exchange swaps would be included in other income. Notwithstanding the hedge program, a modest impact on ANOI due to foreign exchange movement is expected to remain because of imperfections of the hedge program.

Timber Operations

Our timber operations consist of high quality timberlands located in the coastal region of British Columbia, Canada and the Pacific Northwest region of the U.S. These operations are predominantly comprised of premium species and are expected to provide attractive risk adjusted returns on capital employed over the long term.

The following table presents our timber segment's proportionate share of financial results.

<i>MILLIONS, UNAUDITED</i>	For the Year Ended December 31,		
	2008	2007⁽¹⁾	2006⁽¹⁾
Revenue	\$124.8	\$ 6.1	\$—
Cost attributed to revenues	(81.8)	(5.6)	—
Net operating income	43.0	0.5	—
Other expense	(0.5)	(1.9)	—
Interest expense	(29.0)	(2.7)	—
Cash taxes	(0.7)	—	—
Adjusted net operating income (ANOI)	12.8	(4.1)	—
Depreciation, depletion and amortization	(36.7)	(1.8)	—
Performance fee	12.8	(3.1)	—
Deferred taxes and other items	17.8	2.8	—
Net income (loss)	\$ 6.7	\$(6.2)	\$—

(1) Brookfield Infrastructure was formed on November 27, 2007, accordingly, results for 2007 reflect only one month of Brookfield Infrastructure activity.

On a proportionate basis, our timber operations generated \$43.0 million of net operating income, \$12.8 million of adjusted net operating income and a net income of \$6.7 million for the year ended December 31, 2008. Results for 2007 are not comparable as the results reflect only one month of Brookfield Infrastructure activity as Brookfield Infrastructure was formed on November 27, 2007. Similarly, 2006 results are not comparable.

The following table presents our timber segment's pro forma proportionate share of financial results.

<i>MILLIONS, UNAUDITED</i>	For the Year Ended December 31,		
	2008	2007⁽¹⁾	2006
Revenue	\$124.8	\$131.4	\$131.9
Cost attributed to revenues	(81.8)	(79.6)	(77.1)
Net operating income	43.0	51.8	54.8
Other income (expense)	(0.5)	(5.0)	1.9
Interest expense	(29.0)	(30.9)	(30.2)
Cash taxes	(0.7)	—	—
Adjusted net operating income (ANOI)	12.8	15.9	26.5
Depreciation, depletion and amortization	(36.7)	(29.9)	(13.3)
Performance fee	12.8	(3.1)	(15.0)
Deferred taxes and other items	17.8	6.5	1.7
Net income (loss)	\$ 6.7	\$(10.6)	\$(0.1)

(1) Certain prior period amounts have been reclassified to conform to the current period's presentation.

In our timber operations for the year ended December 31, 2008, net operating income and ANOI were \$43.0 million and \$12.8 million, respectively, on a pro forma basis compared to \$51.8 million and \$15.9 million respectively, in the prior year.

Harvest and sales volumes at our Canadian timber operations decreased 7% and 13%, respectively, versus 2007. Sales volumes in 2008 were in line with harvest levels, while in 2007, sales volumes exceeded harvest levels due to significantly more logs purchased for resale in 2007. In 2008 we reduced sales of second growth Douglas-fir as markets for this product are highly dependant on new home construction in the U.S., which

remains severely depressed. To mitigate the impact of weak North American markets, we have remained focused on increasing the percentage of appearance grade products in our mix which we export to Asian markets and continue to yield higher margins, net of transportation costs. Export volumes represented 29% of shipments in 2008, compared to 27% in 2007. Costs per unit increased 6% compared to 2007 primarily as a result of product mix and to a lesser extent higher fuel costs. As a result of the foregoing, our operating margins declined to 26% for the year versus 31% in the prior year.

At our U.S. timber operations, harvest and sales volumes increased 6% and 12%, respectively, in 2008 over the prior year despite difficult market conditions. The increase is primarily due to weather conditions which had less of an impact on 2008 operations compared with 2007. Operations on the additional 68,000 acres of timberlands acquired in November 2008 also contributed to the increase, although to a lesser degree. Please see the Business Development—Timber section of this MD&A for further information regarding this acquisition. We have continued to maximize our proportion of export quality timber from our harvest to take advantage of the significantly better prices available in the off-shore markets. The volume exported increased to 24% of total shipments in 2008, up sharply from 16% in 2007. As a result of this focus on export opportunities, we mitigated the decline in our average selling price for Douglas-fir which was 7% less than 2007, while domestic prices declined by approximately 14%. Costs per unit increased 1% compared to 2007, principally due to higher costs associated with storm damage clean up in early 2008 and the impact of higher fuel costs. Overall margins decreased to 34% in 2008 from 42% in 2007 principally due to the decline in average selling price.

Our timber operations recorded weaker results in 2007 compared to 2006, experiencing a decline in net operating income and ANOI on a year over year basis. The decline in net operating income was primarily due to softness in the U.S. housing market which impacted the results of our U.S. timber business, offset by improved performance in our Canadian timber operations. The decline in ANOI on a year over year basis was due to the decrease in net operating income as well as the decrease in investment and other income which was a result of non-recurring charges of approximately \$6.5 million incurred in our U.S. timber operations associated with the sale of Longview and other transactions.

For the year ended December 31, 2008, 2007 and 2006, depreciation, depletion and amortization was \$36.7 million, \$29.9 million, and \$13.3 million, respectively. The increase in depreciation and depletion is predominantly due to the step up in the carrying value of the Longview assets which increased depreciation beginning in April 2007.

The following table summarizes our proportionate share of operating metrics for our timber operations:

	Year Ended December 31, 2008				Year Ended December 31, 2007				Year Ended December 31, 2006			
	Harvest (000s m ³)	Sales (000s m ³)	Revenue/ m ³	Revenue (\$ millions)	Harvest (000s m ³)	Sales (000s m ³)	Revenue/ m ³	Revenue (\$ millions)	Harvest (000s m ³)	Sales (000s m ³)	Revenue/ m ³	Revenue (\$ millions)
<i>UNAUDITED</i>												
Douglas-fir	773	793	\$ 88.3	\$ 70.0	828	841	\$ 91.6	\$ 77.1	827	823	\$101.3	\$ 83.4
Whitewood	403	419	59.6	25.0	463	489	65.4	32.0	393	393	71.2	28.0
Other species	246	233	109.4	25.5	150	149	130.9	19.5	149	149	121.5	18.1
	1,422	1,445	\$ 83.4	\$120.5	1,441	1,479	\$ 86.9	\$128.6	1,369	1,365	\$ 94.9	\$129.5
HBU and other sales				4.3				2.8				2.4
Total				\$124.8				\$131.4				\$131.9

In 2008, sales volumes of Douglas-fir and Whitewood declined by 6% and 14%, respectively, versus 2007 due to the difficult market conditions in the structural lumber market. Sales volumes of other species increased significantly as a result of better relative market conditions for pulp logs and cedar through the first nine months of the year.

The average realized price for Douglas-fir decreased by 4% compared to the prior year as declines in prices of products sold to the domestic market were offset by a higher percentage of high value appearance and export

grade products sold to off-shore markets. The average selling price of Whitewood decreased by 9% over 2007 reflecting challenging North American market conditions. The significant change in the average realized price for other species is mostly attributable to a change in the mix of products included in that category.

Our share of higher and better use (“HBU”) land and other sales were \$4.3 million for the year as compared to \$2.8 million for 2007 and \$2.4 million in 2006.

Business Development—Timber

In the fourth quarter of 2008, Longview completed the add-on acquisition of a 68,000 acre tree farm in Washington State for \$163 million. The property is in close proximity to Longview’s existing asset base and will benefit from efficiencies associated with integration into Longview’s operations. Concurrently, Longview repaid its outstanding bridge loan whose principal amount was approximately \$250 million. In order to fund these amounts, Longview issued \$70 million long-term debt and financed the balance with new equity. Brookfield Infrastructure invested \$103 million directly and indirectly into Longview in order to maintain its interest at the 30% level.

Outlook—Timber

We believe operating results for the timber segment will meaningfully improve over the long term, however, the timing of the recovery is highly dependant on the recovery in U.S. new home construction.

Although it is difficult to predict the timing and impact of variances in these factors, we believe that we will achieve increases in adjusted net operating income and net income from this segment of our business for the following reasons:

- Increased harvest levels
 - Production levels in 2008 at our Canadian operations were 12% below planned levels, due to unfavorable market and weather conditions. The long-run sustainable yield is estimated to be approximately 0.7 million m³ on a proportionate basis. We expect to achieve an elevated harvest level at our Canadian operations of approximately 0.9 million m³ on a proportionate basis for a period of 10 years before returning to the long-run sustainable yield level.
 - As a result of a substantial surplus of merchantable standing inventory at our U.S. operations, we expect to increase harvest levels to approximately 0.9 million m³ on a proportionate basis and sustain this higher level for a period of 10 years before returning to a long-run sustainable yield of approximately 0.8 million m³.
 - In order to capture the full value of this inventory, this increase in harvest will be staged in as market conditions improve. We currently do not anticipate operating at the higher harvest plan before 2010.
- Increased margins

As our product mix evolves over time to a greater percentage of second growth harvest relative to primary growth harvest in our Canadian operations, we expect our margins to increase due to the lower harvesting costs of this product.

In the near term, we expect that the softness in the U.S. housing market, exacerbated by extreme dislocations in the mortgage financing market, will result in continued reduction in demand from sawmills that produce structural lumber for the housing market, putting downward pressure on sawlog prices. Over the mid-to-long term, we expect that our timber operations will be positively impacted by a number of fundamental factors affecting the supply of timber in the markets that we serve:

- the mountain pine beetle infestation, which is having a significant impact on the supply of timber from the interior of British Columbia, Alberta and the U.S. Inland;

- Russian timber supply to the Asian markets, which is expected to be constrained as a result of log export restrictions that are being phased in by Russia; and
- timberlands that are continuing to be withdrawn for conservation and alternate uses.

Business Developments—PPP Projects

In the fourth quarter we completed the acquisition of two equity interests in PPP projects—Long Bay Forensic and Prison Hospitals in Australia and Peterborough Hospital in the United Kingdom—from Brookfield Multiplex for approximately \$12 million. A third equity interest—Royal Melbourne Showgrounds in Australia—closed subsequent to year end for an additional investment of approximately \$3 million. We believe that based on current trends, the PPP market is positioned to experience significant growth as governments continue to realize the benefits of delivering social infrastructure in conjunction with the private sector, and these transactions allow Brookfield infrastructure to establish a platform to participate in the PPP space.

Both the Long Bay and Peterborough projects were in their construction phase in the fourth quarter, accordingly, no cash flow was received from these investments. Long Bay Forensic and Prison Hospitals completed construction in the first quarter of 2009 and we expect to begin to receive cash flows from this investment in 2009. Peterborough Hospital is expected to be completed in late 2011 and no cash flows are expected from this project until that time. We have a commitment to fund our share of the additional equity investment in the project totaling approximately £8 million. We have entered into foreign currency contracts to hedge this amount to the equivalent of approximately \$12 million. Royal Melbourne Showgrounds will begin to contribute cash flow in the first quarter of 2009.

Corporate Expenses

The following table presents the components of corporate expenses for the year ended December 31, 2008:

<u>MILLIONS, UNAUDITED</u>	<u>Year Ended December 31, 2008</u>
General and administrative costs	\$ 7.0
Base management fee ⁽¹⁾	7.8
Financing costs ⁽²⁾	4.4
	<u>\$19.2</u>

(1) Pursuant to the Master Service Agreement on a gross basis.

(2) Financing costs include dividends paid on the preferred shares, interest expense and standby fees from the committed credit facility and the non-cash amortization of financing costs, less ancillary interest earned on cash balances. Non-cash amortization of financing costs was \$1.3 million for the year ended December 31, 2008.

We estimate that our general and administrative costs related to Brookfield Infrastructure will be approximately \$7 million to \$8 million per annum on a going-forward basis. Prospectively, any base fees and/or performance fees paid by our operations to Brookfield will be netted against the base fees and/or incentive distributions payable to Brookfield under the Master Services Agreement and other arrangements in order to avoid double payment of fees.

Capital Expenditures

<u>MILLIONS, UNAUDITED</u>	<u>Years Ended December 31</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Maintenance capital expenditures by segment			
Electricity Transmission	\$ 7.5	\$ 7.5	\$ 6.6
Timber	5.2	4.0	7.3
	<u>\$12.7</u>	<u>\$11.5</u>	<u>\$13.9</u>
Growth capital expenditures by segment			
Electricity Transmission	\$14.6	\$20.6	\$16.6
Timber	—	—	—
	<u>\$14.6</u>	<u>\$20.6</u>	<u>\$16.6</u>

Maintenance capital expenditures are expenditures that are required to maintain the current revenue generating capability of our asset base; these expenditures do not increase our revenues. Growth capital investments are investments on which we expect to earn additional revenues; as these investments are typically discretionary, we invest this capital if we believe we can earn attractive risk-adjusted returns.

Included in the transmission segment's growth capital expenditures is \$12.6 million (2007—\$7.3 million; 2006—\$0.5 million) representing our share of growth capital investments at Transelec, comprised of regulated and contracted transmission projects which should result in additional adjusted net operating income.

Corporate Initiatives

We have implemented a unit repurchase program because we believe that, from time to time, the market price of the Partnership's limited partnership units ("Units") may be a more compelling investment opportunity than other investments under consideration. Under the unit repurchase program, the Partnership is authorized to repurchase up to \$25 million of its Units, subject to a regulatory limit of 1,167,043 Units in the aggregate. Repurchases pursuant to this unit repurchase program will be made through the facilities of the New York Stock Exchange ("NYSE"). Repurchases were authorized to commence on November 10, 2008 and will terminate on November 9, 2009, or earlier should the Partnership complete its repurchases prior to such date. Repurchases occur subject to prevailing market conditions and are funded from available cash. Repurchases also are subject to compliance with applicable United States federal securities laws, including Rule 10b-18 under the United States Securities Exchange Act of 1934, as amended, as well as applicable Canadian securities laws. All Units acquired by the Partnership under this program will be cancelled. We will also purchase and cancel a number of limited partnership units of Brookfield Infrastructure held by the Partnership corresponding to the number of Units repurchased under the program.

At December 31, 2008, 180,602 Units had been repurchased and cancelled under this program at an average price of \$11.05 per unit.

Capital Resources and Liquidity

The nature of our asset base and the quality of associated cash flows enable us to maintain a stable and low cost capitalization. We attempt to maintain sufficient financial liquidity at all times so that we are able to participate in attractive opportunities as they arise, better withstand sudden adverse changes in economic circumstances, and maintain a relatively high distribution of our adjusted net operating income to unitholders.

Our principal sources of liquidity are cash flow from our operations, undrawn credit and equity facilities and access to public and private capital markets. We also structure the ownership of our assets to enhance our ability to monetize them to provide additional liquidity if necessary.

Brookfield Infrastructure's total estimated liquidity as at December 31, 2008 was as follows:

<u>MILLIONS, UNAUDITED</u>	<u>As at December 31, 2008</u>
Cash	\$ 8
Availability under committed credit facility	311
Proceeds from the sale of TBE ⁽¹⁾	<u>247</u>
Total estimated liquidity	<u>\$566</u>

(1) Estimated proceeds (see Operating Platforms—Business Development—Electricity Transmission).

At December 31, 2008, we had approximately \$8 million of cash for working capital purposes. In June 2008, Brookfield Infrastructure closed a \$450 million senior secured revolving credit facility, of which \$135 million is available for working capital including acquisitions and \$315 million is available for acquisitions. Prior to drawing on the facility we must satisfy a number of customary conditions including compliance with certain financial ratios. At December 31, 2008, \$139 million was drawn on this facility and \$311 million was available to fund growth capital investments and acquisitions as well as for general corporate working capital purposes. During the year, we announced our plan to sell our interests in TBE which, once completed, is expected to generate approximately \$274 million in after tax proceeds of which \$27 million has already been received from a realized hedge gain. In January 2009, subsequent to year end an additional \$41 million was received from a realized hedge gain.

In addition, Brookfield has provided Brookfield Infrastructure with an equity commitment in the amount of \$200 million. The equity commitment may be called by our Partnership and/or Brookfield Infrastructure in exchange for the issuance of a number of units of our Partnership or of Brookfield Infrastructure, as the case may be, to Brookfield, corresponding to the amount of the equity commitment called divided by the five day, volume-weighted average trading price for our Partnership's Units.

Our equity strategy is to issue equity in conjunction with future acquisitions; we may also issue an amount of equity opportunistically to enhance our liquidity to pursue future acquisitions.

We finance our assets principally at the operating entity level through the use of long-term debt that has recourse only to the underlying operations. In addition, Brookfield Infrastructure's operations endeavor to maintain investment grade or crossover ratings.

We also strive to ladder our principal repayments over a number of years. Scheduled principal repayments as at December 31, 2008 on a proportionate basis on Brookfield Infrastructure's borrowings over the next five years are as follows:

<u>MILLIONS, UNAUDITED</u>	<u>Average Term (years)</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Beyond</u>	<u>Total</u>
Electricity Transmission ⁽¹⁾	10.8	\$—	\$—	\$ 82.8	\$—	\$ 26.7	\$235.0	\$ 344.5
Timber ⁽¹⁾	9.1	—	—	—	—	127.1	347.8	474.9
Social Infrastructure	19.5	—	—	—	—	—	231.5	231.5
Corporate borrowings	2.5	—	—	139.5	—	—	—	139.5
Total	<u>10.8</u>	<u>\$—</u>	<u>\$—</u>	<u>\$222.3</u>	<u>\$—</u>	<u>\$153.8</u>	<u>\$814.3</u>	<u>\$1,190.4</u>

(1) Represents non-recourse debt to Brookfield Infrastructure as the holders have recourse only to the underlying operations.

As illustrated in the schedule above, the proportionate share of debt associated with Brookfield Infrastructure as at December 31, 2008 was \$1,190.4 million. Furthermore, the debt has a long-term average term of 10.8 years with no significant debt maturities until 2011. The debt to capitalization ratio for Brookfield Infrastructure as at December 31, 2008 was 57%.

The following table summarizes our proportionate share of debt on a segment basis:

<i>MILLIONS, UNAUDITED</i>	Year Ended December 31, 2008			Year Ended December 31, 2007			Year Ended December 31, 2006		
	Proportionate Average Debt	Average cash interest rate	Cash interest	Proportionate Average Debt	Average cash interest rate	Cash interest	Proportionate Average Debt	Average cash interest rate	Cash interest
Electricity transmission ⁽¹⁾	\$366.6	6.2%	\$22.6	\$390.8	5.9%	\$23.0	\$335.1	6.7%	\$22.6
Timber ⁽¹⁾	510.6	5.7%	29.0	513.8	6.0%	30.9	513.8	5.9%	30.2
Corporate borrowings	17.5	5.7%	1.0	—	—	—	—	—	—
Total	<u>\$894.7</u>	<u>5.9%</u>	<u>\$52.6</u>	<u>\$904.6</u>	<u>5.9%</u>	<u>\$53.9</u>	<u>\$848.9</u>	<u>6.2%</u>	<u>\$52.8</u>

- (1) Represents non-recourse debt to Brookfield Infrastructure as the holders have recourse only to the underlying operations.
(2) The above table excludes debt associated with the two social infrastructure projects acquired in December 2008 as all associated interest is capitalized because these projects are under construction.

Senior Secured Credit Facility

In June 2008, Brookfield Infrastructure closed a senior secured revolving credit facility with Citibank, N.A., Credit Suisse, Toronto Branch, HSBC Bank USA, N.A., Toronto Branch, Royal Bank of Canada and the The Royal Bank of Scotland for \$450 million. The facility includes two tranches, tranche A in maximum principal amount of \$135 million for general working capital including acquisitions and tranche B in a maximum principal amount of \$315 million for acquisitions. The facility is available on a revolving basis for 1 year unless extended in accordance with the terms of the credit agreement. All amounts outstanding under this facility will be repayable in full in June 2011. All obligations of Brookfield Infrastructure under the facility are guaranteed by certain subsidiaries of Brookfield Infrastructure and are secured by our partnership's limited partnership interests in Brookfield Infrastructure and all of the assets of Brookfield Infrastructure and the guarantors. Loans under the facility accrue interest at a floating rate based on LIBOR plus 2.75%, increasing, in the case of loans under tranche B which are at any time outstanding for a period longer than 6 months, by 0.50% on each 6 month anniversary of the date of advance of such loans. We are required to pay an unused commitment fee for each tranche under the facility equal to 35% of the applicable margin per annum.

The senior credit facility restricts Brookfield Infrastructure from making any distributions on its equity unless immediately prior to, and after giving pro forma effect to, such distribution, no default has occurred and is continuing and (1) Brookfield Infrastructure meets a minimum interest coverage ratio of 2.5 to 1 in the first fiscal year, 2.75 to 1 in the second year or 3 to 1 in the third year; a maximum debt to cash flow ratio of 5.5 to 1 in the first year or 5 to 1 thereafter; and maintains minimum liquidity of \$25 million or (2) the distribution is funded with proceeds of certain permitted capital raising or sales of assets.

Financial Risk Management

Our business is impacted by changes in currency rates, interest rates and other financial exposures. As a general policy, we endeavour to maintain balanced positions where practical or economical to do so, although unmatched positions may be taken from time-to-time on a closely monitored basis. Our principal financial risks are foreign currency and interest rate fluctuations.

We prefer to hedge financial risks with offsetting items such as debt denominated in local currencies that match the profile of the operations being financed. We also make selective use of financial instruments, known

as derivatives, to hedge financial positions from time-to-time when natural hedges are not available or when derivatives are more cost effective. The use of derivatives will be governed by carefully prescribed policies. We evaluate and monitor the credit risk of derivative financial instruments, and we minimize credit risk through collateral and other mitigation techniques.

Foreign Currency

A number of our operations are conducted in currencies other than the U.S. dollar. Our policy is to hedge foreign currency denominated book values and/or cash flows where economical to do so, using foreign currency denominated debt as well as financial contracts. It is not, however, always possible or economically feasible to hedge certain exposures with the result that a portion of our cash flows and equity is exposed to foreign currency fluctuations. We may also enter into financial contracts to further hedge assets recognizing that in some cases changes to the value of these contracts may be reflected in net income even though the offsetting impact on the value of the assets being hedged may not. We have economic currency exposure to Chilean pesos, Brazilian reais, British Pound, Australian dollars and Canadian dollars.

Interest Rate

We believe that the value of the vast majority of our assets will vary in part with changes in long-term interest rates due to the nature of their revenue streams. Accordingly, we endeavour to finance these assets with long-term fixed rate borrowings. We intend to match fund floating rate assets with floating rate debt and will otherwise minimize the use of floating rate liabilities other than in carefully monitored circumstances that are intended to lower our overall cost of capital on an appropriate risk adjusted basis.

Quantitative and Qualitative Disclosures about Market Risks

We are exposed to market risks in our underlying operations, namely our Canadian and U.S. timber and Chilean transmission operations, principally resulting from changes in interest rates and currency exchange rates.

Interest Rate and Inflation Risk

Interest rate risk related to our Chilean transmission and U.S. timber operations exists principally with respect to its indebtedness with variable rates. Furthermore, our Chilean transmission operations is subject to inflation risk as 59% of its debt portfolio is denominated in Unidad de Fomento, or UF, which is an inflation indexed Chilean peso monetary unit that is set daily, in advance, on the basis of the prior month's inflation rate. However, we believe this is offset by the nature of our revenues which, both contractually and in the regulatory framework, are in large part indexed to Chilean inflation.

We also have financial assets that are sensitive to interest rate changes. These assets include short-term Chilean peso, or CLP, and U.S. dollar denominated time deposits totaling \$130.3 million as at December 31, 2008 that earn interest at the market prevailing rate at the time an investment contract is executed.

The following table summarizes our interest earning assets and debt obligations that are sensitive to changes in interest rates as well as Chilean inflation at December 31, 2008 on a proportionate basis. For debt obligations, the table presents principal cash flows by expected (contractual) maturity dates.

December 31, 2008 <i>MILLIONS</i>	Expected Maturity Dates						Total
	2009	2010	2011	2012	2013	Thereafter	
Interest rate sensitivity:							
Current assets ⁽¹⁾	\$23.1	\$—	\$ 126.9	\$—	\$ 26.6	\$ —	\$ 176.6
Long-term assets	—	—	—	—	—	—	—
Current liabilities	—	—	—	—	—	—	—
Long-term debt	(0.4)	(0.4)	(200.9)	(0.8)	(49.6)	(132.3)	(384.4)
Net floating rate position	22.7	(0.4)	(74.0)	(0.8)	(23.0)	(132.3)	(207.8)
Chilean inflation sensitivity:							
Long-term debt ⁽²⁾	\$(0.4)	\$(0.4)	\$(82.8)	\$(0.8)	\$(23.0)	\$(132.3)	\$(239.7)

(1) Current assets includes short term money market instruments (time deposits etc.) used primarily for cash management purposes.

(2) Long-term debt contains our Chilean transmission operations' debt that is denominated in UF.

We primarily manage interest rate risk through the issuance of fixed rate debt.

Foreign Currency Risk

Our principal foreign exchange risks involve changes in the value of the CLP versus the U.S. dollar, and to a lesser extent, changes in the Canadian dollar, Australian dollar and British pound versus the U.S. dollar.

Although our Chilean transmission operations' revenues are billed in CLP, from an economic perspective, they are a combination of CLP and U.S. dollar amounts that are converted to CLP prior to invoicing. These revenues are calculated based upon a return on the replacement cost of our Chilean transmission system, which is comprised of components denominated in U.S. dollars as well as CLP. Based on existing long term contracts and the current regulated transmission rate proceedings, we estimate that our revenues are 67% CLP and 33% U.S. dollar. Factoring in our CLP debt financings and cross currency interest rate swaps, we estimate that our Chilean transmission operations' adjusted net operating income is 70% U.S. dollar and 30% CLP.

Our Canadian timber operations' output is sold into both international and local markets. We view the international timber market as a market that is denominated in U.S. dollars, whereas the local market is denominated in Canadian dollars. Our local timber sales off-set roughly half of our operating and maintenance costs, which are largely Canadian dollar based. Our Canadian timber operations' project debt financing is U.S. dollar based. Currently our Canadian timber operations do not have any material hedges in place to convert their remaining Canadian dollar operating and maintenance expense exposure to U.S. dollars, although they are considering entering into a combination of short and mid term currency swaps to manage this exposure.

Our Chilean transmission operations have a portfolio of financial contracts to hedge their currency risk. The table below summarizes our outstanding financial contracts on a proportionate basis. The \$465 million cross currency interest rate swap that matures in 2011, which converts U.S. dollar debt in our Chilean transmission operations to UF debt, is factored in to the analysis above.

Our PPP projects receive concession payments denominated in local currencies. At December 31, 2008 we had two equity interests in PPP projects—Longbay Forensic and Prison Hospitals in Australia and Peterborough Hospital in the United Kingdom. Currently we do not have any material hedges in place to convert our Australian dollar denominated concession payments to U.S. dollars, although we are considering entering into a combination of short and mid term currency swaps to manage this exposure. The Peterborough Hospital in the

United Kingdom is in the construction phase until late 2011 and no cash flows are expected from this project until that time. We have a commitment to fund our share of the remaining construction costs of the project totaling approximately £8 million. We have entered foreign currency contracts to effectively hedge this amount to the equivalent of approximately \$12 million.

The table below presents on a proportionate basis information about our debt and derivatives that are denominated in CLP and UF and presents this information on a U.S. dollar equivalent basis. For UF-denominated debt obligations, the table presents principal cash flows, by expected maturity dates. For foreign currency forward exchange and swap contracts, the table presents the notional amounts by expected maturity dates.

December 31, 2008 <i>US\$ MILLIONS</i>	Expected Maturity Dates						Total
	2009	2010	2011	2012	2013	Thereafter	
Assets							
USD	\$14.6	\$—	\$126.9	\$—	\$ 26.6	\$ —	\$ 168.1
CLP	8.5	—	—	—	—	—	8.5
UF	—	—	—	—	—	—	—
Liabilities							
USD	—	—	(82.5)	—	(26.6)	—	(109.1)
CLP	—	—	(35.5)	—	—	—	(35.5)
UF	(0.4)	(0.4)	(82.8)	(0.8)	(23.0)	(132.3)	(239.7)
Net exposure							
USD	14.6	—	44.4	—	—	—	59.0
CLP	8.5	—	(35.5)	—	—	—	(27.0)
UF	\$(0.4)	\$(0.4)	\$(82.8)	\$(0.8)	\$(23.0)	\$(132.3)	\$(239.7)

We will evaluate strategies or instruments to manage our foreign exchange risks on a portfolio basis.

Commodity Risk

Our principal commodity risk is the price of timber and to a lesser extent metals, primarily aluminum. All of our Canadian and U.S. timber operations' log sales are at market prices.

Approximately 90% of our Chilean transmission operation's revenues are adjusted on a semi-annual basis by a multi-factor inflation index that is designed to approximate changes in prices of the underlying components of the replacement cost of our transmission system. See Item 4.B "Business Overview". Due to the construction of the system, metals such as aluminum are a material percentage of replacement cost. Thus, changes in the price of these metals will impact the revenues of our Chilean transmission operations.

We do not currently use any strategies or instruments to manage commodity risks in our Canadian timber and Chilean transmission operations.

Contractual Obligations

Pursuant to the Master Service Agreement, on a quarterly basis, we pay a base management fee to the Manager equal to 0.3125% (1.25% annually) of the market value of our partnership. Based on the market value of our partnership as of December 31, 2008, this fee is estimated to be approximately \$6.7 million per annum.

Related Party Transactions

We have entered into a number of related party transactions with Brookfield. See Item 7.B—"Related Party Transactions."

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to select appropriate accounting policies to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In particular, critical accounting policies and estimates utilized in the normal course of preparing the partnership's financial statements require the determination of future cash flows utilized in assessing net recoverable amounts and net realizable values; depreciation and amortization; value of goodwill and intangible assets; ability to utilize tax losses; the determination of the primary beneficiary of variable interest entities; effectiveness of financial hedges for accounting purposes; and fair values for disclosure purposes.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates have been applied in a manner consistent with that in a prior year and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in this report. The estimates are impacted by, among other things, movements in interest rates, foreign exchange and other factors, some of which are highly uncertain. The interrelated nature of these factors prevents us from quantifying the overall impact of these movements on the partnership's financial statements in a meaningful way.

Brookfield Infrastructure's main critical accounting policy is investment valuation. Brookfield Infrastructure recognizes an impairment charge when a decline in the fair value of its investments below the carrying value is judged to be other-than-temporary. Brookfield Infrastructure considers various factors in determining whether to recognize an impairment charge, including the length of time and extent to which the fair value has been less than Brookfield Infrastructure's cost basis, the financial condition and near-term prospects of the investee, and Brookfield Infrastructure's intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value.

The following is a discussion of the critical accounting estimates of the companies in which we hold interests:

- ***Timberland Carrying Value.*** Timberlands are carried at cost less accumulated depletion. Site preparation and planting costs are capitalized as reforestation. Reforestation is transferred to a merchantable timber classification after 30 years. Depletion of the timberlands is based on the volume of timber estimated to be available over the harvest cycle. The process of estimating sustainable harvest is complex, requiring significant estimation in the evaluation of timber stand volumes based on the development of yield curves derived from data on timber species, timber stand age and growing site indexes gathered from a physical sampling of the timberland resource base. Although every reasonable effort is made to ensure that the sustainable harvest determination represents the most accurate assessment possible, subjective decisions and variances in sampling data from the actual timberland resource base make this determination generally less precise than other estimates used in the preparation of the financial statements. Changes in the determination of sustainable harvest could result in corresponding changes in the provision for depletion of the private timberland asset. Rates of depletion are revised for material changes to growth and harvest assumptions and are adjusted for any significant acquisition or disposition of timber.
- ***Island Timberlands Performance Fee.*** Accrual of the expense relating to the Island Timberlands performance fee (proportionate share of \$13.1 million accrual reversal in 2008, \$3.0 million expense in 2007) is determined based upon the internal rate of return of the business which includes estimates of the fair market value of Island Timberland's timber business determined utilizing a discounted cash flow approach. Based on this analysis, the timber business is estimated to be valued at approximately \$313.1 million as at December 31, 2008 (\$333.8 million as at December 31, 2007) on a proportionate

basis. Below, we have outlined the material assumptions that underlie the estimated valuation as well as a sensitivity analysis for each material assumption (all numbers presented on a proportionate basis):

- **Timber growth and depletion over the next 10 years.** Studies have shown that a base level cut of about 1,843,000 cubic meters per year is sustainable over the long term, with an additional 547,000 cubic meters available for a 10 year period, primarily due to the existence of a surplus of mature timber. If sustainable harvest rates decreased/increased by 10%, the value of the timber assets would decrease/increase to \$265.2 million and \$349.5 million respectively in 2008 (\$300.0 million and \$371.3 million, respectively in 2007).
- **Log prices.** The estimated valuation assumes that log prices will remain unchanged for the next few years and then gradually increase. If log prices decreased/increased by 10%, the value of the timber assets would decrease/increase to \$223.0 million and \$403.6 million, respectively in 2008 (\$249.4 million and \$418.1 million, respectively in 2007).
- **A discount rate of 6.9% was used in the appraisal.** If the discount rate increased/decreased by 10%, the value of the timber assets would decrease/increase to \$346.5 million and \$284.5 million, respectively in 2008 (\$367.5 million and \$303.8 million, respectively in 2007).

The HBU lands are estimated to be valued at approximately \$77.3 million (\$112.1 million as at December 31, 2007) on a proportionate basis. Below, we have outlined the two material assumptions that underlie the estimated valuation of the HBU land as well as a sensitivity analysis for each material assumption:

- **Lot selling prices.** The estimated valuation assumes lot selling prices based on market averages in the region. If lot selling prices decreased/increased by 10%, the value of the HBU land would decrease/increase to \$68.3 million and \$86.3 million respectively in 2008 (\$97.5 million and \$127.1 million, respectively in 2007).
- **Discount rate.** A discount rate of 15.3% was used in the appraisal. If the discount rate increased/decreased by 10%, the value of the HBU land would decrease/increase to \$85.5 million and \$70.5 million, respectively in 2008 (\$127.9 million and \$99.8 million, respectively in 2007).

Goodwill. Impairment testing for goodwill is performed on an annual basis by the underlying investments. The first part of the test is a comparison of the fair value of the reporting unit to its carrying amount, including goodwill. If the fair value is less than the carrying value, then the second part of the test is required to measure the amount of potential goodwill impairment. The second step of the goodwill impairment test, used to measure the amount of impairment loss, compares the implied fair value of reporting unit goodwill (that shall be determined in the same manner as the amount of goodwill recognized in a business combination) with the carrying amount of that goodwill. If the carrying value of the reporting unit goodwill exceeds the implied fair value of that goodwill, then we would recognize an impairment loss in the amount of the difference, which would be recorded as a charge to income. The fair value of the reporting unit is determined using discounted cash flow models. In order to estimate future cash flows, we must make assumptions about future events that are highly uncertain at the time of estimation. For example, we make assumptions and estimates about future interest rates, exchange rates, electricity transmission rate increases, cost trends, including expected operating and maintenance costs and taxes. The number of years included in determining discounted cash flow, in our opinion, is estimable because the number is closely associated with the useful lives of our transmission lines and other tangible assets. These useful lives are determinable based on historical experience and electricity transmission regulatory framework. The discount rate used in the analysis may fluctuate as economic conditions change. Therefore, the likelihood of a change in estimate in any given period may be relatively high.

- **Intangible Assets.** Intangible assets that are not subject to amortization (e.g. rights-of-way) are tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the assets might be impaired. The impairment test consists of a comparison of the fair value of an intangible asset with its carrying amount. If the carrying amount of an intangible asset exceeds its fair

value, an impairment loss is recognized in an amount equal to that excess. Fair value of the indefinite useful life intangible assets may be assessed by reference to the market prices and if such information is not available we apply discounted cash flow models that are subject to the same inherent limitations and uncertainties as those described above related to the estimations of the fair value of our reporting unit.

- **Derivatives.** Transelec has certain financial derivative and embedded derivative instruments that are recorded at fair value, with changes in fair value recognized in earnings under the U.S. Financial Accounting Standards Board Statement of Financial Accounting Standard No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended, except for certain instruments that qualify and are effective hedges of the foreign exchange risk exposure in the net investment of our transmission assets for which the changes in fair value are recognized in other comprehensive income. In establishing the fair value of such instruments, Transelec makes assumptions based on available market data and pricing models, which may change from time to time. Calculation of fair values of financial and embedded derivatives is done using models that are based primarily on discounted future cash flows and which use various inputs. Those inputs include estimated forward exchange rates, interest rates, inflation indices, prices of metals, and others. These inputs become more difficult to predict and the estimates are less precise, the further in the future these estimates are made. As a result, fair values are highly dependent upon the assumptions being used.

Reconciliation of Non-GAAP Financial Measures

To measure performance, we focus on net income as well as adjusted net operating income. We define adjusted net operating income or ANOI as net income excluding the impact of depreciation, depletion and amortization, deferred taxes and other items as shown in the reconciliation below. Adjusted net operating income is a measure of operating performance that is not calculated in accordance with, and does not have any standardized meaning prescribed by GAAP. Adjusted net operating income is therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted net operating income has limitations as an analytical tool.

- Adjusted net operating income does not include depreciation and amortization expense; because we own capital assets with finite lives, depreciation and amortization expense recognizes the fact that we must maintain or replace our asset base in order to preserve our revenue generating capability;
- Adjusted net operating income does not include deferred income taxes, which may become payable if we own our assets for a long period of time; and
- Adjusted net operating income does not include performance fees accrued relating to our Canadian timber operations, which will be required to be paid in cash and which type of fee we expect to accrue in the future.

Because of these limitations, adjusted net operating income should not be considered as the sole measure of our performance and should not be considered in isolation from, or as a substitute for, analysis of our results as reported under GAAP. We compensate for these limitations by relying on our GAAP results and using adjusted net operating income only supplementally. However, adjusted net operating income is a key measure that management uses to evaluate the performance of our operations and forms the basis for our Partnership's distribution policy.

When viewed with our GAAP results, we believe that adjusted net operating income provides a more complete understanding of factors and trends affecting our underlying operations. Adjusted net operating income allows our management to evaluate our businesses on the basis of cash return on net capital deployed by removing the effect of non-cash and other items. We add back depreciation and amortization to remove the implication that our assets decline in value over time since we believe that the value of most of our assets will typically increase over time provided we make all necessary maintenance expenditures.

We add back depletion because we endeavor to manage our timberlands on a sustainable basis over the long term. Furthermore, changes in asset values typically do not decline on a predetermined schedule, as suggested by accounting depreciation or depletion, but instead will inevitably vary upwards and downwards based on a number of market and other conditions that cannot be determined in advance. We add back deferred income taxes because we do not believe this item reflects the present value of the actual cash tax obligations we will be required to pay, particularly if our operations are held for a long period of time. Finally, we add back a performance fee payable to Brookfield by Island Timberlands. This performance fee was calculated based upon a percentage of the increased appraised value of the timber and HBU land assets held by our Canadian timber operations over a threshold level. We believe it is appropriate to measure our performance excluding the impact of this accrual as we expect that over time the financial impact of this fee will be more than offset by increased income associated with the increased appraised value of these assets, which benefit is not reflected in the period in which the related fee accrues. In addition, as a result of our fee netting mechanism which is designed to eliminate any duplication of fees, any performance fees will reduce future incentive distributions that may otherwise be made to Brookfield by Brookfield Infrastructure. As this credit is reflected as a reduction in distributions to Brookfield, it would not be reflected in adjusted net operating income without adding back the performance fee.

The following table reconciles adjusted net operating income to the most directly comparable GAAP measure, which is net income. In doing so, we add back to net income the amounts recorded in respect of depreciation, depletion and amortization, deferred taxes and certain other items as well as the minority interest related to those items such that, similar to net income, adjusted net operating income reflects Brookfield Infrastructure's ownership interest. We urge you to review the GAAP financial measures in the supplemental financial information contained herein, and to not rely on any single financial measure to evaluate Brookfield Infrastructure.

<i><u>MILLIONS, UNAUDITED</u></i>	<u>Years Ended December 31</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net income	\$ 28.0	\$12.0	\$10.4
Add back or deduct the following:			
Depreciation, depletion and amortization	54.3	9.8	6.2
Deferred taxes	(14.9)	(8.4)	(1.5)
Performance fee	(12.8)	3.1	—
Unrealized (gains) losses on derivative instruments	3.9	—	—
Other non-cash items	1.2	(3.2)	—
Adjusted net operating income (ANOI)	<u>\$ 59.7</u>	<u>\$13.3</u>	<u>\$15.1</u>

On a pro forma basis, the following table reconciles net income to adjusted net operating income.

<i><u>MILLIONS, UNAUDITED</u></i>	<u>Years Ended December 31</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net income	\$ 27.9	\$ 6.1	\$13.2
Add back or deduct the following:			
Depreciation, depletion and amortization	55.6	47.7	28.7
Deferred taxes	(15.6)	(20.9)	(3.6)
Performance fee	(12.8)	3.1	15.0
Unrealized (gains) losses on derivative instruments	6.9	15.3	(1.4)
Other non-cash items	1.3	0.9	—
Adjusted net operating income (ANOI)	<u>\$ 63.3</u>	<u>\$ 52.2</u>	<u>\$51.9</u>

The difference between net income and adjusted net operating income is primarily attributable to depreciation and depletion expense which reflects purchase accounting adjustments for Transelec and Longview

associated with their respective acquisitions, deferred taxes due to the step up in tax basis associated with those acquisitions, as well as non-cash expenses in Transelec, primarily relating to non-cash inflation indexations on its Chilean peso denominated debt.

Reconciliation of Unaudited Pro Forma Financial Statements

The unaudited pro forma statements of operations of Brookfield Infrastructure for the years ended December 31, 2008, 2007 and 2006, present Brookfield Infrastructure's results of operations, in each case adjusted to give effect to:

- the transfer to Brookfield Infrastructure of a 10.7% ownership interest in Transelec (which was acquired by Brookfield on June 30, 2006) and a 37.5% interest in Island Timberlands (which was acquired by Brookfield on May 30, 2005);
- the additional equity investment in Transelec to fund an adjustment to the original purchase price of Transelec due to an increase in the regulated asset value of our Chilean transmission operations, which resulted in an increase in Brookfield Infrastructure's ownership interest in Transelec from 10.7% to 17.8%;
- the transfer to Brookfield Infrastructure of a 30% interest in Longview Fibre Company's timberland operations (which was acquired by Brookfield on April 20, 2007) reflecting adjustments to Longview Fibre Company's historical financial statements for the sale by Longview Fibre Company of eight converting facilities and all of its manufacturing operations prior to Brookfield Infrastructure's acquisition of its interest in our U.S. timber operations;
- the transfer to Brookfield Infrastructure of interests ranging from 7% to 18% in five separate, but related, Brazilian electricity transmission investments, which are collectively referred to as TBE; and
- the spin-off and related transactions including entry into our Master Services Agreement and the issuance by the Holding Entities of preferred shares to Brookfield;

in each case, as if these transactions were completed on January 1, 2006.

The pro forma financial statements have been prepared based upon currently available information and assumptions deemed appropriate by management. The pro forma financial statements are provided for information purposes only and may not be indicative of the results that would have occurred if the spin-off and the other transactions had been effected on the dates indicated. The unaudited consolidated pro forma financial information also does not project the results of operations or financial position for any future period or date.

The unaudited consolidated pro forma financial information should be read together with the remainder of the information contained in this MD&A and our historical financial statements and related notes included elsewhere in this Form 20-F.

All financial data in these pro forma financial statements is presented in U.S. dollars and, unless otherwise indicated, has been prepared in accordance with GAAP.

Pro Forma Statement of Operations

For the Year Ended December 31, 2008

<i>US\$ MILLIONS (UNAUDITED)</i>	Historical Financials	Acquisition of Additional Interest in Transec ^{1(a)}	Corporate Expenses ^{1(e)}	Pro Forma
Revenues	\$ 32.9	\$—	\$—	\$ 32.9
Cost of revenues (exclusive of depreciation expense)	(2.6)	—	—	(2.6)
Selling, general and administrative expenses	(18.7)	—	(0.8)	(19.5)
Other income	0.9	—	—	0.9
Depreciation expense	(7.7)	—	—	(7.7)
Interest expense	(12.9)	—	—	(12.9)
Earnings from equity accounted investments	25.2	0.7	—	25.9
Dividend income	14.3	—	—	14.3
Net income before taxes	31.4	0.7	(0.8)	31.3
Income tax expense	(3.4)	—	—	(3.4)
Net income	<u>\$ 28.0</u>	<u>\$ 0.7</u>	<u>\$(0.8)</u>	<u>\$ 27.9</u>

For the Year Ended December 31, 2007

<i>US\$ MILLIONS (UNAUDITED)</i>	Historical Financials	Transfer of Interests ^{1(b)}	Acquisition of TBE ^{1(c)}	Acquisition of Additional Interest in Transec ^{1(a)}	Acquisition of Longview ^{1(d)}	Corporate Expenses ^{1(e)}	Pro Forma
Revenues	\$33.1	\$—	\$—	\$—	\$—	\$—	\$ 33.1
Cost of revenues (exclusive of depreciation expense)	(1.1)	—	—	—	—	—	(1.1)
Selling, general and administrative expenses	(4.4)	—	—	—	—	(14.8)	(19.2)
Other expense	(0.4)	—	—	—	—	—	(0.4)
Depreciation expense	(7.2)	—	—	—	—	—	(7.2)
Interest expense	(6.9)	—	—	—	—	(4.9)	(11.8)
Earnings (losses) from equity accounted investments	(7.8)	3.3	—	0.2	(5.2)	—	(9.5)
Dividend income	0.5	—	15.5	—	—	—	16.0
Net income before taxes	5.8	3.3	15.5	0.2	(5.2)	(19.7)	(0.1)
Income tax expense	6.2	—	—	—	—	—	6.2
Net income	<u>\$12.0</u>	<u>\$ 3.3</u>	<u>\$15.5</u>	<u>\$ 0.2</u>	<u>\$(5.2)</u>	<u>\$(19.7)</u>	<u>\$ 6.1</u>

For the Year Ended December 31, 2006

<i>US\$ MILLIONS (UNAUDITED)</i>	Historical Financials	Transfer of Interests ^{1(b)}	Acquisition of Longview ^{1(d)}	Acquisition of TBE ^{1(c)}	Acquisition of Additional Interest in Transec ^{1(a)}	Corporate Expenses ^{1(e)}	Pro Forma
Revenues	\$30.7	\$—	\$—	\$—	\$—	\$—	\$ 30.7
Cost of revenues (exclusive of depreciation expense)	(1.3)	—	—	—	—	—	(1.3)
Selling, general and administrative expenses	(3.8)	—	—	—	—	(14.8)	(18.6)
Other income	(0.3)	—	—	—	—	—	(0.3)
Depreciation expense	(6.2)	—	—	—	—	—	(6.2)
Interest expense	(5.8)	—	—	—	—	(4.9)	(10.7)
Earnings (losses) from equity accounted investments	—	(5.0)	9.3	—	7.0	—	11.3
Dividend income	—	—	—	11.2	—	—	11.2
Net income before taxes	13.3	(5.0)	9.3	11.2	7.0	(19.7)	16.1
Income tax expense	(2.9)	—	—	—	—	—	(2.9)
Net income	<u>\$10.4</u>	<u>\$(5.0)</u>	<u>\$ 9.3</u>	<u>\$11.2</u>	<u>\$ 7.0</u>	<u>\$(19.7)</u>	<u>\$ 13.2</u>

Notes to the Pro Forma Financial Statements

1. Pro Forma Adjustments

Brookfield Infrastructure's pro forma financial statements adjust Brookfield Infrastructure's financial statements to give effect to the matters discussed in these notes. The pro forma financial statements do not reflect the impact of potential cost savings and other synergies or incremental costs of the acquisitions.

The following adjustments were made to Brookfield Infrastructure's statements of operations for the years ended December 31, 2008, 2007 and 2006, in each case as if the applicable transaction had occurred on January 1, 2006.

a) Acquisition of Additional Interest in Transelec

Reflects the additional investment in Transelec, which increased Brookfield Infrastructure's ownership interest in Transelec from 10.7% to 17.8%. This transaction contributed to incremental equity earnings of \$0.7 million, \$0.2 million and \$7.0 million for the years ended December 31, 2008, 2007 and 2006, respectively.

b) Transfer of Interests

Reflects the transfer of interest of Transelec, Island Timberlands, and Longview into Brookfield Infrastructure. Based upon Brookfield Infrastructure's level of control, Brookfield Infrastructure's interests in such entities is accounted for under the equity method of accounting. This resulted in the following adjustments to equity earnings:

	<u>2007</u>	<u>2006</u>
Equity earnings (losses) adjustment:		
Transelec	\$ 1.1	\$ 3.1
Island Timberlands	11.6	(8.1)
Longview	<u>(9.4)</u>	<u>—</u>
	<u>\$ 3.3</u>	<u>\$(5.0)</u>

c) Acquisition of TBE

Reflects an adjustment for dividends on the cost accounted investment in TBE, as if the investment had occurred on January 1, 2006. The net impact of this adjustment results in investment income of \$15.5 million and \$11.2 million for the years ended December 31, 2007, and 2006, respectively.

d) Acquisition of Longview

Brookfield acquired Longview Fibre Company, a timber and sawmill manufacturing company, on April 20, 2007 for \$2,312.4 million. On May 31, 2007, Longview Fibre Company sold its manufacturing operation to a separate affiliate of Brookfield. The net result of this transaction is the inclusion of the Brookfield Infrastructure's 30% share of net income of Longview, using the equity method of accounting, as if its sole operations were the timber operations, as of January 1, 2006 resulting in equity losses of \$5.2 million and earnings of \$8.8 million for the years ended December 31, 2007 and 2006, respectively.

e) Corporate expenses

Reflects the following:

- Charges relating to the management fee paid by Brookfield Infrastructure to the Manager for Services rendered under the Master Services Agreement, based on an annual management base fee of 1.25% of the market value of our partnership. This results in an adjustment to selling, general

and administrative expenses of \$0.8 million for the year ended December 31, 2008, and \$7.8 million for the years ended December 31, 2007 and 2006.

- Corporate expenses incurred by the partnership. Charges of \$7.0 million were recorded for the years ended December 31, 2007 and 2006 to be comparable with the December 31, 2008 period.
- Interest expenses on the partnership's credit facility that was drawn upon in December 31, 2008. Charges of \$4.9 million were adjusted for in interest expense for the years ended December 31, 2007 and 2006 for comparable with the December 31, 2008 period.
- Dividends paid on the \$20 million of preferred shares issued to Brookfield Infrastructure by each Holding entity. This results in an adjustment to interest expense of \$1.2 million for each year ended December 31, 2007 and 2006.

2. Adjusted Net Operating Income—Pro Forma

Adjusted net operating income is defined as net income adding back depreciation, depletion and amortization, deferred income taxes and other items which are either directly on the statement of income or are a component of the equity earnings of an underlying operating entity. Adjusted net operating income is a measure of operating performance that is not calculated in accordance with U.S. GAAP. Please see the Reconciliation of Non-GAAP Financial Measures section of this MD&A for a discussion of the limitations of adjusted net operating income as a measure of our operating performance. Below is a reconciliation of pro forma net income to pro forma adjusted net operating income for the years ended December 31, 2008, 2007 and 2006:

<u>US\$ MILLIONS, UNAUDITED</u>	<u>Years Ended December 31</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net income	\$ 27.9	\$ 6.1	\$ 13.2
Add back or deduct non-cash and other components of net income:			
Depreciation and amortization	55.6	47.8	28.7
Deferred taxes and other	(20.2)	(1.7)	(5.0)
Performance fees	—	—	15.0
Adjusted net operating income	<u>\$ 63.3</u>	<u>\$ 52.2</u>	<u>\$ 51.9</u>
Net Income by segment:			
Electricity transmission	40.7	27.4	31.2
Timber	6.7	(10.6)	(0.1)
Corporate	(19.5)	(10.7)	(17.9)
Total	<u>\$ 27.9</u>	<u>6.1</u>	<u>13.2</u>
Adjusted net operating income by segment:			
Electricity transmission	\$ 68.4	\$ 54.2	\$ 43.3
Timber	12.8	15.9	26.5
Corporate	(17.9)	(17.9)	(17.9)
Total	<u>\$ 63.3</u>	<u>\$ 52.2</u>	<u>\$ 51.9</u>

Electricity Transmission

<i>US\$ MILLIONS, UNAUDITED</i>	Years Ended December 31		
	2008	2007	2006
Revenue	\$ 93.0	\$ 78.1	\$ 70.1
Costs attributed to revenues	(16.5)	(13.3)	(13.7)
Dividend income	14.3	16.0	11.2
Net operating income	90.8	80.8	67.6
Other income	1.6	0.9	3.0
Interest expense	(22.6)	(23.0)	(22.6)
Cash taxes	(1.4)	(4.5)	(4.7)
Adjusted net operating income (ANOI)	68.4	54.2	43.3
Depreciation and amortization	(18.9)	(17.8)	(15.6)
Deferred taxes and other	(8.8)	(9.0)	3.5
Net income	\$ 40.7	\$ 27.4	\$ 31.2

Timber

<i>US\$ MILLIONS, UNAUDITED</i>	Years Ended December 31		
	2008	2007	2006
Revenue	\$124.8	\$131.4	\$131.9
Costs attributed to revenues	(81.8)	(79.6)	(77.1)
Net operating income	43.0	51.8	54.8
Investment and other income (expense)	(0.5)	(5.0)	1.9
Interest expense	(29.0)	(30.9)	(30.2)
Cash taxes	(0.7)	—	—
Adjusted net operating income (ANOI)	12.8	15.9	26.5
Depreciation and amortization	(36.7)	(29.9)	(13.3)
Performance fees	—	—	(15.0)
Deferred taxes and other	30.6	3.4	1.7
Net Income (loss)	\$ 6.7	\$ (10.6)	\$ (0.1)

ITEM 6. DIRECTORS AND SENIOR MANAGEMENT

6.A DIRECTORS AND SENIOR MANAGEMENT

Board of Directors of our Managing General Partner

As required by law, our limited partnership agreement provides for the management and control of our partnership by a general partner rather than a board of directors and officers. Our Managing General Partner serves as our partnership's general partner and has a board of directors. Our Managing General Partner has no executive officers. Our Managing General Partner has sole responsibility and authority for the central management and control of our partnership, which is exercised through its board of directors in Bermuda.

The following table presents certain information concerning the current board of directors of our Managing General Partner:

<u>Name and Municipality of Residence⁽¹⁾</u>	<u>Age</u>	<u>Position</u>	<u>Principal Occupation</u>
Derek Pannell Toronto, Canada	62	Chairman	Managing Partner, Brookfield Asset Management
Alex Erskine Devonshire, Bermuda	45	Director	Partner, Appleby, an international law firm
Jonathan Hagger Tunbridge Wells, England	60	Director	Chief Financial Officer, Grosvenor Estate and Investment Organization
Arthur Jacobson, Jr. ^(3,4) Mamaroneck, New York	45	Director	Managing Member, Martinart Partners, L.L.C., a restaurant
Anne Schaumburg ⁽²⁾ Short Hills, New Jersey	59	Director	Director, NRG Energy, Inc.
Danesh Varma ^(2,3,4) Kingston-Upon-Thames, England	58	Director	Chief Financial Officer, African-Aura Resources Limited, a mining company
James Wallace ^(2,3,4) Sudbury, Ontario	62	Director	President, Pioneer Construction Inc., a construction company

- (1) *The business address for each of the directors is Cannon’s Court, 22 Victoria Street, Hamilton, HM 12, Bermuda.*
- (2) *Member of the audit committee. Danesh Varma is the chairman of the audit committee.*
- (3) *Member of the nominating and governance committee. James Wallace is the Chairman of the nominating and governance committee.*
- (4) *Member of the compensation committee. James Wallace is the Chairman of the compensation committee.*

Set forth below is biographical information for our Managing General Partner’s current directors.

Derek Pannell. Derek is a Managing Partner of Brookfield Asset Management. Prior to this he was the Chief Executive Officer of Noranda Inc. and Falconbridge Limited from June 2002 to October 2006. He also served as the President and Chief Operating Officer for Noranda Inc. between September 2001 and June 2002. Derek is a metallurgical engineer with over 37 years of experience in the mining and metals industry. He is former Chair of the Mining Association of Canada and board member of the International Council on Mining and Metals. Derek serves on the boards of Teck Cominco Limited, Agrium Inc. and Major Drilling Group International Inc. Derek is a professional engineer registered in Quebec and Peru and is an Associate of the Royal School of Mines and a Fellow of the Canadian Academy of Engineers. Derek holds a Bachelor of Science degree from Imperial College in London, England.

Alex Erskine. Alex is a Partner and the Local Team Leader of the Funds and Investment Services team at Appleby. He practices in the areas of corporate and commercial law, specializing in advising on structuring and operating investment vehicles including mutual funds, hedge funds, unit trusts, partnerships, and close ended funds. Alex joined Appleby in 1999. Prior to joining Appleby he was Deputy Legal and Compliance Director of the Asset Management Division of UBS AG. Alex was educated in Ghana and England and studied law at the University College of Wales, Aberystwyth graduating in 1986 with an L.L.B.Hons. He was called to the Bar of England and Wales in 1996, the Bermuda Bar in 2006 and the British Virgin Islands Bar in 2007.

Jonathan Hagger. Jonathan is the Chief Financial Officer of Grosvenor Estate, the investment holding organization of the Duke of Westminster, which includes the worldwide real estate operations of the Grosvenor Group. Prior to his current position, Mr. Hagger was Group Finance Director of Grosvenor Group for 15 years until 2006. Prior to that, Mr. Hagger held a number of senior Board positions in the insurance industry. Mr. Hagger is a Fellow of both the Institute of Chartered Accountants in England and Wales and the Association of Corporate Treasurers, and serves on several non-profit Boards.

Arthur Jacobson, Jr. Arthur is a former Managing Director of Spear, Leeds Kellogg Specialists LLC (a division of Goldman Sachs Group Inc.) from 2001 to 2004. He was partner of Benjamin Jacobson and Sons, LLC from 1987 to 2001. He was also a specialist on the NYSE for 16 years, from 1988 to 2004. Prior to that he was an account executive at Drexel Burnham Lambert Inc. from 1985 to 1987. Arthur holds a degree in business administration from the University of Southern California.

Anne Schaumburg. Anne has been a member of the board of directors of NRG Energy, Inc., a power generation company listed on NYSE, since 2005. From 1984 until her retirement in 2002, Anne was with the Global Energy Group of Credit Suisse First Boston, where she last served as Managing Director. From 1979 to 1984, she was with the Utilities Group at Dean Witter Financial Services Group, where she last served as Managing Director. From 1971 to 1978, Anne was at First Boston Corporation in the Public Utilities Group. Anne is a graduate of the City University of New York.

Danesh Varma. Danesh is the Chief Financial Officer of African-Aura Resources Limited. He joined African-Aura Resources Limited in 2007 and was Chief Financial Officer of Minco PLC from 2006 to 2007. From 1999 to 2005, Danesh was a director at Dundee B Corp. Ltd. Prior to that, Danesh held a number of senior positions in the banking, corporate finance and accounting fields. Danesh holds a degree from Delhi University and is a Chartered Accountant.

James Wallace. James is the President of Pioneer Construction Inc. James is currently serving on the Boards of the following public corporations: Xstrata Canada Limited and Northstar Aerospace (Canada) Inc. He previously held positions on the boards of Falconbridge Limited, Noranda Income Fund, Osprey Media Income Fund, Rio Algom Ltd., and CTV as well as a number of other private companies in which he has ownership interests. James holds a Bachelor of Science from Laurentian University and a Masters of Business Administration from the University of Windsor. James is a Certified Management Accountant and holds a CFA designation.

Our Management

Our Managing General Partner does not have any employees. Instead, members of Brookfield’s senior management and other individuals from Brookfield’s global affiliates are drawn upon to fulfill the Manager’s obligations to provide us with management services under our Master Services Agreement. Brookfield currently has approximately 14,000 employees including 400 investment professionals around the world. The following table presents certain information concerning the core senior management team that is principally responsible for our operations and their positions with the Manager:

<u>Name</u>	<u>Age</u>	<u>Years of Experience</u>	<u>Years at Brookfield</u>	<u>Current Position with the Manager</u>
Jeffrey Blidner	61	33	8	Chair
Samuel Pollock	42	20	15	Chief Executive Officer
John Stinebaugh	42	20	4	Chief Financial Officer

Each of the members of this team has substantial deal origination and execution expertise, having put together numerous consortiums, partnerships and joint ventures for large complex transactions. Members of this team have also been integral in building and developing Brookfield’s electricity transmission and timber platforms. Set forth below is biographical information for Messrs. Blidner, Pollock, and Stinebaugh.

Jeffrey Blidner. Jeff is a Senior Managing Partner of Brookfield Asset Management with responsibility for strategic planning. Jeff is also the Chairman of the Manager. Jeff led the \$2.5 billion acquisition of Transelec, as well as Brookfield’s recently completed \$7 billion acquisition of the Multiplex Group, an Australian-based global property, construction, and development company. Jeff is also the Chairman of the Board of Transelec. Prior to joining Brookfield in 2000, Jeff was a senior partner at Goodman & Carr LLP, a Toronto-based law firm. Jeff’s practice focused on merchant banking transactions, public offerings, mergers and acquisitions,

management buy-outs, restructurings and private equity transactions. Jeff received his LLB from Osgoode Hall Law School and was called to the Bar in Ontario as a Gold Medalist in 1974.

Samuel Pollock. Sam is a Senior Managing Partner of Brookfield Asset Management and Chief Executive Officer of the Manager. Sam has been responsible for the expansion of Brookfield's infrastructure operating platform. Under Sam's leadership, Brookfield has built its timber platform over the past five years from a modest operation of 400,000 acres under management in 2002 to the fifth largest in North America with more than 2.5 million acres under management. Sam has also acted as Brookfield's Chief Investment Officer, leading privatizations such as the \$9 billion privatization of Trizec Properties Inc. and the \$2 billion acquisition of O&Y Canada. Sam is a Chartered Accountant and holds a business degree from Queen's University.

John Stinebaugh. John is a Managing Partner of Brookfield Asset Management and Chief Financial Officer of the Manager. He is responsible for business development for Brookfield's utility infrastructure business, focusing on acquisitions of utility infrastructure assets in North America and other jurisdictions. John co-led the \$2.5 billion acquisition of Transelec. Prior to that, John was with Credit Suisse Securities (U.S.A.) LLC. He worked in the energy group with responsibility for mergers and acquisitions and leveraged financings. During his tenure at Brookfield Asset Management and Credit Suisse, John worked on announced acquisitions and divestitures of energy infrastructure companies in excess of \$15 billion. John received his Chartered Financial Analyst designation in 1995 and graduated with a degree in economics from Harvard University.

See also information contained in this Form 20-F under Item 6.C "Board Practices," Item 3.D "Risk Factors—Risks Relating to our Relationship with Brookfield," Item 6.A "Directors and Senior Management" and Item 7.B "Related Party Transactions."

Our Master Services Agreement

The Service Recipients have entered into a Master Services Agreement pursuant to which Brookfield Infrastructure Group Inc. and certain other affiliates of Brookfield Asset Management who are party thereto have agreed to provide or arrange for other service providers to provide management and administration services to our partnership and the other Service Recipients. The operating entities are not a party to the Master Services Agreement.

The following is a summary of certain provisions of our Master Services Agreement and is qualified in its entirety by reference to all of the provisions of the agreement. Because this description is only a summary of the Master Services Agreement, it does not necessarily contain all of the information that you may find useful. We therefore urge you to review the Master Services Agreement in its entirety. Copies of the Master Services Agreement are available electronically on the website of the Securities and Exchange Commission at www.sec.gov and on our SEDAR profile at www.sedar.com and are made available to our unitholders as described under Item 10.C "Material Contracts" and Item 10.H "Documents on display."

Appointment of the Manager and Services Rendered

Under our Master Services Agreement, the Service Recipients have appointed the Manager, as the service provider, to provide or arrange for the provision by an appropriate service provider of the following services:

- causing or supervising the carrying out of all day-to-day management, secretarial, accounting, banking, treasury, administrative, liaison, representative, regulatory and reporting functions and obligations;
- establishing and maintaining or supervising the establishment and maintenance of books and records;
- identifying, evaluating and recommending to the Holding Entities acquisitions or dispositions from time-to-time and, where requested to do so, assisting in negotiating the terms of such acquisitions or dispositions;

- recommending and, where requested to do so, assisting in the raising of funds whether by way of debt, equity or otherwise, including the preparation, review or distribution of any prospectus or offering memorandum in respect thereof and assisting with communications support in connection therewith;
- recommending to the Holding Entities suitable candidates to serve on the boards of directors or their equivalents of the operating entities;
- making recommendations with respect to the exercise of any voting rights to which the Holding Entities are entitled in respect of the operating entities;
- making recommendations with respect to the payment of dividends by the Holding Entities or any other distributions by the Service Recipients, including distributions by our partnership to our unitholders;
- monitoring and/or oversight of the applicable Service Recipient's accountants, legal counsel and other accounting, financial or legal advisors and technical, commercial, marketing and other independent experts, and managing litigation in which a Service Recipient is sued or commencing litigation after consulting with, and subject to the approval of, the relevant board of directors or its equivalent;
- attending to all matters necessary for any reorganization, bankruptcy proceedings, dissolution or winding up of a Service Recipient, subject to approval by the relevant board of directors or its equivalent;
- supervising the timely calculation and payment of taxes payable, and the filing of all tax returns due, by each Service Recipient;
- causing the Service Recipients' annual consolidated financial statements and quarterly interim financial statements to be: (i) prepared in accordance with generally accepted accounting principles or other applicable accounting principles for review and audit at least to such extent and with such frequency as may be required by law or regulation; and (ii) submitted to the relevant board of directors or its equivalent for its prior approval;
- making recommendations in relation to and effecting the entry into insurance of each Service Recipient's assets, together with other insurances against other risks, including directors and officers insurance as the relevant service provider and the relevant board of directors or its equivalent may from time to time agree;
- arranging for individuals to carry out the functions of principal executive, accounting and financial officers for our partnership only for purposes of applicable securities laws;
- providing individuals to act as senior officers of Holding Entities as agreed from time-to-time, subject to the approval of the relevant board of directors or its equivalent;
- advising the Service Recipients regarding the maintenance of compliance with applicable laws and other obligations; and
- providing all such other services as may from time-to-time be agreed with the Service Recipients that are reasonably related to the Service Recipient's day-to-day operations.

The Manager's activities are subject to the supervision of the board of directors of our Managing General Partner and of each of the other Service Recipients or their equivalent, as applicable.

Management Fee

Pursuant to the Master Services Agreement, on a quarterly basis, we pay a base management fee, referred to as the Base Management Fee, to the Manager equal to 0.3125% (1.25% annually) of the market value of our partnership. For purposes of calculating the Base Management Fee, the market value of our partnership is equal to the volume weighted average of the closing prices of our partnership's units on the NYSE (or other exchange or market where our partnership's units are principally traded) for each of the last five trading days of the

applicable quarter multiplied by the number of issued and outstanding units of our partnership on the last of those days (assuming full conversion of Brookfield's interest in Brookfield Infrastructure into units of our partnership), plus the amount of net third-party debt with recourse to our partnership, Brookfield Infrastructure and any Holding Entity.

To the extent that under any other arrangement we are obligated to pay a base management fee (directly or indirectly through an equivalent arrangement) to the Manager (or any affiliate) on a portion of our capital that is comparable to the Base Management Fee, the Base Management Fee payable for each quarter in respect thereof will be reduced on a dollar for dollar basis by our proportionate share of the comparable base management fee (or equivalent amount) under such other arrangement for that quarter. The Base Management Fee will not be reduced by the amount of any incentive distribution payable by any Service Recipient or operating entity to the Manager (or any other affiliate) (for which there is a separate credit mechanism under Brookfield Infrastructure's limited partnership agreement), or any other fees that are payable by any operating entity to Brookfield for financial advisory, operations and maintenance, development, operations management and other services. See Item 7.B "Related Party Transactions—Other Services" and Item 7.B "Related Party Transactions—Incentive Distributions."

Reimbursement of Expenses and Certain Taxes

We also reimburse the Manager for any out-of-pocket fees, costs and expenses incurred in the provision of the management and administration services. However, the Service Recipients are not required to reimburse the Manager for the salaries and other remuneration of its management, personnel or support staff who carry out any services or functions for such Service Recipients or overhead for such persons.

The relevant Service Recipient is required to pay the Manager all other out-of-pocket fees, costs and expenses incurred in connection with the provision of the services including those of any third party and to reimburse the Manager for any such fees, costs and expenses. Such out-of-pocket fees, costs and expenses include, among other things, (i) fees, costs and expenses relating to any debt or equity financing; (ii) out-of-pocket fees, costs and expenses incurred in connection with the general administration of any Service Recipient; (iii) taxes, licenses and other statutory fees or penalties levied against or in respect of a Service Recipient; (iv) amounts owed under indemnification, contribution or similar arrangements; (v) fees, costs and expenses relating to our financial reporting, regulatory filings and investor relations and the fees, costs and expenses of agents, advisors and other persons who provide services to or on behalf of a Service Recipient; and (vi) any other fees, costs and expenses incurred by the Manager that are reasonably necessary for the performance by the Manager of its duties and functions under the Master Services Agreement.

In addition, the Service Recipients are required to pay all fees, expenses and costs incurred in connection with the investigation, acquisition, holding or disposal of any acquisition that is made or that is proposed to be made by us. Where the acquisition or proposed acquisition involves a joint acquisition that is made alongside one or more other persons, the Manager will be required to allocate such fees, costs and expenses in proportion to the notional amount of the acquisition made (or that would have been made in the case of an unconsummated acquisition) among all joint investors. Such additional fees, expenses and costs represent out-of-pocket costs associated with investment activities that are undertaken pursuant to the Master Services Agreement.

The Service Recipients are also required to pay or reimburse the Manager for all sales, use, value added, withholding or other taxes or customs duties or other governmental charges levied or imposed by reason of the Master Services Agreement or any agreement it contemplates, other than income taxes, corporation taxes, capital taxes or other similar taxes payable by the Manager, which are personal to the Manager.

Termination

The Master Services Agreement has no fixed term. However, the Service Recipients may terminate the Master Services Agreement upon 30 days' prior written notice of termination from our Managing General Partner to the Manager if any of the following occurs:

- the Manager defaults in the performance or observance of any material term, condition or covenant contained in the agreement in a manner that results in material harm to the Service Recipients and the default continues unremedied for a period of 30 days after written notice of the breach is given to the Manager;
- the Manager engages in any act of fraud, misappropriation of funds or embezzlement against any Service Recipient that results in material harm to the Service Recipients;
- the Manager is grossly negligent in the performance of its duties under the agreement and such negligence results in material harm to the Service Recipients; or
- certain events relating to the bankruptcy or insolvency of the Manager.

The Service Recipients have no right to terminate for any other reason, including if the Manager or Brookfield experiences a change of control. The Managing General Partner may only terminate the Master Services Agreement on behalf of our partnership with the prior unanimous approval of the Managing General Partner's independent directors.

Our Master Services Agreement expressly provides that the agreement may not be terminated by our Managing General Partner due solely to the poor performance or the under performance of any of our operations.

The Manager may terminate the Master Services Agreement upon 30 days' prior written notice of termination to our Managing General Partner if any Service Recipient defaults in the performance or observance of any material term, condition or covenant contained in the agreement in a manner that results in material harm and the default continues unremedied for a period of 30 days after written notice of the breach is given to the Service Recipient. The Manager may also terminate the Master Services Agreement upon the occurrence of certain events relating to the bankruptcy or insolvency of our partnership.

If the Master Services Agreement is terminated, the licensing agreement, the Relationship Agreement and any of Brookfield's obligations under the Relationship Agreement would also terminate. See Item 7.B "Related Party Transactions—Relationship Agreement" and Item 3.D "Risk Factors—Risks Relating to Our Relationship with Brookfield."

Indemnification and Limitations on Liability

Under the Master Services Agreement, the Manager has not assumed and will not assume any responsibility other than to provide or arrange for the provision of the services called for thereunder in good faith and will not be responsible for any action that the Service Recipients take in following or declining to follow the advice or recommendations of the Manager. The maximum amount of the aggregate liability of the Manager or any of its affiliates, or of any director, officer, employee, contractor, agent, advisor or other representative of the Manager or any of its affiliates, will be equal to the Base Management Fee previously paid by the Service Recipients in the two most recent calendar years pursuant to the Master Services Agreement. The Service Recipients have also agreed to indemnify each of the Manager, Brookfield and their affiliates, directors, officers, agents, members, partners, shareholders and employees to the fullest extent permitted by law from and against any claims, liabilities, losses, damages, costs or expenses (including legal fees) incurred by an indemnified person or threatened in connection with our respective businesses, investments and activities or in respect of or arising from the Master Services Agreement or the services provided by the Manager, except to the extent that the claims, liabilities, losses, damages, costs or expenses are determined to have resulted from the indemnified

person's bad faith, fraud or willful misconduct, or in the case of a criminal matter, action that the indemnified person knew to have been unlawful. In addition, under the Master Services Agreement, the indemnified persons will not be liable to the Service Recipients to the fullest extent permitted by law, except for conduct that involved bad faith, fraud, willful misconduct, gross negligence or in the case of a criminal matter, action that the indemnified person knew to have been unlawful.

Outside Activities

Our Master Services Agreement does not prohibit the Manager or its affiliates from pursuing other business activities or providing services to third parties that compete directly or indirectly with us. For a description of related aspects of the relationship between Brookfield and the Service Recipients, see Item 7.B "Related Party Transactions—Relationship Agreement."

6.B COMPENSATION

Our Managing General Partner pays each of its directors \$50,000 per year for serving on its board of directors and various board committees. The Managing General Partner pays the chairperson of the board of directors \$100,000 per year for serving as chairperson of its board of directors.

Our Managing General Partner does not have any employees. Our partnership has entered into a Master Services Agreement with the Manager pursuant to which the Manager and certain other affiliates of Brookfield provide or arrange for other service providers to provide day-to-day management and administrative services for our partnership, Brookfield Infrastructure and the Holding Entities. The fees payable under the Master Service Agreement are set forth under Item 6.A "Directors and Senior Management—Our Master Services Agreement—Management Fee." In addition, Brookfield is entitled to receive incentive distributions from Brookfield Infrastructure described under Item 7.B "Related Party Transactions—Incentive Distributions."

Pursuant to the Master Service Agreement, members of Brookfield's senior management and other individuals from Brookfield's global affiliates are drawn upon to fulfill obligations under the Master Service Agreement. However, these individuals, including the Brookfield employees identified in the table under Item 6.A "Directors and Senior Management—Our Management," are not compensated by our partnership or our Managing General Partner. Instead, they will continue to be compensated by Brookfield. These individuals are not directors or officers of the partnership or our Managing General Partner.

6.C BOARD PRACTICES

Board Structure, Practices and Committees

The structure, practices and committees of our Managing General Partner's board of directors, including matters relating to the size, independence and composition of the board of directors, the election and removal of directors, requirements relating to board action and the powers delegated to board committees, are governed by our Managing General Partner's Bye-laws. Our Managing General Partner's board of directors is responsible for exercising the management, control, power and authority of the Managing General Partner except as required by applicable law or the Bye-laws of the Managing General Partner. Our corporate governance practices are not materially different than those required of domestic companies under the NYSE's listing standards. The following is a summary of certain provisions of those Bye-laws that affect our partnership's governance.

Size, Independence and Composition of the Board of Directors

Our Managing General Partner's board of directors is currently set at seven directors. The board may consist of between three and eleven directors or such other number of directors as may be determined from time-to-time by a resolution of our Managing General Partner's shareholders and subject to its bye-laws. At least three

directors and at least a majority of the directors holding office must be independent of our Managing General Partner, Brookfield and its affiliates, as determined by the full board of directors using the standards for independence established by the NYSE.

If the death, resignation or removal of an independent director results in the board of directors consisting of less than a majority of independent directors, the vacancy must be filled promptly. Pending the filling of such vacancy, the board of directors may temporarily consist of less than a majority of independent directors and those directors who do not meet the standards for independence may continue to hold office. In addition, our Managing General Partner's Bye-laws prohibit 50% or more of the board of directors (or the independent directors as a group) from being citizens or residents of any one of Canada, the United Kingdom or the United States, and require that all board meetings be held in Bermuda.

Election and Removal of Directors

Our Managing General Partner's board of directors was appointed by its shareholders and each of its current directors will serve until the earlier of his or her death, resignation or removal from office. Vacancies on the board of directors may be filled and additional directors may be added by a resolution of our Managing General Partner's shareholders or a vote of the directors then in office. A director may be removed from office by a resolution duly passed by our Managing General Partner's shareholders or, if the director has been absent without leave from three consecutive meetings of the board of directors, by a written resolution requesting resignation signed by all other directors then holding office. A director will be automatically removed from the board of directors if he or she becomes bankrupt, insolvent or suspends payments to his or her creditors or becomes prohibited by law from acting as a director.

Action by the Board of Directors

Our Managing General Partner's board of directors may take action in a duly convened meeting at which a quorum is present or by a written resolution signed by all directors then holding office. Our Managing General Partners' board of directors holds a minimum of four meetings per year. When action is to be taken at a meeting of the board of directors, the affirmative vote of a majority of the votes cast is required for any action to be taken.

Transactions Requiring Approval by Independent Directors

Our Managing General Partner's independent directors have approved a conflicts policy which addresses the approval and other requirements for transactions in which there is greater potential for a conflict of interest to arise. These transactions include:

- the dissolution of our partnership;
- any material amendment to the Master Services Agreement, the equity commitment, our limited partnership agreement or Brookfield Infrastructure's limited partnership agreement;
- any material service agreement or other arrangement pursuant to which Brookfield will be paid a fee, or other consideration other than any agreement or arrangement contemplated by the Master Services Agreement;
- any calls by Brookfield Infrastructure or our partnership on the equity commitment provided by Brookfield as described under Item 7.B "Related Party Transactions—Equity Commitment and Other Financing";
- acquisitions by us from, and dispositions by us to, Brookfield or any of its affiliates;
- any other material transaction involving us and Brookfield or an affiliate of Brookfield; and
- termination of, or any determinations regarding indemnification under, the Master Services Agreement.

Our conflicts policy requires the transactions described above to be approved by a majority of our Managing General Partner's independent directors. Pursuant to our conflicts policy, independent directors may grant

approvals for any of the transactions described above in the form of general guidelines, policies or procedures in which case no further special approval will be required in connection with a particular transaction or matter permitted thereby. See Item 7.B “Related Party Transactions—Conflicts of Interest and Fiduciary Duties.”

Transactions in which a director has an Interest

A director who directly or indirectly has an interest in a contract, transaction or arrangement with our Managing General Partner, our partnership or certain of our affiliates is required to disclose the nature of his or her interest to the full board of directors. Such disclosure may generally take the form of a general notice given to the board of directors to the effect that the director has an interest in a specified company or firm and is to be regarded as interested in any contract, transaction or arrangement which may after the date of the notice be made with that company or firm or its affiliates. A director may participate in any meeting called to discuss or any vote called to approve the transaction in which the director has an interest and any transaction approved by the board of directors will not be void or voidable solely because the director was present at or participates in the meeting in which the approval was given provided that the board of directors or a board committee authorizes the transaction in good faith after the director’s interest has been disclosed or the transaction is fair to our Managing General Partner and our partnership at the time it is approved.

Audit Committee

Our Managing General Partner’s board of directors is required to establish and maintain at all times an audit committee that operates pursuant to a written charter. The audit committee is required to consist solely of independent directors and each member must be financially literate and there will be at least one member designated as an audit committee financial expert. 50% or more of the audit committee may not be directors who are citizens or residents of any one of Canada, the United Kingdom or the United States.

The audit committee is responsible for assisting and advising our Managing General Partner’s board of directors with matters relating to:

- our accounting and financial reporting processes;
- the integrity and audits of our financial statements;
- our compliance with legal and regulatory requirements; and
- the qualifications, performance and independence of our independent accountants.

The audit committee is also responsible for engaging our independent accountants, reviewing the plans and results of each audit engagement with our independent accountants, approving professional services provided by our independent accountants, considering the range of audit and non-audit fees charged by our independent accountants and reviewing the adequacy of our internal accounting controls. All meetings of the audit committee will be held in Bermuda. The audit committee charter is available on our website at www.brookfieldinfrastructure.com/aboutus/governance and is available upon written request from our Corporate Secretary, at Cannon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

Nominating and Governance Committee

Our Managing General Partner’s board of directors is required to establish and maintain at all times a nominating and governance committee that operates pursuant to a written charter. The nominating and governance committee is required to consist entirely of independent directors and 50% or more of the nominating and corporate governance committee may not be directors who are citizens or residents of any one of Canada, the United Kingdom or the United States.

The nominating and governance committee is responsible for approving the appointment by the sitting directors of a person to the office of director and for recommending a slate of nominees for election as directors by our Managing General Partner’s shareholders. The nominating and governance committee is also responsible

for assisting and advising our Managing General Partner's board of directors with respect to matters relating to the general operation of the board of directors, our partnership's governance, the governance of our Managing General Partner and the performance of its board of directors and individual directors. All meetings of the nominating and governance committee will be held in Bermuda. The nominating and governance committee charter is available on our website at www.brookfieldinfrastructure.com/aboutus/governance and is available upon written request from our Corporate Secretary, at Cannon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

Compensation Committee

Our Managing General Partner's board of directors is required to establish and maintain at all times a compensation committee that operates pursuant to a written charter. The compensation committee is required to consist solely of independent directors. 50% or more of the compensation committee may not be directors who are citizens or residents of any one of Canada, the United Kingdom or the United States.

The compensation committee is responsible for reviewing and making recommendations to the board of directors of the Managing General Partner concerning the remuneration of directors and committee members and supervising any changes in the fees to be paid pursuant to the Master Services Agreement. All meetings of the compensation committee will be held in Bermuda. The compensation committee charter is available on our website at www.brookfieldinfrastructure.com/aboutus/governance and is available upon written request from our Corporate Secretary, at Cannon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

Indemnification and Limitations on Liability

Our Limited Partnership Agreement

Bermuda law permits the partnership agreement of a limited partnership, such as our partnership, to provide for the indemnification of a partner, the officers and directors of a partner and any other person against any and all claims and demands whatsoever, except to the extent that the indemnification may be held by the courts of Bermuda to be contrary to public policy or to the extent that Bermuda law prohibits indemnification against personal liability that may be imposed under specific provisions of Bermuda law. Bermuda law also permits a partnership to pay or reimburse an indemnified person's expenses in advance of a final disposition of a proceeding for which indemnification is sought. See Item 10.B "Memorandum and Articles of Association—Description of Our Units and Our Limited Partnership Agreement—Indemnification; Limitations on Liability" for a description of the indemnification arrangements in place under our limited partnership agreement.

Our Managing General Partner's Bye-laws

Bermuda law permits the Bye-laws of an exempted company, such as our Managing General Partner, to provide for the indemnification of its officers, directors and shareholders and any other person designated by the company against any and all claims and demands whatsoever, except to the extent that the indemnification may be held by the courts of Bermuda to be contrary to public policy or to the extent that Bermuda law prohibits indemnification against personal liability that may be imposed under specific provisions of Bermuda law. Bermuda company law also permits an exempted company to pay or reimburse an indemnified person's expenses in advance of a final disposition of a proceeding for which indemnification is sought.

Under our Managing General Partner's Bye-laws, our Managing General Partner is required to indemnify, to the fullest extent permitted by law, its affiliates, directors, officers, resident representative, shareholders and employees, any person who serves on a governing body of Brookfield Infrastructure or any of its subsidiaries and certain others against any and all losses, claims, damages, liabilities, costs or expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, incurred by an indemnified person in connection with our partnership's investments and activities or in respect of or arising from their holding such positions, except to the extent that the claims, liabilities, losses, damages, costs or expenses are determined to have resulted from the indemnified person's bad faith, fraud or willful misconduct, or in the case of a criminal matter, action that the indemnified person knew to have been unlawful. In addition, under our Managing General Partner's Bye-laws, (i) the liability of such persons has been limited to the fullest extent permitted by law and except to the extent that their conduct

involves bad faith, fraud or willful misconduct, or in the case of a criminal matter, action that the indemnified person knew to have been unlawful; and (ii) any matter that is approved by the independent directors will not constitute a breach of any duties stated or implied by law or equity, including fiduciary duties. Our Managing General Partner's Bye-laws require it to advance funds to pay the expenses of an indemnified person in connection with a matter in which indemnification may be sought until it is determined that the indemnified person is not entitled to indemnification.

Insurance

Our partnership has obtained insurance coverage under which the directors of our Managing General Partner are insured, subject to the limits of the policy, against certain losses arising from claims made against such directors by reason of any acts or omissions covered under the policy in their respective capacities as directors of our Managing General Partner, including certain liabilities under securities laws.

Canadian Insider Reporting

Our partnership is not subject to Canadian insider reporting requirements due to its status as a "SEC Foreign Issuer" under Canadian securities laws. However, our partnership does not rely on the exemption that is available to it from the insider reporting requirements of Canadian securities laws. In addition to meeting the minimum legal standards, our partnership treats all entities related to our partnership over which Brookfield Asset Management or our partnership exercise control (individually or when combined) that have an equity value in excess of \$200 million (approximately 20% of the value of Brookfield Infrastructure) as being "major subsidiaries". This includes Brookfield Infrastructure, all the Holding Entities and the following current operations: Island Timberlands (and its general partner), Transelec and Longview.

Governance of Brookfield Infrastructure

The board of directors of the Infrastructure General Partner is identical to the board of directors of our Managing General Partner and has substantially similar governance arrangements as our partnership. However, the Infrastructure General Partner's Bye-laws allow for alternate directors. A director of the Infrastructure General Partner may by written notice to the secretary of the Infrastructure General Partner appoint any person, including another director, who meets any minimum standards that are required by applicable law to serve as an alternate director to attend and vote in the director's place at any meeting of the Infrastructure General Partner's board of directors at which the director is not personally present and to perform any duties and functions and exercise any rights that the director could perform or exercise personally. Any alternate director appointed may not be a citizen or resident of Canada, the United Kingdom or the United States if such residency would cause 50% or more of the board of directors (or the independent directors as a group) to consist of directors who are citizens or residents of any one of Canada, the United Kingdom or the United States.

6.D EMPLOYEES

Our partnership does not employ any of the individuals who carry out the management and activities of our partnership. The personnel that carry out these activities are employees of Brookfield, and their services are provided to our partnership or for our benefit under our Master Services Agreement. For a discussion of the individuals from Brookfield's management team that are expected to be involved in our infrastructure business, see Item 6.A "Directors and Senior Management—Our Management."

6.E SHARE OWNERSHIP

Each of our directors and officers of the Managing General Partner own less than one percent of our units.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A MAJOR SHAREHOLDERS

The following table presents information regarding the beneficial ownership of our limited partnership units by each entity that we know beneficially owns more than 5% of our partnership's units, as at December 31, 2008.

<u>Name and Address</u>	<u>Units Outstanding</u>	
	<u>Units Owned</u>	<u>Percentage⁽¹⁾</u>
Brookfield Asset Management Inc. Suite 300, Brookfield Place, 181 Bay Street Toronto, Ontario M5J 2T3	15.2 million ⁽²⁾	39.7% ⁽²⁾
BAM Investments Corp. Suite 300, Brookfield Place, 181 Bay Street Toronto, Ontario M5J 2T3	2.2 million	5.7%
Partners Limited Suite 300, Brookfield Place, 181 Bay Street Toronto, Ontario M5J 2T3	17.4 million ⁽³⁾	45.4% ⁽³⁾
Morgan Stanley Investment Management Inc. (U.S.) 522 Fifth Avenue, New York, NY 10036	4.6 million	12.0%

(1) Assumes that all of the Redemption—Exchange Units of Brookfield Infrastructure are exchanged for our units pursuant to the Redemption Exchange Mechanism described at Item 10.B “Memorandum and Articles of Association—Description of Brookfield Infrastructure’s Limited Partnership Agreement—Redemption Exchange Mechanism.”

(2) Brookfield will be deemed to be the beneficial owner of 15,161,573 our units constituting approximately 39.7% of the issued and outstanding units, assuming that all of the Redemption—Exchange Units of Brookfield Infrastructure are exchanged for our units pursuant to the Redemption Exchange Mechanism described at Item 10.B “Memorandum and Articles of Association—Description of Brookfield Infrastructure’s Limited Partnership Agreement—Redemption Exchange Mechanism.” This includes 48,829 units, constituting approximately 0.2% of the issued and outstanding units, beneficially held by Brookfield.

(3) Partners Limited will be deemed to be the beneficial owner of 17,400,517 of our units, constituting approximately 45.4% of the issued and outstanding units, assuming that all of the Redemption-Exchange Units of Brookfield Infrastructure are exchanged for our units pursuant to the Redemption-Exchange Mechanism described at Item 10.B “Memorandum and Articles of Association—Description of Brookfield Infrastructure’s Limited Partnership Agreement—Redemption Exchange Mechanism.” Partners may be deemed to have the power (together with each of Brookfield and BAM Investments Corp.) to vote or direct the vote of the units beneficially owned by it or to dispose of such units other than 20,295 of our units constituting approximately 0.09% with respect to which it has sole voting and investment power.

See also the information contained in this Form 20-F under Item 3.D “Risk Factors—Risks Relating to our Relationship with Brookfield,” Item 6.C “Board Practices,” Item 6.A “Directors and Senior Management” and Item 7.B “Related Party Transactions.”

7.B RELATED PARTY TRANSACTIONS

We are an affiliate of Brookfield. We have entered into a number of agreements and arrangements with Brookfield in order to enable us to be established as a separate entity and pursue our vision of being a leading owner and operator of high quality infrastructure assets. While we believe that this ongoing relationship with Brookfield provides us with a strong competitive advantage as well as access to opportunities that would otherwise not be available to us, we operate very differently from an independent, stand-alone entity. We describe below these relationships as well as potential conflicts of interest (and the methods for resolving them) and other material considerations arising from our relationship with Brookfield.

See also the information contained in this Form 20-F under Item 3.D “Risk Factors—Risks Relating to our Relationship with Brookfield,” Item 6.C “Board Practices,” Item 6.A “Directors and Senior Management” and Item 7.A “Major Shareholders.”

Relationship Agreement

Our partnership, Brookfield Infrastructure, the Holding Entities, the Manager and Brookfield have entered into an agreement, referred to as the Relationship Agreement, that governs aspects of the relationship among them. Pursuant to the Relationship Agreement, Brookfield has agreed that we serve as the primary (though not exclusive) vehicle through which Brookfield makes future infrastructure related acquisitions that are suitable for our strategy and objectives. Our acquisition strategy focuses on large scale transactions, for which we believe there is less competition and where Brookfield has sufficient influence or control so that our operations-oriented approach can be deployed to create value. Due to similar asset characteristics and capital requirements we believe that the infrastructure industry will evolve like the real estate industry in which assets are commonly owned through consortiums and partnerships of institutional equity investors and owner/operators such as ourselves. Accordingly, an integral part of our strategy is to participate with institutional investors in Brookfield sponsored or co-sponsored consortiums for single asset acquisitions and as a partner in or alongside Brookfield sponsored or co-sponsored partnerships that target acquisitions that suit our profile. Brookfield has a strong track record of leading such consortiums and partnerships and actively managing underlying assets to improve performance. Brookfield agreed that it will not sponsor such arrangements that are suitable for us in the infrastructure sector unless we are given an opportunity to participate.

Brookfield’s commitment to us and our ability to take advantage of opportunities is subject to a number of inherent limitations such as our financial capacity, the suitability of the acquisition in terms of the underlying asset characteristics and its fit with our strategy, limitations arising from the tax and regulatory regimes that govern our affairs and certain other restrictions. See Item 3.D “Risk Factors—Risks Relating to Our Relationship with Brookfield.” Under the terms of the Relationship Agreement, our partnership, Brookfield Infrastructure and the Holding Entities acknowledge and agree that, subject to providing us the opportunity to participate on the basis described above, Brookfield (including its directors, officers, agents, members, partners, shareholders and employees) is able to pursue other business activities and provide services to third parties that compete directly or indirectly with us. In addition, Brookfield has established or advised, and may continue to establish or advise, other entities that rely on the diligence, skill and business contacts of Brookfield’s professionals and the information and acquisition opportunities they generate during the normal course of their activities. Our partnership, Brookfield Infrastructure and the Holding Entities acknowledge and agree that some of these entities may have objectives that overlap with our objectives or may acquire infrastructure assets or businesses that could be considered appropriate acquisitions for us, and that Brookfield may have greater financial incentives to assist those other entities over us. Due to the foregoing, we expect to compete from time-to-time with other affiliates of Brookfield or other third parties for access to the benefits that we expect to realize from Brookfield’s involvement in our business.

Since Brookfield has large, well established operations in the real estate and renewable power businesses that will remain separate from us, Brookfield is not obligated to provide us with any opportunities in these sectors, and we do not anticipate pursuing acquisitions in these areas. In addition, since Brookfield has granted an affiliate the right to act as the exclusive vehicle for Brookfield’s timberland acquisitions in Eastern Canada and the Northeastern U.S., we are not entitled to participate in timberland acquisitions in those geographic regions. In the event of the termination of the Master Services Agreement, the Relationship Agreement would also terminate, including Brookfield’s commitments to provide us with acquisition opportunities, as described above.

Pursuant to the Relationship Agreement, Brookfield has also agreed to use reasonable efforts to ensure that any voting rights with respect to any operating entity (other than TBE, our Brazilian transmission investments) that are held by entities over which it has control are voted:

- in favour of the election of a director (or its equivalent) approved by the entity through which our interest in the relevant entity is held; and

- in accordance with the direction of the entity through which our interest in the relevant entity is held with respect to the approval or rejection of the following matters relating to the operating entity, as applicable: (i) any sale of all or substantially all of its assets, (ii) any merger, amalgamation, consolidation, business combination or other material corporate transaction, except in connection with any internal reorganization that does not result in a change of control, (iii) any plan or proposal for a complete or partial liquidation or dissolution, or any reorganization or any case, proceeding or action seeking relief under any existing laws or future laws relating to bankruptcy or insolvency, (iv) any issuance of shares, units or other securities, including debt securities, or (v) any commitment or agreement to do any of the foregoing.

For these purposes, the relevant entity may maintain, from time-to-time, an approved slate of nominees or provide direction with respect to the approval or rejection of any matter in the form of general guidelines, policies or procedures in which case no further approval or direction will be required. Any such general guidelines, policies or procedures may be modified by the relevant entity in its discretion.

Under the Relationship Agreement, our partnership, Brookfield Infrastructure and the Holding Entities have agreed that none of Brookfield or the Manager, nor any director, officer, agent, member, partner, shareholder or employee of Brookfield or the Manager, will be liable to us for any claims, liabilities, losses, damages, costs or expenses (including legal fees) arising in connection with the business, investments and activities in respect of or arising from the Relationship Agreement. The maximum amount of the aggregate liability of Brookfield, or any of its affiliates, or of any director, officer, employee, contractor, agent, advisor or other representative of Brookfield, will be equal to the amounts previously paid in the two most recent calendar years by the Service Recipients pursuant to the Master Services Agreement.

Services Provided under Our Master Services Agreement

The Service Recipients have entered into the Master Services Agreement pursuant to which Brookfield Infrastructure Group Inc. and certain other affiliates of Brookfield Asset Management who are party thereto agreed to provide or arrange for other service providers to provide management and administration services to our partnership and the other Service Recipients. In exchange, the Manager is entitled to a Base Management Fee. For a description of our Master Services Agreement, see Item 6.A “Directors and Senior Management—Our Master Services Agreement.”

Other Services

Brookfield may provide to the operating entities services which are outside the scope of the Master Services Agreement under arrangements that are on market terms and conditions and pursuant to which Brookfield will receive fees. The services provided under these arrangements include financial advisory, operations and maintenance, development, operations management and other services. Pursuant to our conflict of interest guidelines, those arrangements may require prior approval by a majority of the independent directors, which may be granted in the form of general guidelines, policies or procedures. See “—Conflicts of Interest and Fiduciary Duties.”

Longview Purchase Agreement

We have entered into an agreement with Brookfield that provides for us to acquire an additional indirect interest in Longview in the event that Brookfield contributes its remaining interest in Longview to a timberlands focused partnership with institutional investors. The agreement provides that we will participate in any such partnership through a commitment of up to \$600 million provided that (i) third party institutional investors commit at least \$400 million; (ii) the transfer of Longview is at a price equal to the appraised value of the timberlands and real estate plus working capital; and (iii) the transaction is completed within 18 months. Our agreement is also subject to our ability to obtain financing. The agreement also includes other conditions,

representations and warranties and covenants that are customary for an agreement of this nature. Pursuant to this agreement, we have also acknowledged that, we will be subject to typical market terms as a partner, including with respect to capital commitments, applicable fees and carried interest.

Equity Commitment and Other Financing

Concurrent with the closing of the spin-off, Brookfield provided to our partnership and Brookfield Infrastructure an equity commitment in the amount of \$200 million. The equity commitment may be called by our partnership and/or Brookfield Infrastructure in exchange for the issuance of a number of units of our partnership or Brookfield Infrastructure, as the case may be, to Brookfield, corresponding to the amount of the equity commitment called divided by the volume weighted average of the trading price for our units on the principal stock exchange on which our units are listed for the five days immediately preceding the date of the call. The equity commitment is available to be called for a three year duration following closing of the spin-off. The equity commitment is available in minimum amounts of \$10 million and the amount available under the equity commitment will be reduced permanently by the amount so called. Before funds may be called on the equity commitment a number of conditions precedent must be met, including that Brookfield continues to control the Infrastructure GP LP and has the ability to elect a majority of the board of directors of the Infrastructure General Partner.

The units of Brookfield Infrastructure to be issued under the equity commitment will become subject to the Redemption-Exchange Mechanism and may therefore result in Brookfield acquiring additional units of our partnership. See Item 10.B “Memorandum and Articles of Association—Description of Brookfield Infrastructure’s Limited Partnership Agreement—Redemption-Exchange Mechanism.”

If the equity commitment were called in full by Brookfield Infrastructure, Brookfield’s ownership of Brookfield Infrastructure would increase from approximately 40% to approximately 51% or, if the equity commitment were called in full by our partnership, Brookfield’s ownership of our outstanding limited partnership units would increase from approximately 6% to approximately 31%, in each case assuming that our units’ market price is equal to our pro forma book value per unit. However, since capital calls under the equity commitment will be at the five day volume weighted average price of our units, the capital calls will not be economically dilutive to our existing unit holders.

The rationale for the equity commitment is to provide our partnership and Brookfield Infrastructure with access to equity capital on an as needed basis and to maximize our flexibility. Brookfield Infrastructure has also established a credit facility with a syndicate of banks. We intend to use the liquidity provided by the equity commitment and credit facility for working capital purposes, and we may use the proceeds from the equity commitment to fund growth capital investments and acquisitions. Furthermore, Brookfield has informed us that it will also consider providing bridge financing to us for the purposes of funding acquisitions. The determination of which of these sources of funding Brookfield Infrastructure will access in any particular situation will be a matter of optimizing needs and opportunities at that time.

Preferred Shares

Brookfield has provided an aggregate of \$20 million of working capital to our Holding Entities through a subscription for preferred shares of such Holding Entities. The preferred shares are entitled to receive a cumulative preferential dividend equal to 6% of their redemption value as and when declared by the board of directors of the applicable Holding Entity and are redeemable at the option of the Holding Entity, subject to certain limitations, at any time after the tenth anniversary of their issuance. The preferred shares are not entitled to vote, except as required by law.

Redemption-Exchange Mechanism

At any time after two years from the date of closing of the spin-off, one or more wholly-owned subsidiaries of Brookfield that hold Redemption-Exchange Units (as hereinafter defined) will have the right to require

Brookfield Infrastructure to redeem all or a portion of the Redemption-Exchange Units, subject to our partnership's right of first refusal, for cash in an amount equal to the market value of one of our units multiplied by the number of units to be redeemed (subject to certain adjustments). See Item 10.B "Memorandum and Articles of Association—Description of Brookfield Infrastructure's Limited Partnership Agreement—Redemption-Exchange Mechanism." Taken together, the effect of the redemption right and the right of first refusal is that one or more wholly-owned subsidiaries of Brookfield will receive our units, or the value of such units, at the election of our partnership. Should our partnership determine not to exercise its right of first refusal, cash required to fund a redemption of limited partnership interests of Brookfield Infrastructure held by wholly-owned subsidiaries of Brookfield will likely be financed by a public offering of our units.

Registration Rights Agreement

Our partnership has entered into a registration rights agreement with Brookfield pursuant to which our partnership has agreed that, upon the request of Brookfield, our partnership will file one or more registration statements to register for sale under the United States Securities Act of 1933, as amended, any of our partnership's units held by Brookfield (including our units acquired pursuant to the Redemption-Exchange Mechanism). In the registration rights agreement we have agreed to pay expenses in connection with such registration and sales and have indemnified Brookfield for material misstatements or omissions in the registration statement.

Incentive Distributions

Infrastructure GP LP is entitled to receive incentive distributions from Brookfield Infrastructure as a result of its ownership of the general partnership interest in Brookfield Infrastructure. The incentive distributions are to be calculated in increments based on the amount by which quarterly distributions on the limited partnership units of Brookfield Infrastructure exceed specified target levels as set forth in Brookfield Infrastructure's limited partnership agreement. See Item 10.B "Memorandum and Articles of Association—Description of Brookfield Infrastructure's Limited Partnership Agreement—Distributions."

The Infrastructure GP LP may, at its sole discretion, elect to reinvest incentive distributions in exchange for Redemption-Exchange Units.

To the extent that any Holding Entity or any operating entity pays to Brookfield any comparable performance or incentive distribution, the amount of any future incentive distributions will be reduced in an equitable manner to avoid duplication of distributions.

For example, in conjunction with the consortium arrangements in respect of our Canadian timber operations and our Chilean transmission operations, we pay to Brookfield our pro-rata share of base management fees paid by each of the respective consortiums and, in the case of our Canadian timber operations, our pro-rata share of performance fees. Pursuant to the Master Services Agreement, the base management fees paid pursuant to the consortium arrangements are creditable against the management fee payable under the Master Services Agreement and, in the case of the performance fees paid pursuant to the consortium arrangements in respect of the Canadian timber operations, such performance fees reduce incentive distributions to which Brookfield would otherwise be entitled from Brookfield Infrastructure pursuant to Brookfield Infrastructure's limited partnership agreement. See Item 6.A "Directors and Senior Management—Our Master Services Agreement."

In addition, operations, maintenance and corporate services will continue to be provided to the Ontario transmission operations by Brookfield on an outsourced—cost recovery basis, with such costs being recoverable under the regulated revenue requirement of this operation. Other services may also be provided to us under arrangements that are on market terms and conditions, such as participation in Brookfield's group insurance and purchase programs, as described under "—Other Services."

General Partner Distributions

Pursuant to our limited partnership agreement, the Managing General Partner is entitled to receive a general partner distribution equal to 0.01% of the total distributions of our partnership. See Item 10.B “Memorandum and Articles of Association—Description of Our Units and Our Limited Partnership Agreement.”

Pursuant to the limited partnership agreement of Brookfield Infrastructure, Infrastructure GP LP is entitled to receive a general partner distribution from Brookfield Infrastructure equal to a share of the total distributions of Brookfield Infrastructure in proportion to the Infrastructure GP LP’s percentage interest in Brookfield Infrastructure which, immediately following the spin-off, was equal to 1% of the total distributions of Brookfield Infrastructure. See Item 10.B “Memorandum and Articles of Association—Description of Brookfield Infrastructure’s Limited Partnership Agreement—Distributions.” In addition, it is entitled to receive the incentive distributions described above under “—Incentive Distribution.”

Distribution Reinvestment Plan

Brookfield Infrastructure has a distribution reinvestment plan. Brookfield has advised our partnership that it may from time-to-time reinvest distributions it receives from Brookfield Infrastructure in Brookfield Infrastructure’s distribution reinvestment plan. In addition, subject to regulatory approval and U.S. securities law registration requirements, our partnership intends to adopt a distribution reinvestment plan. While our partnership has not yet adopted a distribution reinvestment plan, the following is a summary description of the principal terms of the plan our partnership intends to adopt.

Pursuant to the distribution reinvestment plan, holders of our units in certain jurisdictions will be able to elect to have all distributions paid on our units held by them automatically reinvested in additional units in accordance with the terms of the distribution reinvestment plan. Distributions to be reinvested in our units under the distribution reinvestment plan will be reduced by the amount of any applicable withholding tax.

Distributions due to plan participants will be paid to the plan agent, for the benefit of the plan participants and, if a plan participant has elected to have his or her distributions automatically reinvested, applied, on behalf of such plan participant, to the purchase of additional units. Such purchases will be made either (a) on the stock exchange on which our units are listed on the date the relevant distribution is paid by our partnership or (b) from our partnership on the distribution date at a price per unit calculated by reference to the volume weighted average of the trading price for our units on a stock exchange on which our units are listed for the five trading days immediately preceding the date the relevant distribution is paid by our partnership.

The units so purchased will be allocated on a pro rata basis to plan participants. The plan agent will furnish to each plan participant a report of the units purchased for the distribution reinvestment plan participant’s account in respect of each distribution and the cumulative total purchased for that account. While our partnership will not issue fractional units, a plan participant’s pro rata entitlement to units purchased under the distribution reinvestment plan may include a fraction of a unit and such fractional units shall accumulate. A cash adjustment for any fractional units will be paid by the plan agent upon the withdrawal from or termination by a plan participant of his or her participation in the distribution reinvestment plan or upon termination of the distribution reinvestment plan at price per unit calculated by reference to the volume weighted average of the trading price for our units on a stock exchange on which our units are listed for the five trading days immediately preceding such withdrawal or termination. No certificates representing units issued or purchased pursuant to the distribution reinvestment plan will be issued, other than upon a plan participant’s termination of participation in the distribution reinvestment plan. The automatic reinvestment of distributions under the distribution reinvestment plan will not relieve participants of any income tax obligations applicable to such distributions.

If our units are thinly traded, purchases in the market under the distribution reinvestment plan may significantly affect the market price. Depending on market conditions, direct reinvestment of cash distributions

by unitholders in the market may be more, or less, advantageous than the reinvestment arrangements under the distribution reinvestment plan. No brokerage commissions will be payable in connection with the purchase of our units under the distribution reinvestment plan and all administrative costs will be borne by our partnership.

Unitholders will be able to terminate their participation in the distribution reinvestment plan by providing, or by causing to be provided, at least 10 business days' prior written notice to our partnership. Such notice, if actually received by our partnership no later than 10 business days prior to a record date, will have effect in respect of the distribution to be made as of such date. Thereafter, distributions to such unitholders will be in cash. Our partnership will be able to terminate the distribution reinvestment plan, in its sole discretion, upon not less than 30 days' notice to the plan participants and the plan agent. Our partnership will also be able to amend, modify or suspend the distribution reinvestment plan at any time in its sole discretion, provided that it gives notice of that amendment, modification or suspension to our unitholders, which notice may be given by our partnership issuing a press release or by publishing an advertisement containing a summary description of the amendment in at least one major daily newspaper of general and regular paid circulation in Canada and the United States or in any other manner our partnership determines to be appropriate.

Brookfield Infrastructure will have a corresponding distribution reinvestment plan in respect of distributions made to our partnership and Brookfield. Brookfield Infrastructure's distribution reinvestment plan may be implemented prior to our partnership adopting its distribution reinvestment plan. Our partnership does not intend to reinvest distributions it receives from Brookfield Infrastructure in Brookfield Infrastructure's distribution reinvestment plan except to the extent that holders of our units elect to reinvest distributions pursuant to our distribution reinvestment plan. Brookfield has advised our partnership that it may from time-to-time reinvest distributions it receives from Brookfield Infrastructure pursuant to Brookfield Infrastructure's distribution reinvestment plan. The units of Brookfield Infrastructure to be issued to Brookfield under the distribution reinvestment plan will become subject to the Redemption-Exchange Mechanism and may therefore result in Brookfield acquiring additional units of our partnership. See Item 10.B "Memorandum and Articles of Association—Description of Brookfield Infrastructure's Limited Partnership Agreement—Redemption-Exchange Mechanism."

Indemnification Arrangements

Subject to certain limitations, Brookfield and its directors, officers, agents, members, partners, shareholders and employees generally benefit from indemnification provisions and limitations on liability that are included in our limited partnership agreement, our Managing General Partner's Bye-laws, Brookfield Infrastructure's limited partnership agreement, our Master Services Agreement and other arrangements with Brookfield. See Item 6.A "Directors and Senior Management—Our Master Services Agreement," Item 10.B "Memorandum and Articles of Association—Description of Our Units and Our Limited Partnership Agreement—Indemnification; Limitations of Liability" and Item 10.B "Memorandum and Articles of Association—Description of Brookfield Infrastructure's Limited Partnership Agreement—Indemnification; Limitations of Liability."

Licensing Agreement

Our partnership and Brookfield Infrastructure have each entered into a licensing agreement with Brookfield pursuant to which Brookfield has granted a non-exclusive, royalty-free license to use the name "Brookfield" and the Brookfield logo. Other than under this limited license, we do not have a legal right to the "Brookfield" name and the Brookfield logo in the United States and Canada.

We will be permitted to terminate the licensing agreement upon 30 days' prior written notice if Brookfield defaults in the performance of any material term, condition or agreement contained in the agreement and the default continues for a period of 30 days after written notice of termination of the breach is given to Brookfield.

Brookfield may terminate the licensing agreement effective immediately upon termination of our Master Services Agreement or with respect to any licensee upon 30 days' prior written notice of termination if any of the following occurs:

- the licensee defaults in the performance of any material term, condition or agreement contained in the agreement and the default continues for a period of 30 days after written notice of termination of the breach is given to the licensee;
- the licensee assigns, sublicenses, pledges, mortgages or otherwise encumbers the intellectual property rights granted to it pursuant to the licensing agreement;
- certain events relating to a bankruptcy or insolvency of the licensee; or
- the licensee ceases to be an affiliate of Brookfield.

A termination of the licensing agreement with respect to one or more licensee will not affect the validity or enforceability of the agreement with respect to any other licensees.

Conflicts of Interest and Fiduciary Duties

Our organizational and ownership structure and strategy involve a number of relationships that may give rise to conflicts of interest between our partnership and our unitholders, on the one hand, and Brookfield, on the other hand. In particular, conflicts of interest could arise, among other reasons, because:

- in originating and recommending acquisition opportunities, Brookfield has significant discretion to determine the suitability of opportunities for us and to allocate such opportunities to us or to itself or third parties;
- because of the scale of typical infrastructure acquisitions and because our strategy includes completing acquisitions through consortium or partnership arrangements with pension funds and other financial sponsors, we will likely make co-investments with Brookfield and Brookfield sponsored funds or Brookfield sponsored or co-sponsored consortiums and partnerships, which typically will require that Brookfield owe fiduciary duties to the other partners or consortium members that it does not owe to us;
- there may be circumstances where Brookfield will determine that an acquisition opportunity is not suitable for us because of limits arising due to regulatory or tax considerations or limits on our financial capacity or because of the immaturity of the target assets or the fit with our acquisition strategy and Brookfield is entitled to pursue the acquisition on its own behalf rather than offering us the opportunity to make the acquisition and, as a result, Brookfield may initially or ultimately make the acquisition;
- where Brookfield has made an acquisition, it may transfer it to us at a later date after the assets have been developed or we have obtained sufficient financing;
- our relationship with Brookfield involves a number of arrangements pursuant to which Brookfield provides various services and access to financing arrangements and acquisition opportunities, and circumstances may arise in which these arrangements will need to be amended or new arrangements will need to be entered into;
- our arrangements with Brookfield were negotiated in the context of the spin-off, which may have resulted in those arrangements containing terms that are less favorable than those which otherwise might have been obtained from unrelated parties;
- under Brookfield Infrastructure's limited partnership agreement and the agreements governing the operating entities, Brookfield is generally entitled to share in the returns generated by our operations, which could create an incentive for it to assume greater risks when making decisions than they otherwise would in the absence of such arrangements;

- Brookfield is permitted to pursue other business activities and provide services to third parties that compete directly with our business and activities without providing us with an opportunity to participate, which could result in the allocation of Brookfield's resources, personnel and acquisition opportunities to others who compete with us;
- Brookfield does not owe our partnership or our unitholders any fiduciary duties, which may limit our recourse against it; and
- the liability of Brookfield is limited under our arrangements with them, and we have agreed to indemnify Brookfield against claims, liabilities, losses, damages, costs or expenses which they may face in connection with those arrangements, which may lead them to assume greater risks when making decisions than they otherwise would if such decisions were being made solely for their own account, or may give rise to legal claims for indemnification that are adverse to the interests of our unitholders.

With respect to transactions in which there is greater potential for a conflict of interest to arise, our Managing General Partner may be required to seek the prior approval of a majority of the independent directors pursuant to conflict of interest guidelines that have been approved by a majority of the independent directors. These transactions include (i) the dissolution of our partnership; (ii) any material amendment to the Master Services Agreement, the equity commitment, our limited partnership agreement or Brookfield Infrastructure's limited partnership agreement; (iii) any material service agreement or other arrangement pursuant to which Brookfield will be paid a fee, or other consideration other than any agreement or arrangement contemplated by the Master Services Agreement; (iv) any calls by Brookfield Infrastructure or our partnership on the equity commitment; (v) acquisitions by us from, and dispositions by us to, Brookfield or any of its affiliates; (vi) any other transaction involving Brookfield or an affiliate of Brookfield and (vii) termination of, or any determinations regarding indemnification under, the Master Services Agreement. Pursuant to our conflicts policy, independent directors may grant prior approvals for any of these transactions in the form of general guidelines, policies or procedures in which case no further special approval will be required in connection with a particular transaction or matter permitted thereby. In certain circumstances, these transactions may be related party transactions for the purposes of, and subject to certain requirements of, Multilateral Instrument 61-101, or MI 61-101, which in some situations requires minority shareholder approval and/or valuation for transactions with related parties. An exemption from such requirements is available when the fair market value of the transaction is not more than 25% of the market capitalization of the issuer. Our partnership has been granted exemptive relief from the requirements of MI 61-101 that, subject to certain conditions, would permit it to be exempt from the minority approval and valuation requirements for transactions that would have a value of less than 25% of our partnership's market capitalization if Brookfield's indirect equity interest in our partnership was included in the calculation of our partnership's market capitalization. As a result, the 25% threshold above which the minority approval and valuation requirements would apply would be increased to include the approximately 40% indirect interest in our partnership held by Brookfield.

We maintain a conflicts policy to assist in the resolution of these potential or actual conflicts which states that conflicts be resolved based on the principles of transparency, independent validation and approvals. The policy recognizes the benefit to us of our relationship with Brookfield and our intent to pursue a strategy that seeks to maximize the benefits from this relationship. The policy also recognizes that the principal areas of potential application of the policy on an ongoing basis will be in connection with our acquisitions and our participation in Brookfield led consortia and partnership arrangements, together with any management or service arrangements entered into in connection therewith or the ongoing operations of the underlying operating entities.

In general, the policy provides that acquisitions that are carried out jointly by us and Brookfield, or in the context of a Brookfield led or co-led consortium or partnership be carried out on the basis that the consideration paid by us be no more, on a per share or proportionate basis, than the consideration paid by Brookfield or other participants, as applicable. The policy also provides that any fees or carried interest payable in respect of our proportionate investment, or in respect of an acquisition made solely by us, must be credited in the manner contemplated by our Master Services Agreement and Brookfield Infrastructure's limited partnership agreement,

where applicable, or that such fees or carried interest must either have been negotiated with another arm's length participant or otherwise demonstrated to be on market terms. The policy further provides that if the acquisition involves the purchase by us of an asset from Brookfield, or the participation in a transaction involving the purchase by us and Brookfield of different assets, that a fairness opinion or, in some circumstances, a valuation or appraisal by a qualified expert be obtained. These requirements provided for in the conflicts policy are in addition to any disclosure, approval and valuation requirements that may arise under applicable law.

Our limited partnership agreement and the limited partnership agreement of Brookfield Infrastructure contain various provisions that modify the fiduciary duties that might otherwise be owed to us and our unitholders. These duties include the duties of care and loyalty. The duty of loyalty, in the absence of provisions in the limited partnership agreements of our partnership and Brookfield Infrastructure to the contrary, would generally prohibit the Managing General Partner and Infrastructure General Partner from taking any action or engaging in any transaction as to which it has a conflict of interest. The limited partnership agreements of our partnership and Brookfield Infrastructure each prohibit the limited partners from advancing claims that otherwise might raise issues as to compliance with fiduciary duties or applicable law. For example, the agreements provide that our Managing General Partner, the Infrastructure General Partner and their affiliates will not have any obligation under the limited partnership agreements of our partnership or Brookfield Infrastructure, or as a result of any duties stated or implied by law or equity, including fiduciary duties, to present business or investment opportunities to our partnership, Brookfield Infrastructure, any Holding Entity or any other holding vehicle established by our partnership. They also allow affiliates of the Managing General Partner and Infrastructure General Partner to engage in activities that may compete with us or our activities. In addition, the agreements permit our Managing General Partner and the Infrastructure General Partner to take into account the interests of third parties, including Brookfield, when resolving conflicts of interest.

These modifications to the fiduciary duties are detrimental to our unitholders because they restrict the remedies available for actions that might otherwise constitute a breach of fiduciary duty and permit conflicts of interest to be resolved in a manner that is not always in the best interests of our partnership or the best interests of our unitholders. We believe it is necessary to modify the fiduciary duties that might otherwise be owed to us and our unitholders, as described above, due to our organizational and ownership structure and the potential conflicts of interest created thereby. Without modifying those duties, the ability of our Managing General Partner and the Infrastructure General Partner to attract and retain experienced and capable directors and to take actions that we believe will be necessary for the carrying out of our business would be unduly limited due to their concern about potential liability.

7.C INTEREST OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

8.A CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

Please see Item 18 below for additional information required to be disclosed under this Item.

8.B SIGNIFICANT CHANGES

Please see Item 3 "Key Information," Item 4 "Information on the Company," Item 5 "Operating and Financial Review and Prospects" for additional information.

ITEM 9. THE OFFER AND LISTING

9.A LISTING DETAILS

The following table sets forth the high and low prices for our units on the NYSE for the periods indicated since the date of listing on January 31, 2008:

	<u>High</u>	<u>Low</u>
January 31, 2008 to March 31, 2008	\$21.60	\$14.60
April 1, 2008 to June 30, 2008	\$21.00	\$16.95
July 1, 2008 to September 30, 2008	\$19.81	\$15.00
October 1, 2008 to October 31, 2008	\$16.55	\$ 9.47
November 1, 2008 to November 30, 2008	\$16.17	\$ 9.82
December 1, 2008 to December 31, 2008	\$12.20	\$10.22
January 1, 2009 to January 31, 2009	\$15.00	\$11.30
February 1, 2009 to February 28, 2009	\$14.30	\$11.23
March 1, 2009 to March 31, 2009	\$14.31	\$ 7.15
April 1, 2009 to April 24, 2009	\$14.01	\$11.51

9.B PLAN OF DISTRIBUTION

Not applicable.

9.C MARKET

Our units are listed on the NYSE under the symbol "BIP".

9.D SELLING SHAREHOLDERS

Not applicable.

9.E DILUTION

Not applicable.

9.F EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

10.A SHARE CAPITAL

Not applicable.

10.B MEMORANDUM AND ARTICLES OF ASSOCIATION

DESCRIPTION OF OUR UNITS AND OUR LIMITED PARTNERSHIP AGREEMENT

The following is a description of the material terms of our units and our limited partnership agreement, as amended, and is qualified in its entirety by reference to all of the provisions of our limited partnership agreement. Because this description is only a summary of the terms of our units and our limited partnership agreement, it does not contain all of the information that you may find useful. For more complete information, you should read the limited partnership agreement which is available electronically on the website of the Securities and Exchange Commission at www.sec.gov and our SEDAR profile at www.sedar.com and will be made available to our holders as described under Item 10.C "Material Contracts" and Item 10.H "Documents on display."

See also the information contained in this Form 20-F under Item 3.D “Risk Factors—Risk Relating to Our Relationship with Brookfield,” Item 6.C “Board Practices,” Item 6.A “Directors and Senior Management” and Item 7.B “Related Party Transactions.”

Formation and Duration

Our partnership is a Bermuda exempted limited partnership registered under the Limited Partnership Act 1883 and the Exempted Partnerships Act 1992. Our partnership has a perpetual existence and will continue as a limited liability partnership unless our partnership is terminated or dissolved in accordance with our limited partnership agreement. Our partnership interests consist of our units, which represent limited partnership interests in our partnership, and any additional partnership interests representing limited partnership interests that we may issue in the future as described below under “—Issuance of Additional Partnership Interests.” In this description, references to “holders of our partnership interests” and our “unitholders” are to our limited partners and references to our limited partners include holders of our units.

Nature and Purpose

Under our limited partnership agreement, the purpose of our partnership is to: acquire and hold interests in Brookfield Infrastructure and, subject to the approval of the Managing General Partner, any other subsidiary of our partnership; engage in any activity related to the capitalization and financing of our partnership’s interests in such entities; and engage in any other activity that is incidental to or in furtherance of the foregoing and that is approved by our Managing General Partner and that lawfully may be conducted by a limited partnership organized under the Limited Partnership Act 1883 and our limited partnership agreement.

Our Units

Our units are limited partnership interests in our partnership. Holders of our units are not entitled to the withdrawal or return of capital contributions in respect of our units, except to the extent, if any, that distributions are made to such holders pursuant to our limited partnership agreement or upon the liquidation of our partnership as described below under “—Liquidation and Distribution of Proceeds” or as otherwise required by applicable law. Except to the extent expressly provided in our limited partnership agreement, a holder of our units does not have priority over any other holder of our units, either as to the return of capital contributions or as to profits, losses or distributions. Holders of our units will not be granted any preemptive or other similar right to acquire additional interests in our partnership. In addition, holders of our units do not have any right to have their units redeemed by our partnership.

Issuance of Additional Partnership Interests

Our Managing General Partner has broad rights to cause our partnership to issue additional partnership interests and may cause our partnership to issue additional partnership interests (including new classes of partnership interests and options, rights, warrants and appreciation rights relating to such interests) for any partnership purpose, at any time and on such terms and conditions as it may determine without the approval of any limited partners. Any additional partnership interests may be issued in one or more classes, or one or more series of classes, with such designations, preferences, rights, powers and duties (which may be senior to existing classes and series of partnership interests) as may be determined by our Managing General Partner in its sole discretion, all without approval of our limited partners.

Investments in Brookfield Infrastructure

If and to the extent that our partnership raises funds by way of the issuance of equity or debt securities, or otherwise, pursuant to a public offering, private placement or otherwise, an amount equal to the proceeds will be invested in Brookfield Infrastructure.

Capital Contributions

Brookfield and the Managing General Partner each contributed \$1 to the capital of our partnership in order to form our partnership. Thereafter, Brookfield contributed to our partnership limited partnership interests of Brookfield Infrastructure in exchange for Redemption-Exchange Units and our units, the latter of which was distributed by Brookfield Asset Management in the spin off.

Distributions

Distributions to partners of our partnership will be made only as determined by the Managing General Partner in its sole discretion. However, the Managing General Partner will not be permitted to cause our partnership to make a distribution if it does not have sufficient cash on hand to make the distribution, the distribution would render it insolvent or if, in the opinion of the Managing General Partner, the distribution would leave it with insufficient funds to meet any future contingent obligations.

Any distributions from our partnership will be made to the limited partners as to 99.99% and to the Managing General Partner as to 0.01%. Each limited partner will receive a pro rata share of distributions made to all limited partners in accordance with the proportion of all outstanding units held by that limited partner. See Item 8.A “Consolidated Statements and Other Financial Information.”

Allocations of Income and Losses

Net income and net loss for U.S. federal income tax purposes will be allocated for each taxable year among our partners using a monthly, quarterly or other permissible convention pro rata on a per unit basis, except to the extent otherwise required by law or pursuant to tax elections made by our partnership. The source and character of items of income and loss so allocated to a partner of our partnership will be the same source and character as the income earned or loss incurred by our partnership.

The income for Canadian federal income tax purposes of our partnership for a given fiscal year of our partnership will be allocated to each partner in an amount calculated by multiplying such income by a fraction, the numerator of which is the sum of the distributions received by such partner with respect to such fiscal year and the denominator of which is the aggregate amount of the distributions made by our partnership to partners with respect to such fiscal year. Generally, the source and character of items of income so allocated to a partner with respect to a fiscal year of our partnership will be the same source and character as the distributions received by such partner with respect to such fiscal year.

If, with respect to a given fiscal year, no distribution is made by our partnership or our partnership has a loss for Canadian federal income tax purposes, one quarter of the income, or loss, as the case may be, for Canadian federal income tax purposes of our partnership for such fiscal year, will be allocated to the partners of record at the end of each calendar quarter ending in such fiscal year pro rata to their respective percentage interests in our partnership, which in the case of the Managing General Partner shall mean 0.01%, and in the case of all limited partners of our partnership shall mean in the aggregate 99.99%, which aggregate percentage interest shall be allocated among the limited partners in the proportion that the number of limited partnership units held at each such date by a limited partner is of the total number of limited partnership units issued and outstanding at each such date. Generally, the source and character of such income or losses so allocated to a partner at the end of each calendar quarter will be the same source and character as the income or loss earned or incurred by our partnership in such calendar quarter.

Limited Liability

Assuming that a limited partner does not participate in the control or management of our partnership or conduct the affairs of, sign or execute documents for or otherwise bind our partnership within the meaning of the Limited Partnership Act 1883 and otherwise acts in conformity with the provisions of our limited partnership

agreement, such partner's liability under the Limited Partnership Act 1883 and our limited partnership agreement will be limited to the amount of capital such partner is obligated to contribute to our partnership for its limited partner interest plus its share of any undistributed profits and assets, except as described below.

If it were determined, however, that a limited partner was participating in the control or management of our partnership or conducting the affairs of, signing or executing documents for or otherwise binding our partnership (or purporting to do any of the foregoing) within the meaning of the Limited Partnership Act 1883 or the Exempted Partnerships Act 1992, such limited partner would be liable as if it were a general partner of our partnership in respect of all debts of our partnership incurred while that limited partner was so acting or purporting to act. Neither our limited partnership agreement nor the Limited Partnership Act 1883 specifically provides for legal recourse against our Managing General Partner if a limited partner were to lose limited liability through any fault of our Managing General Partner. While this does not mean that a limited partner could not seek legal recourse, we are not aware of any precedent for such a claim in Bermuda case law.

No Management or Control

Our partnership's limited partners, in their capacities as such, may not take part in the management or control of the activities and affairs of our partnership and do not have any right or authority to act for or to bind our partnership or to take part or interfere in the conduct or management of our partnership. Limited partners are not entitled to vote on matters relating to our partnership, although holders of units are entitled to consent to certain matters as described under "—Amendment of Our Limited Partnership Agreement," "—Opinion of Counsel and Limited Partner Approval," "—Merger, Sale or Other Disposition of Assets," and "—Withdrawal of Our Managing General Partner" which may be effected only with the consent of the holders of the percentages of our outstanding units specified below. Each unit shall entitle the holder thereof to one vote for the purposes of any approvals of holders of units.

Meetings

Our Managing General Partner may call special meetings of partners at a time and place outside of Canada determined by our Managing General Partner on a date not less than 10 days nor more than 60 days after the mailing of notice of the meeting. The limited partners do not have the ability to call a special meeting. Only holders of record on the date set by our Managing General Partner (which may not be less than 10 days nor more than 60 days, before the meeting) are entitled to notice of any meeting.

Written consents may be solicited only by or on behalf of our Managing General Partner. Any such consent solicitation may specify that any written consents must be returned to our partnership within the time period, which may not be less than 20 days, specified by our Managing General Partner.

For purposes of determining holders of partnership interests entitled to provide consents to any action described above, our Managing General Partner may set a record date, which may be not less than 10 nor more than 60 days before the date by which record holders are requested in writing by our Managing General Partner to provide such consents. Only those holders of partnership interests on the record date established by our Managing General Partner will be entitled to provide consents with respect to matters as to which a consent right applies.

Amendment of Our Limited Partnership Agreement

Amendments to our limited partnership agreement may be proposed only by or with the consent of our Managing General Partner. To adopt a proposed amendment, other than the amendments that do not require limited partner approval discussed below, our Managing General Partner must seek approval of a majority of our outstanding units required to approve the amendment or call a meeting of the limited partners to consider and vote upon the proposed amendment.

Prohibited Amendments

No amendment may be made that would:

- enlarge the obligations of any limited partner without its consent, except that any amendment that would have a material adverse effect on the rights or preferences of any class of partnership interests in relation to other classes of partnership interests may be approved by at least a majority of the type or class of partnership interests so affected, or
- enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable by our partnership to our Managing General Partner or any of its affiliates without the consent of our Managing General Partner, which may be given or withheld in its sole discretion.

The provision of our limited partnership agreement preventing the amendments having the effects described directly above can be amended upon the approval of the holders of at least 90% of the outstanding units.

No Limited Partner Approval

Subject to applicable law, our Managing General Partner may generally make amendments to our limited partnership agreement without the approval of any limited partner to reflect:

- a change in the name of our partnership, the location of our partnership's registered office, or our partnership's registered agent,
- the admission, substitution or withdrawal of partners in accordance with our limited partnership agreement,
- a change that our Managing General Partner determines is necessary or appropriate for our partnership to qualify or to continue our partnership's qualification as a limited partnership or a partnership in which the limited partners have limited liability under the laws of any jurisdiction or to ensure that our partnership will not be treated as an association taxable as a corporation or otherwise taxed as an entity for tax purposes,
- an amendment that our Managing General Partner determines to be necessary or appropriate to address certain changes in tax regulations, legislation or interpretation,
- an amendment that is necessary, in the opinion of our counsel, to prevent our partnership or our Managing General Partner or its directors, officers, agents or trustees, from having a material risk of being in any manner being subjected to the provisions of the U.S. Investment Company Act or similar legislation in other jurisdictions,
- an amendment that our Managing General Partner determines in its sole discretion to be necessary or appropriate for the creation, authorization or issuance of any class or series of partnership interests or options, rights, warrants or appreciation rights relating to partnership securities,
- any amendment expressly permitted in our limited partnership agreement to be made by our Managing General Partner acting alone,
- an amendment effected, necessitated or contemplated by an agreement of merger, consolidation or other combination agreement that has been approved under the terms of our limited partnership agreement,
- any amendment that in the sole discretion of our Managing General Partner is necessary or appropriate to reflect and account for the formation by our partnership of, or its investment in, any corporation, partnership, joint venture, limited liability company or other entity, as otherwise permitted by our limited partnership agreement,
- a change in our partnership's fiscal year and related changes, or
- any other amendments substantially similar to any of the matters described directly above.

In addition, our Managing General Partner may make amendments to our limited partnership agreement without the approval of any limited partner if those amendments, in the discretion of our Managing General Partner:

- do not adversely affect our partnership's limited partners considered as a whole (including any particular class of partnership interests as compared to other classes of partnership interests) in any material respect,
- are necessary or appropriate to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any governmental agency or judicial authority,
- are necessary or appropriate to facilitate the trading of our units or to comply with any rule, regulation, guideline or requirement of any securities exchange on which our units are or will be listed for trading,
- are necessary or appropriate for any action taken by our Managing General Partner relating to splits or combinations of units under the provisions of our limited partnership agreement, or
- are required to effect the intent expressed in this Form 20-F or the intent of the provisions of our limited partnership agreement or are otherwise contemplated by our limited partnership agreement.

Opinion of Counsel and Limited Partner Approval

Our Managing General Partner will not be required to obtain an opinion of counsel that an amendment will not result in a loss of limited liability to the limited partners if one of the amendments described above under “—No Limited Partner Approval” should occur. No other amendments to our limited partnership agreement (other than an amendment pursuant to a merger, sale or other disposition of assets effected in accordance with the provisions described under “—Merger, Sale or Other Disposition of Assets”) will become effective without the approval of holders of at least 90% of our units, unless our partnership obtains an opinion of counsel to the effect that the amendment will not cause our partnership to be treated as an association taxable as a corporation or otherwise taxable as an entity for tax purposes (provided that for U.S. tax purposes our Managing General Partner has not made the election described below under “—Election to be Treated as a Corporation”) or affect the limited liability under the Limited Partnership Act of 1883 of any of our partnership's limited partners.

In addition to the above restrictions, any amendment that would have a material adverse effect on the rights or preferences of any type or class of partnership interests in relation to other classes of partnership interests will also require the approval of the holders of at least a majority of the outstanding partnership interests of the class so affected.

In addition, any amendment that reduces the voting percentage required to take any action must be approved by the affirmative vote of limited partners whose aggregate outstanding voting units constitute not less than the voting requirement sought to be reduced.

Merger, Sale or Other Disposition of Assets

Any merger, consolidation or other combination of our partnership requires the prior approval of our Managing General Partner who has no duty or obligation to provide any such approval. Our limited partnership agreement generally prohibits our Managing General Partner, without the prior approval of the holders of a majority of our units, from causing our partnership to, among other things, sell, exchange or otherwise dispose of all or substantially all of our partnership's assets in a single transaction or a series of related transactions, including by way of merger, consolidation or other combination, or approving on our partnership's behalf the sale, exchange or other disposition of all or substantially all of the assets of our partnership's subsidiaries. However, our Managing General Partner in its sole discretion may mortgage, pledge, hypothecate or grant a security interest in all or substantially all of our partnership's assets (including for the benefit of persons other than our partnership or our partnership's subsidiaries) without that approval. Our Managing General Partner may also sell all or substantially all of our partnership's assets under any forced sale of any or all of our partnership's assets pursuant to the foreclosure or other realization upon those encumbrances without that approval.

If conditions specified in our limited partnership agreement are satisfied, our Managing General Partner may convert or merge our partnership into, or convey some or all of our partnership's assets to, a newly formed entity if the sole purpose of that merger or conveyance is to effect a mere change in our partnership's legal form into another limited liability entity. Holders of partnership interests are not entitled to dissenters' rights of appraisal under our limited partnership agreement or the Limited Partnership Act 1883 or the Exempted Partnerships Act 1992 in the event of a merger or consolidation, a sale of substantially all of our assets or any other transaction or event.

Election to be Treated as a Corporation

If our Managing General Partner determines that it is no longer in our partnership's best interests to continue as a partnership for U.S. federal income tax purposes, our Managing General Partner may elect to treat our partnership as an association or as a publicly traded partnership taxable as a corporation for U.S. federal (and applicable state) income tax purposes.

Termination and Dissolution

Our partnership will terminate upon the earlier to occur of (i) the date on which all of our partnership's assets have been disposed of or otherwise realized by our partnership and the proceeds of such disposals or realizations have been distributed to partners, (ii) the service of notice by our Managing General Partner, with the special approval of a majority of its independent directors, that in its opinion the coming into force of any law, regulation or binding authority has or will render illegal or impracticable the continuation of our partnership, and (iii) at the election of our Managing General Partner, if our partnership, as determined by the Managing General Partner, is required to register as an "investment company" under the U.S. Investment Company Act or similar legislation in other jurisdictions.

Our partnership will be dissolved upon the withdrawal of our Managing General Partner as the general partner of our partnership (unless Brookfield becomes the general partner as described in the following sentence or the withdrawal is effected in compliance with the provisions of our limited partnership agreement that are described below under "—Withdrawal of Our Managing General Partner") or the entry by a court of competent jurisdiction of a decree of judicial dissolution of our partnership or an order to wind up or liquidate our Managing General Partner. Our partnership will be reconstituted and continue without dissolution if within 30 days of the date of dissolution (and so long as a notice of dissolution has not been filed with the Bermuda Monetary Authority), Brookfield executes a transfer deed pursuant to which it becomes the general partner and assumes the rights and undertakes the obligations of the general partner and our partnership receives an opinion of counsel that the admission of Brookfield as general partner will not result in the loss of the limited liability of any limited partner.

Liquidation and Distribution of Proceeds

Upon our dissolution, unless our partnership is continued as a new limited partnership, the liquidator authorized to wind up our partnership's affairs will, acting with all of the powers of our Managing General Partner that the liquidator deems necessary or appropriate in its judgment, liquidate our partnership's assets and apply the proceeds of the liquidation first, to discharge our partnership's liabilities as provided in our limited partnership agreement and by law and thereafter to the partners pro rata according to the percentages of their respective partnership interests as of a record date selected by the liquidator. The liquidator may defer liquidation of our partnership's assets for a reasonable period of time or distribute assets to partners in kind if it determines that an immediate sale or distribution of all or some of our partnership's assets would be impractical or would cause undue loss to the partners.

Withdrawal of Our Managing General Partner

Our Managing General Partner may withdraw as Managing General Partner without first obtaining approval of our unitholders by giving 90 days' advance notice, and that withdrawal will not constitute a violation of our limited partnership agreement.

Upon the withdrawal of our Managing General Partner, the holders of a majority of the voting power of our outstanding units may select a successor to that withdrawing Managing General Partner. If a successor is not elected, or is elected but an opinion of counsel regarding limited liability, tax matters and the U.S. Investment Company Act (and similar legislation in other jurisdictions) cannot be obtained, our partnership will be dissolved, wound up and liquidated. See “—Termination and Dissolution” above.

In the event of withdrawal of a general partner where that withdrawal violates our limited partnership agreement, a successor general partner will have the option to purchase the general partnership interest of the departing general partner for a cash payment equal to its fair market value. Under all other circumstances where a general partner withdraws, the departing general partner will have the option to require the successor general partner to purchase the general partnership interest of the departing general partner for a cash payment equal to its fair market value. In each case, this fair market value will be determined by agreement between the departing general partner and the successor general partner. If no agreement is reached within 30 days of the general partner’s departure, an independent investment banking firm or other independent expert selected by the departing general partner and the successor general partner will determine the fair market value. If the departing general partner and the successor general partner cannot agree upon an expert within 45 days of the general partner’s departure, then an expert chosen by agreement of the experts selected by each of them will determine the fair market value.

If the option described above is not exercised by either the departing general partner or the successor general partner, the departing general partner’s general partnership interests will automatically convert into units pursuant to a valuation of those interests as determined by an investment banking firm or other independent expert selected in the manner described in the preceding paragraph.

Transfer of the General Partnership Interest

Our Managing General Partner may transfer all or any part of its general partnership interests without first obtaining approval of any unitholder. As a condition of this transfer, the transferee must assume the rights and duties of the Managing General Partner to whose interest that transferee has succeeded, agree to be bound by the provisions of our limited partnership agreement and furnish an opinion of counsel regarding limited liability, tax matters, and the U.S. Investment Company Act (and similar legislation in other jurisdictions). Any transfer of the general partnership interest is subject to prior notice to and approval of the relevant Bermuda regulatory authorities. At any time, the members of our Managing General Partner may sell or transfer all or part of their shares in our Managing General Partner without the approval of the unitholders.

Partnership Name

If our Managing General Partner ceases to be the general partner of our partnership and our new general partner is not an affiliate of Brookfield, our partnership will be required by our limited partnership agreement to change the name of our partnership to a name that does not include “Brookfield” and which could not be capable of confusion in any way with such name. Our limited partnership agreement explicitly provides that this obligation shall be enforceable and waivable by our Managing General Partner notwithstanding that it may have ceased to be the general partner of our partnership.

Transactions with Interested Parties

Our Managing General Partner, the Manager and their respective partners, members, shareholders, directors, officers, employees and shareholders, which we refer to as “interested parties,” may become limited partners or beneficially interested in limited partners and may hold, dispose of or otherwise deal with our units with the same rights they would have if our Managing General Partner was not a party to our limited partnership agreement. An interested party will not be liable to account either to other interested parties or to our partnership, our partnership’s partners or any other persons for any profits or benefits made or derived by or in connection with any such transaction.

Our limited partnership agreement permits an interested party to sell investments to, purchase assets from, vest assets in and enter into any contract, arrangement or transaction with our partnership, Brookfield Infrastructure, any of the Holding Entities, any operating entity or any other holding vehicle established by our partnership and may be interested in any such contract, transaction or arrangement and shall not be liable to account either to our partnership, Brookfield Infrastructure, any of the Holding Entities, any operating entity or any other holding vehicle established by our partnership or any other person in respect of any such contract, transaction or arrangement, or any benefits or profits made or derived therefrom, by virtue only of the relationship between the parties concerned, subject to any approval requirements that are contained in our conflicts policy. See Item 7.B “Related Party Transactions—Conflicts of Interest and Fiduciary Duties.”

Outside Activities of Our Managing General Partner; Conflicts of Interest

Under our limited partnership agreement, our Managing General Partner is required to maintain as its sole activity the role of general partner of our partnership. Our Managing General Partner is not permitted to engage in any activity or incur any debts or liabilities except in connection with or incidental to its performance as general partner or acquiring, owning or disposing of debt or equity securities of Brookfield Infrastructure, a Holding Entity or any other holding vehicle established by our partnership.

Our limited partnership agreement provides that each person who is entitled to be indemnified by our partnership (other than our Managing General Partner), as described below under “—Indemnification; Limitation on Liability,” has the right to engage in businesses of every type and description and other activities for profit, and to engage in and possess interests in business ventures of any and every type or description, irrespective of whether (i) such activities are similar to our affairs or activities or (ii) such affairs and activities directly compete with, or disfavor or exclude, our Managing General Partner, our partnership, Brookfield Infrastructure, any Holding Entity, any operating entity or any other holding vehicle established by our partnership. Such business interests, activities and engagements will be deemed not to constitute a breach of our limited partnership agreement or any duties stated or implied by law or equity, including fiduciary duties, owed to any of our Managing General Partner, our partnership, Brookfield Infrastructure, any Holding Entity, any operating entity and any other holding vehicle established by our partnership (or any of their respective investors), and shall be deemed not to be a breach of our Managing General Partner’s fiduciary duties or any other obligation of any type whatsoever of our Managing General Partner. None of our Managing General Partner, our partnership, Brookfield Infrastructure, any Holding Entity, any operating entity, any other holding vehicle established by our partnership or any other person shall have any rights by virtue of our limited partnership agreement or the partnership relationship established thereby or otherwise in any business ventures of any person who is entitled to be indemnified by our partnership as described below under “—Indemnification; Limitation on Liability.”

Our Managing General Partner and the other indemnified persons described in the preceding paragraph do not have any obligation under our limited partnership agreement or as a result of any duties stated or implied by law or equity, including fiduciary duties, to present business or investment opportunities to our partnership, Brookfield Infrastructure, any Holding Entity, any operating entity or any other holding vehicle established by our partnership. These provisions will not affect any obligation of an indemnified person to present business or investment opportunities to our partnership, Brookfield Infrastructure, any Holding Entity, any operating entity or any other holding vehicle established by our partnership pursuant to a separate written agreement between such persons.

Any conflicts of interest and potential conflicts of interest that are approved by a majority of our Managing General Partner’s independent directors from time-to-time will be deemed approved by all partners. Pursuant to our conflicts policy, independent directors may grant approvals for any of the transactions described above in the form of general guidelines, policies or procedures in which case no further special approval will be required in connection with a particular transaction or matter permitted thereby. See Item 7.B “Related Party Transactions—Conflicts of Interest and Fiduciary Duties.”

Indemnification; Limitations on Liability

Under our limited partnership agreement, our partnership is required to indemnify to the fullest extent permitted by law our Managing General Partner, our Manager and any of their respective affiliates (and their respective officers, directors, agents, shareholders, partners, members and employees), any person who serves on a governing body of Brookfield Infrastructure, a Holding Entity, operating entity or any other holding vehicle established by our partnership and any other person designated by our Managing General Partner as an indemnified person, in each case, against all losses, claims, damages, liabilities, costs or expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, incurred by an indemnified person in connection with our investments and activities or by reason of their holding such positions, except to the extent that the claims, liabilities, losses, damages, costs or expenses are determined to have resulted from the indemnified person's bad faith, fraud or willful misconduct, or in the case of a criminal matter, action that the indemnified person knew to have been unlawful. In addition, under our limited partnership agreement, (i) the liability of such persons has been limited to the fullest extent permitted by law, except to the extent that their conduct involves bad faith, fraud or willful misconduct, or in the case of a criminal matter, action that the indemnified person knew to have been unlawful and (ii) any matter that is approved by the independent directors of our Managing General Partner will not constitute a breach of our limited partnership agreement or any duties stated or implied by law or equity, including fiduciary duties. Our limited partnership agreement requires us to advance funds to pay the expenses of an indemnified person in connection with a matter in which indemnification may be sought until it is determined that the indemnified person is not entitled to indemnification.

Accounts, Reports and Other Information

Under our limited partnership agreement, our partnership is required to prepare financial statements in accordance with U.S. GAAP. Our partnership's financial statements must be made publicly available together with a statement of the accounting policies used in their preparation, such information as may be required by applicable laws and regulations and such information as our Managing General Partner deems appropriate. Our partnership's annual financial statements must be audited by an independent accountant firm of international standing and made publicly available within such period of time as is required to comply with applicable laws and regulations, including any rules of any applicable securities exchange. Our partnership's quarterly financial statements may be unaudited and are made available publicly as and within the time period required by applicable laws and regulations.

The Managing General Partner is also required to use commercially reasonable efforts to prepare and send to the limited partners of our partnership on an annual basis, additional information regarding our partnership, including Schedule K-1 (or equivalent) and information related to the passive foreign investment company status of any non-U.S. corporation that we control and, where reasonably possible, any other non-U.S. corporation in which we hold an interest. The Managing General Partner will, where reasonably possible, prepare and send information required by the non-U.S. limited partners of our partnership for U.S. federal income tax reporting purposes, including information related to investments in "U.S. real property interests," as that term is defined in Section 897 of the U.S. Internal Revenue Code. The Managing General Partner will also, where reasonably possible and applicable, prepare and send information required by limited partners of our partnership for Canadian federal income tax purposes.

Governing Law; Submission to Jurisdiction

Our limited partnership agreement is governed by and will be construed in accordance with the laws of Bermuda. Under our limited partnership agreement, each of our partnership's partners (other than governmental entities prohibited from submitting to the jurisdiction of a particular jurisdiction) will submit to the non-exclusive jurisdiction of any court in Bermuda in any dispute, suit, action or proceeding arising out of or relating to our limited partnership agreement. Each partner waives, to the fullest extent permitted by law, any immunity from

jurisdiction of any such court or from any legal process therein and further waives, to the fullest extent permitted by law, any claim of inconvenient forum, improper venue or that any such court does not have jurisdiction over the partner. Any final judgment against a partner in any proceedings brought in a court in Bermuda will be conclusive and binding upon the partner and may be enforced in the courts of any other jurisdiction of which the partner is or may be subject, by suit upon such judgment. The foregoing submission to jurisdiction and waivers will survive the dissolution, liquidation, winding up and termination of our partnership.

Transfers of Units

We are not required to recognize any transfer of our units until certificates, if any, evidencing such units are surrendered for registration of transfer. Each person to whom a unit is transferred (including any nominee holder or an agent or representative acquiring such unit for the account of another person) will be admitted to our partnership as a partner with respect to the unit so transferred subject to and in accordance with the terms of our limited partnership agreement. Any transfer of a unit will not entitle the transferee to share in the profits and losses of our partnership, to receive distributions, to receive allocations of income, gain, loss, deduction or credit or any similar item or to any other rights to which the transferor was entitled until the transferee becomes a partner and a party to our partnership's limited partnership agreement.

By accepting a unit for transfer in accordance with our limited partnership agreement, each transferee will be deemed to have:

- executed our limited partnership agreement and become bound by the terms thereof;
- granted an irrevocable power of attorney to our Managing General Partner and any officer thereof to act as such partner's agent and attorney-in-fact to execute, swear to, acknowledge, deliver, file and record in the appropriate public offices all (i) all agreements, certificates, documents and other instruments relating to the existence or qualification of our partnership as an exempted limited partnership (or a partnership in which the limited partners have limited liability) in Bermuda and in all jurisdictions in which our partnership may conduct activities and affairs or own property; any amendment, change, modification or restatement of our limited partnership agreement, subject to the requirements of our limited partnership agreement; the dissolution and liquidation of our partnership; the admission, withdrawal or removal of any partner of our partnership or any capital contribution of any partner of our partnership; the determination of the rights, preferences and privileges of any class or series of units or other partnership interests of our partnership, and to a merger or consolidation of our partnership; and (ii) subject to the requirements of our limited partnership agreement, all ballots, consents, approvals, waivers, certificates, documents and other instruments necessary or appropriate, in the sole discretion of our Managing General Partner or the liquidator of our partnership, to make, evidence, give, confirm or ratify any voting consent, approval, agreement or other action that is made or given by our partnership's partners or is consistent with the terms of our limited partnership agreement or to effectuate the terms or intent of our limited partnership agreement; and
- made the consents and waivers contained in our limited partnership agreement, including with respect to the approval of the transactions and agreements entered into in connection with our formation and the spin-off.

The transfer of any unit and the admission of any new partner to our partnership will not constitute any amendment to our limited partnership agreement.

Transfer Agent and Registrar

The Bank of New York in New York, New York, U.S.A. has been appointed to act as transfer agent and registrar for the purpose of registering our limited partnership interests and transfers of our limited partnership interests as provided in our limited partnership agreement. Our partnership will indemnify the transfer agent, its agents and each of their shareholders, directors, officers and employees against all claims and losses that may arise out of acts performed or omitted for its activities in that capacity, except for any liability due to any gross negligence or intentional misconduct of the indemnified person or entity.

Description of Brookfield Infrastructure’s Limited Partnership Agreement

The following is a description of the material terms of Brookfield Infrastructure’s limited partnership agreement and is qualified in its entirety by reference to all of the provisions of such agreement. Holders of units in our partnership are not limited partners of Brookfield Infrastructure and do not have any rights under its limited partnership agreement. We have included a summary of what we believe are the most important provisions of Brookfield Infrastructure’s limited partnership agreement because we conduct our operations through Brookfield Infrastructure and the Holding Entities and our rights with respect to our equity holding in Brookfield Infrastructure are governed by the terms of Brookfield Infrastructure’s limited partnership agreement.

Because this description is only a summary of the terms of the agreement, it does not necessarily contain all of the information that you may find useful. For more complete information, you should read Brookfield Infrastructure’s limited partnership agreement which is available electronically on the website of the Securities and Exchange Commission at www.sec.gov and on our SEDAR profile at www.sedar.com and will be made available to our unitholders as described under Item 10.C “Material Contracts” and Item 10.H “Documents on display.”

Formation and Duration

Brookfield Infrastructure is a Bermuda exempted limited partnership registered under the Limited Partnership Act 1883 and the Exempted Partnerships Act 1992. Brookfield Infrastructure has a perpetual existence and will continue as a limited liability partnership unless the partnership is terminated or dissolved in accordance with its limited partnership agreement.

Nature and Purpose

Under its limited partnership agreement, the purpose of Brookfield Infrastructure is to: acquire and hold interests in the Holding Entities and, subject to the approval of Infrastructure GP LP, any other subsidiary of Brookfield Infrastructure; engage in any activity related to the capitalization and financing of Brookfield Infrastructure’s interests in such entities; and engage in any other activity that is incidental to or in furtherance of the foregoing and that is approved by the Infrastructure GP LP and that lawfully may be conducted by a limited partnership organized under the Limited Partnership Act 1883 and our limited partnership agreement.

Units

Brookfield Infrastructure’s units are limited partnership interests in Brookfield Infrastructure. Holders of units are not entitled to the withdrawal or return of capital contributions in respect of their units, except to the extent, if any, that distributions are made to such holders pursuant to Brookfield Infrastructure’s limited partnership agreement or upon the liquidation of Brookfield Infrastructure or as otherwise required by applicable law. Except to the extent expressly provided in Brookfield Infrastructure’s limited partnership agreement, a holder of units does not have priority over any other holder of units, either as to the return of capital contributions or as to profits, losses or distributions.

In connection with the spin-off, Brookfield Infrastructure issued two classes of units. The first class of units was issued to Brookfield and subsequently transferred to our partnership and the second class of units, referred to as the Redemption-Exchange Units, were issued to wholly-owned subsidiaries of Brookfield. Redemption-Exchange Units are identical to the limited partnership units held by our partnership, except as described below under “—Distributions” and “—No Management or Control” and except that they have the right of redemption described below under the heading “—Redemption-Exchange Mechanism.”

Issuance of Additional Partnership Interests

Infrastructure GP LP has broad rights to cause Brookfield Infrastructure to issue additional partnership interests and may cause Brookfield Infrastructure to issue additional partnership interests (including new classes

of partnership interests and options, rights, warrants and appreciation rights relating to such interests) for any partnership purpose, at any time and on such terms and conditions as it may determine without the approval of any limited partners. Any additional partnership interests may be issued in one or more classes, or one or more series of classes, with such designations, preferences, rights, powers and duties (which may be senior to existing classes and series of partnership interests) as may be determined by Infrastructure GP LP in its sole discretion, all without approval of our limited partners.

Redemption-Exchange Mechanism

At any time after two years from the date of closing of the spin-off, one or more wholly-owned subsidiaries of Brookfield that hold Redemption-Exchange Units will have the right to require Brookfield Infrastructure to redeem for cash all or a portion of the Redemption-Exchange Units held by such subsidiary, subject to our partnership's right of first refusal, as described below. Any such redeeming subsidiary may exercise its right of redemption by delivering a notice of redemption to Brookfield Infrastructure and our partnership. After presentation for redemption, such redeeming subsidiary will receive, subject to our partnership's right of first refusal, as described below, for each unit that is presented, cash in an amount equal to the market value of one of our units multiplied by the number of units to be redeemed (as determined by reference to the five day volume weighted average of the trading price of our units and subject to certain customary adjustments). Upon its receipt of the redemption notice, our partnership will have a right of first refusal entitling it, at its sole discretion, to elect to acquire all (but not less than all) units described in such notice and presented to Brookfield Infrastructure for redemption in exchange for units on a one for one basis (subject to certain customary adjustments). Upon a redemption for cash, the holder's right to receive distributions with respect to Brookfield Infrastructure's units so redeemed will cease.

Brookfield's aggregate limited partnership interest in our partnership would be approximately 39% (in addition to the 0.2% of our units that were acquired by Brookfield in connection with the satisfaction of Canadian federal and U.S. "back-up" withholding tax requirements upon the spin-off) if it exercised its redemption right in full and our partnership exercised its right of first refusal on the Brookfield Infrastructure units redeemed. Brookfield's total percentage interest in our partnership would be increased if it participates in Brookfield Infrastructure's distribution reinvestment plan or receives additional units of Brookfield Infrastructure under the equity commitment.

Distributions

Distributions by Brookfield Infrastructure will be made in the sole discretion of the Infrastructure GP LP. However, the Infrastructure GP LP will not be permitted to cause Brookfield Infrastructure to make a distribution if Brookfield Infrastructure does not have sufficient cash on hand to make the distribution, the distribution would render Brookfield Infrastructure insolvent or if, in the opinion of the Infrastructure GP LP, the distribution would leave Brookfield Infrastructure with insufficient funds to meet any future contingent obligations.

Except as set forth below, prior to the dissolution of Brookfield Infrastructure, distributions of available cash (if any) in any given quarter will be made by Brookfield Infrastructure as follows, referred to as the Regular Distribution Waterfall:

- first, 100% of any available cash to our partnership until our partnership has been distributed an amount equal to our partnership's expenses and outlays for the quarter properly incurred;
- second, 100% of any available cash then remaining to the owners of Brookfield Infrastructure's partnership interests, pro rata to their percentage interests, until each holder of a Brookfield Infrastructure limited partnership unit has received distributions during such quarter in an amount equal to \$0.305, referred to as the First Distribution Threshold;
- third, 85% of any available cash then remaining to the owners of Brookfield Infrastructure's partnership interests, pro rata to their percentage interests, and 15% to the Infrastructure GP LP, until

each holder of a Brookfield Infrastructure limited partnership unit has received distributions during such quarter in an amount equal to \$0.33, referred to as the Second Distribution Threshold; and

- thereafter, 75% of any available cash then remaining to the owners of Brookfield Infrastructure's partnership interests, pro rata to their percentage interests, and 25% to the Infrastructure GP LP.

If, prior to the dissolution of Brookfield Infrastructure, available cash is deemed by the Infrastructure GP LP, in its sole discretion, to be (i) attributable to sales or other dispositions of Brookfield Infrastructure's assets and (ii) representative of unrecovered capital, then such available cash shall be distributed to the partners of Brookfield Infrastructure in proportion to the unreturned capital attributable to Brookfield Infrastructure's partnership interests held by the partners until such time as the unreturned capital attributable to each such partnership interest is equal to zero. Thereafter, distributions of available cash made by Brookfield Infrastructure (to the extent made prior to dissolution) will be made in accordance with the Regular Distribution Waterfall.

Upon the occurrence of an event resulting in the dissolution of Brookfield Infrastructure, all cash and property of Brookfield Infrastructure in excess of that required to discharge Brookfield Infrastructure's liabilities will be distributed as follows: (a) to the extent such cash and/or property is attributable to a realization event occurring prior to the event of dissolution, such cash and/or property will be distributed in accordance with the Regular Distribution Waterfall and/or the distribution waterfall applicable to unrecovered capital; and (b) all other cash and/or property will be distributed in the manner set forth below.

- first, 100% to our partnership until our partnership has received an amount equal to the excess of (1) the amount of our partnership's outlays and expenses incurred during the term of Brookfield Infrastructure, over (2) the aggregate amount of distributions received by our partnership pursuant to the first tier of the Regular Distribution Waterfall during the term of Brookfield Infrastructure;
- second, 100% to the partners of Brookfield Infrastructure, in proportion to their respective amounts of unrecovered capital in Brookfield Infrastructure;
- third, 100% to the owners of Brookfield Infrastructure's partnership interests, pro rata to their percentage interests, until each holder of a Brookfield Infrastructure's limited partnership unit has received an amount equal to the excess of (i) the First Distribution Threshold for each quarter during the term of Brookfield Infrastructure (subject to adjustment upon the subsequent issuance of additional partnership interests in Brookfield Infrastructure), over (ii) the aggregate amount of distributions made in respect of a Brookfield Infrastructure's limited partnership unit pursuant to the second tier of the Regular Distribution Waterfall during the term of a Brookfield Infrastructure (subject to adjustment upon the subsequent issuance of additional partnership interests in Brookfield Infrastructure);
- fourth, 85% to the owners of Brookfield Infrastructure's partnership interests, pro rata to their percentage interests, and 15% to the Infrastructure GP LP, until each holder of a Brookfield Infrastructure limited partnership unit has received an amount equal to the excess of (i) the Second Distribution Threshold less the First Distribution Threshold for each quarter during the term of Brookfield Infrastructure (subject to adjustment upon the subsequent issuance of additional partnership interests in Brookfield Infrastructure), over (ii) the aggregate amount of distributions made in respect of a Brookfield Infrastructure's limited partnership unit pursuant to the third tier of the Regular Distribution Waterfall during the term of Brookfield Infrastructure (subject to adjustment upon the subsequent issuance of additional partnership interests in Brookfield Infrastructure);
- thereafter, 75% to the owners of Brookfield Infrastructure's partnership interests, pro rata to their percentage interests, and 25% to the Infrastructure GP LP.

Each partner's percentage interest is determined by the relative portion of all outstanding partnership interests held by that partner from time to time and is adjusted upon and to reflect the issuance of additional partnership interests of Brookfield Infrastructure. In addition, the unreturned capital attributable to each of the partnership interests, as well as certain of the distribution thresholds set forth above, may be adjusted pursuant to

the terms of the limited partnership agreement of Brookfield Infrastructure so as to ensure the uniformity of the economic rights and entitlements of (i) the previously outstanding Brookfield Infrastructure's partnership interests and (ii) the subsequently-issued Brookfield Infrastructure's partnership interests.

The limited partnership agreement of Brookfield Infrastructure provides that, to the extent that any Holding Entity or any operating entity pays to Brookfield any comparable performance or incentive distribution, the amount of any incentive distributions paid to the Infrastructure GP LP in accordance with the distribution entitlements described above will be reduced in an equitable manner to avoid duplication of distributions.

The Infrastructure GP LP may elect, at its sole discretion, to reinvest incentive distributions in Redemption-Exchange Units.

No Management or Control

Brookfield Infrastructure's limited partners, in their capacities as such, may not take part in the management or control of the activities and affairs of Brookfield Infrastructure and do not have any right or authority to act for or to bind Brookfield Infrastructure or to take part or interfere in the conduct or management of Brookfield Infrastructure.

Limited partners are not entitled to vote on matters relating to Brookfield Infrastructure, although holders of units are entitled to consent to certain matters as described under "—Amendment of Brookfield Infrastructure's Limited Partnership Agreement," "—Opinion of Counsel and Limited Partner Approval," "—Merger, Sale or Other Disposition of Assets," and "—Withdrawal of the General Partner" which may be effected only with the consent of the holders of the percentages of outstanding units specified below. For the purposes of any approval required from holders of Brookfield Infrastructure's units, if Brookfield and its subsidiaries are entitled to vote, they will be entitled to one vote per unit held subject to a maximum number of votes equal to 49% of the total number of units of Brookfield Infrastructure then issued and outstanding. Each unit shall entitle the holder thereof to one vote for the purposes of any approvals of holders of units.

Meetings

The Infrastructure GP LP may call special meetings of the limited partners at a time and place outside of Canada determined by it on a date not less than 10 days nor more than 60 days after the mailing of notice of the meeting. Special meetings of the limited partners may also be called by limited partners owning 50% or more of the voting power of the outstanding partnership interests of the class or classes for which a meeting is proposed. For this purpose, the partnership interests outstanding do not include partnership interests owned by the Infrastructure GP LP or Brookfield. Only holders of record on the date set by the Infrastructure GP LP (which may not be less than 10 days nor more than 60 days, before the meeting) are entitled to notice of any meeting.

Amendment of Brookfield Infrastructure's Limited Partnership Agreement

Amendments to Brookfield Infrastructure's limited partnership agreement may be proposed only by or with the consent of the Infrastructure GP LP. To adopt a proposed amendment, other than the amendments that do not require limited partner approval discussed below, the Infrastructure GP LP must seek approval of a majority of Brookfield Infrastructure's outstanding units required to approve the amendment or call a meeting of the limited partners to consider and vote upon the proposed amendment.

Prohibited Amendments

No amendment may be made that would:

- enlarge the obligations of any limited partner without its consent, except that any amendment that would have a material adverse effect on the rights or preferences of any class of partnership interests in relation to other classes of partnership interests may be approved by at least a majority of the type or class of partnership interests so affected, or

- enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable by Brookfield Infrastructure to the Infrastructure GP LP or any of its affiliates without the consent of the Infrastructure GP LP which may be given or withheld in its sole discretion.

The provision of Brookfield Infrastructure's limited partnership agreement preventing the amendments having the effects described directly above can be amended upon the approval of the holders of at least 90% of the outstanding units.

No Limited Partner Approval

Subject to applicable law, the Infrastructure GP LP may generally make amendments to Brookfield Infrastructure's limited partnership agreement without the approval of any limited partner to reflect:

- a change in the name of the partnership, the location of the partnership's registered office or the partnership's registered agent,
- the admission, substitution, withdrawal or removal of partners in accordance with the limited partnership agreement,
- a change that the Infrastructure GP LP determines is necessary or appropriate for the partnership to qualify or to continue its qualification as a limited partnership or a partnership in which the limited partners have limited liability under the laws of any jurisdiction or to ensure that Brookfield Infrastructure will not be treated as an association taxable as a corporation or otherwise taxed as an entity for tax purposes,
- an amendment that the Infrastructure GP LP determines to be necessary or appropriate to address certain changes in tax regulations, legislation or interpretation,
- an amendment that is necessary, in the opinion of counsel, to prevent Brookfield Infrastructure or the Infrastructure GP LP or its directors, officers, agents or trustees, from having a material risk of being in any manner subjected to the provisions of the U.S. Investment Company Act or similar legislation in other jurisdictions,
- an amendment that the Infrastructure GP LP determines in its sole discretion to be necessary or appropriate for the creation, authorization or issuance of any class or series of partnership interests or options, rights, warrants or appreciation rights relating to partnership securities,
- any amendment expressly permitted in Brookfield Infrastructure's limited partnership agreement to be made by the Infrastructure GP LP acting alone,
- an amendment effected, necessitated or contemplated by an agreement of merger, consolidation or other combination agreement that has been approved under the terms of Brookfield Infrastructure's limited partnership agreement,
- any amendment that in the sole discretion of the Infrastructure GP LP is necessary or appropriate to reflect and account for the formation by the partnership of, or its investment in, any corporation, partnership, joint venture, limited liability company or other entity, as otherwise permitted by Brookfield Infrastructure's limited partnership agreement,
- a change in its fiscal year and related changes,
- any amendment concerning the computation or allocation of specific items of income, gain, expense or loss among the partners that, in the sole discretion of the Infrastructure GP LP, is necessary or appropriate to (i) comply with the requirements of applicable law, (ii) reflect the partners' interests in Brookfield Infrastructure, or (iii) consistently reflect the distributions made by Brookfield Infrastructure to the partners pursuant to the terms of the limited partnership agreement of Brookfield Infrastructure,

- any other amendments substantially similar to any of the matters described directly above.

In addition, the Infrastructure GP LP may make amendments to Brookfield Infrastructure’s limited partnership agreement without the approval of any limited partner if those amendments, in the discretion of the Infrastructure GP LP:

- do not adversely affect Brookfield Infrastructure’s limited partners considered as a whole (including any particular class of partnership interests as compared to other classes of partnership interests) in any material respect,
- are necessary or appropriate to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any governmental agency or judicial authority,
- are necessary or appropriate to comply with any rule, regulation, guideline or requirement of any securities exchange on which the limited partner interests are or will be listed for trading,
- are necessary or appropriate for any action taken by the Infrastructure GP LP relating to splits or combinations of units under the provisions of Brookfield Infrastructure’s limited partnership agreement, or
- are required to effect the intent expressed in this Form 20-F or the intent of the provisions of Brookfield Infrastructure’s limited partnership agreement or are otherwise contemplated by Brookfield Infrastructure’s limited partnership agreement.

Opinion of Counsel and Limited Partner Approval

The Infrastructure GP LP will not be required to obtain an opinion of counsel that an amendment will not result in a loss of limited liability to the limited partners if one of the amendments described above under “—No Limited Partner Approval” should occur. No other amendments to Brookfield Infrastructure’s limited partnership agreement (other than an amendment pursuant to a merger, sale or other disposition of assets effected in accordance with Brookfield Infrastructure’s limited partnership agreement) will become effective without the approval of holders of at least 90% of Brookfield Infrastructure’s units, unless it obtains an opinion of counsel to the effect that the amendment will not cause Brookfield Infrastructure to be treated as an association taxable as a corporation or otherwise taxable as an entity for tax purposes (provided that for U.S. tax purposes the Infrastructure GP LP has not made the election described below under “—Election to be Treated as a Corporation”) or affect the limited liability under the Limited Partnership Act of 1883 of any of Brookfield Infrastructure’s limited partners.

In addition to the above restrictions, any amendment that would have a material adverse effect on the rights or preferences of any type or class of partnership interests in relation to other classes of partnership interests will also require the approval of the holders of at least a majority of the outstanding partnership interests of the class so affected.

In addition, any amendment that reduces the voting percentage required to take any action must be approved by the affirmative vote of limited partners whose aggregate outstanding voting units constitute not less than the voting requirement sought to be reduced.

Election to be Treated as a Corporation

If the Infrastructure GP LP determines that it is no longer in Brookfield Infrastructure’s best interests to continue as a partnership for U.S. federal income tax purposes, the Infrastructure GP LP may elect to treat Brookfield Infrastructure as an association or as a publicly traded partnership taxable as a corporation for U.S. federal (and applicable state) income tax purposes.

Dissolution

Brookfield Infrastructure shall dissolve and its affairs shall be wound up, upon the earlier of (i) the service of notice by the Infrastructure GP LP, with the approval of a majority of the members of the independent directors of our Managing General Partner, that in the opinion of the Infrastructure GP LP the coming into force of any law, regulation or binding authority renders illegal or impracticable the continuation of Brookfield Infrastructure; (ii) the election of the Infrastructure GP LP if Brookfield Infrastructure, as determined by the Infrastructure GP LP, is required to register as an “investment company” under the U.S. Investment Company Act or similar legislation in other jurisdictions; (iii) the date that the Infrastructure GP LP withdraws from the our partnership (unless Brookfield becomes the general partner of Brookfield Infrastructure as described below under “—Withdrawal of the General Partner”); (iv) the date on which any court of competent jurisdiction enters a decree of judicial dissolution of Brookfield Infrastructure or an order to wind up or liquidate the Infrastructure GP LP; and (v) the date on which the Infrastructure GP LP decides to dispose of, or otherwise realize proceeds in respect of, all or substantially all of Brookfield Infrastructure’s assets in a single transaction or series of transactions.

Brookfield Infrastructure shall not dissolve if within 30 days of the date of dissolution (and provided that a notice of dissolution with respect to Brookfield Infrastructure has not been filed with the Bermuda Monetary Authority), Brookfield executes a transfer deed pursuant to which the new general partner assumes the rights and undertakes the obligations of the original general partner, but only if Brookfield Infrastructure receives an opinion of counsel that the admission of Brookfield as general partner will not result in the loss of limited liability of any limited partner of Brookfield Infrastructure.

Withdrawal of the General Partner

The Infrastructure GP LP may withdraw as general partner without first obtaining approval of unitholders by giving 90 days advance notice, and that withdrawal will not constitute a violation of the limited partnership agreement.

Upon the withdrawal of the Infrastructure GP LP, the holders of a majority of the voting power of outstanding units may select a successor to that withdrawing general partner. If a successor is not elected, or is elected but an opinion of counsel regarding limited liability, tax matters and the U.S. Investment Company Act (and similar legislation in other jurisdictions) cannot be obtained, Brookfield Infrastructure will be dissolved, wound up and liquidated. See “—Dissolution” above.

The Infrastructure GP LP may not be removed unless that removal is approved by the vote of the holders of at least 66 $\frac{2}{3}$ % of the outstanding class of units that are not Redemption-Exchange Units and it receives an opinion of counsel regarding limited liability tax matters and the U.S. Investment Company Act (and similar legislation in other jurisdictions). Any removal of the Infrastructure GP LP is also subject to the approval of a successor general partner by the vote of the holders of a majority of the voting power of its outstanding units.

In the event of removal of a general partner under circumstances where cause exists or withdrawal of a general partner where that withdrawal violates Brookfield Infrastructure’s limited partnership agreement, a successor general partner will have the option to purchase the general partnership interest of the departing general partner for a cash payment equal to its fair market value. Under all other circumstances where a general partner withdraws or is removed by the limited partners, the departing general partner will have the option to require the successor general partner to purchase the general partnership interest of the departing general partner for a cash payment equal to its fair market value. In each case, this fair market value will be determined by agreement between the departing general partner and the successor general partner. If no agreement is reached within 30 days of the general partner’s departure, an independent investment banking firm or other independent expert selected by the departing general partner and the successor general partner will determine the fair market value. If the departing general partner and the successor general partner cannot agree upon an expert within 45 days of the general partner’s departure, then an expert chosen by agreement of the experts selected by each of them will determine the fair market value.

If the option described above is not exercised by either the departing general partner or the successor general partner, the departing general partner's general partnership interests will automatically convert into units pursuant to a valuation of those interests as determined by an investment banking firm or other independent expert selected in the manner described in the preceding paragraph.

Transfer of the General Partnership Interest

The Infrastructure GP LP may transfer all or any part of its general partnership interests without first obtaining approval of any unitholder. As a condition of this transfer, the transferee must assume the rights and duties of the general partner to whose interest that transferee has succeeded, agree to be bound by the provisions of Brookfield Infrastructure's limited partnership agreement and furnish an opinion of counsel regarding limited liability, tax matters and the U.S. Investment Company Act (and similar legislation in other jurisdictions). Any transfer of the general partnership interest is subject to prior notice to and approval of the relevant Bermuda regulatory authority. At any time, the members of the Infrastructure GP LP may sell or transfer all or part of their units in the Infrastructure GP LP without the approval of the unitholders.

Transactions with Interested Parties

The Infrastructure GP LP, the Infrastructure General Partner and their respective partners, members, shareholders, directors, officers, employees and shareholders, which we refer to as "interested parties", may become limited partners or beneficially interested in limited partners and may hold, dispose of or otherwise deal with units of Brookfield Infrastructure with the same rights they would have if the Infrastructure GP LP and Infrastructure General Partner were not a party to the limited partnership agreement of Brookfield Infrastructure. An interested party will not be liable to account either to other interested parties or to Brookfield Infrastructure, its partners or any other persons for any profits or benefits made or derived by or in connection with any such transaction.

The limited partnership agreement of Brookfield Infrastructure permits an interested party to sell investments to, purchase assets from, vest assets in and enter into any contract, arrangement or transaction with Brookfield Infrastructure, any of the Holding Entities, any operating entity or any other holding vehicle established by Brookfield Infrastructure and may be interested in any such contract, transaction or arrangement and shall not be liable to account either to Brookfield Infrastructure, any of the Holding Entities, any operating entity or any other holding vehicle established by Brookfield Infrastructure or any other person in respect of any such contract, transaction or arrangement, or any benefits or profits made or derived therefrom, by virtue only of the relationship between the parties concerned, subject to our conflicts policy.

Outside Activities of the General Partner

Under Brookfield Infrastructure's limited partnership agreement, the general partner will be required to maintain as its sole activity the role of the general partner of Brookfield Infrastructure. The general partner will not be permitted to engage in any activity or incur any debts or liabilities except in connection with or incidental to its performance as general partner or acquiring, owning or disposing of debt or equity securities of a subsidiary of an Holding Entity or any other holding vehicle established by Brookfield Infrastructure.

Brookfield Infrastructure's limited partnership agreement provides that each person who is entitled to be indemnified by the partnership, as described below under "—Indemnification; Limitations on Liability" (other than the general partner) will have the right to engage in businesses of every type and description and other activities for profit, and to engage in and possess interests in business ventures of any and every type or description, irrespective of whether (i) such businesses and activities are similar to our activities, or (ii) such businesses and activities directly compete with, or disfavor or exclude, the Infrastructure General Partner, the Infrastructure GP LP, Brookfield Infrastructure, any Holding Entity, operating entity, or any other holding vehicle established by Brookfield Infrastructure. Such business interests, activities and engagements will be

deemed not to constitute a breach of the limited partnership agreement or any duties stated or implied by law or equity, including fiduciary duties, owed to any of the Infrastructure General Partner, the Infrastructure GP LP, Brookfield Infrastructure, any Holding Entity, operating entity, and any other holding vehicle established by Brookfield Infrastructure (or any of their respective investors), and shall be deemed not to be a breach of the Infrastructure General Partner's fiduciary duties or any other obligation of any type whatsoever of the general partner. None of the Infrastructure General Partner, the Infrastructure GP LP, Brookfield Infrastructure, any Holding Entity, operating entity, any other holding vehicle established by Brookfield Infrastructure or any other person shall have any rights by virtue of Brookfield Infrastructure's limited partnership agreement or the partnership relationship established thereby or otherwise in any business ventures of any person who is entitled to be indemnified by Brookfield Infrastructure as described below under "—Indemnification; Limitations on Liability."

The Infrastructure GP LP and the other indemnified persons described in the preceding paragraph will not have any obligation under Brookfield Infrastructure's limited partnership agreement or as a result of any duties stated or implied by law or equity, including fiduciary duties, to present business or investment opportunities to Brookfield Infrastructure, any Holding Entity, operating entity, or any other holding vehicle established by Brookfield Infrastructure. These provisions will not affect any obligation of such indemnified person to present business or investment opportunities to Brookfield Infrastructure, any Holding Entity, operating entity or any other holding vehicle established by Brookfield Infrastructure pursuant to a separate written agreement between such persons.

Accounts; Reports

Under Brookfield Infrastructure's limited partnership agreement, the Infrastructure GP LP is required to prepare financial statements in accordance with U.S. GAAP. Brookfield Infrastructure's financial statements must be made publicly available together with a statement of the accounting policies used in their preparation, such information as may be required by applicable laws and regulations and such information as the Infrastructure GP LP deems appropriate. Brookfield Infrastructure's annual financial statements must be audited by an independent accountant firm of international standing and made publicly available within such period of time as is required to comply with applicable laws and regulations, including any rules of any applicable securities exchange. Brookfield Infrastructure's quarterly financial statements are unaudited and are made available publicly as and within the time period required by applicable laws and regulations.

The Infrastructure GP LP is also required to use commercially reasonable efforts to prepare and send to the limited partners of Brookfield Infrastructure on an annual basis, additional information regarding Brookfield Infrastructure, including Schedule K-1 (or equivalent) and information related to the passive foreign investment company status of any non-U.S. corporation that we control and, where reasonably possible, any other non-U.S. corporation in which we hold an interest. The Infrastructure GP LP will also, where reasonably possible, prepare and send information required by the non-U.S. limited partners of Brookfield Infrastructure for U.S. federal income tax reporting purposes, including information related to investments in "U.S. real property interests," as that term is defined in Section 897 of the U.S. Internal Revenue Code. The Infrastructure GP LP will also, where reasonably possible and applicable, prepare and send information required by limited partners of Brookfield Infrastructure for Canadian federal income tax purposes.

The Infrastructure GP LP will deliver to our partnership (i) the financial statements of Brookfield Infrastructure, and (ii) the accounts and financial statements of any Holding Entity or any other holding vehicle established by Brookfield Infrastructure that is not consolidated with Brookfield Infrastructure or any Holding Entity or holding vehicle whose accounts are subject to such approval.

Indemnification; Limitations on Liability

Under Brookfield Infrastructure's limited partnership agreement, it is required to indemnify to the fullest extent permitted by law the Infrastructure General Partner, the Infrastructure GP LP, the Manager and any of

their respective affiliates (and their respective officers, directors, agents, shareholders, partners, members and employees), any person who serves on a governing body of Brookfield Infrastructure, a Holding Entity, operating entity or any other holding vehicle established by our partnership and any other person designated by its general partner as an indemnified person, in each case, against all losses, claims, damages, liabilities, costs or expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, incurred by an indemnified person in connection with its business, investments and activities or by reason of their holding such positions, except to the extent that the claims, liabilities, losses, damages, costs or expenses are determined to have resulted from the indemnified person's bad faith, fraud or willful misconduct, or in the case of a criminal matter, action that the indemnified person knew to have been unlawful. In addition, under Brookfield Infrastructure's limited partnership agreement, (i) the liability of such persons has been limited to the fullest extent permitted by law, except to the extent that their conduct involves bad faith, fraud or willful misconduct, or in the case of a criminal matter, action that the indemnified person knew to have been unlawful and (ii) any matter that is approved by the independent directors will not constitute a breach of any duties stated or implied by law or equity, including fiduciary duties. Brookfield Infrastructure's limited partnership agreement requires it to advance funds to pay the expenses of an indemnified person in connection with a matter in which indemnification may be sought until it is determined that the indemnified person is not entitled to indemnification.

Governing Law

Brookfield Infrastructure's limited partnership agreement is governed by and will be construed in accordance with the laws of Bermuda.

10.C MATERIAL CONTRACTS

The following are the only material contracts, other than contracts entered into in the ordinary course of business, which have been entered into by us within the past two years:

1. the Acquisition Agreements: Securities Purchase Agreement, dated November 19, 2007, between Brookfield Asset Management Inc. and Brookfield Infrastructure Holdings (Canada) Inc.; Securities Purchase Agreement, dated November 16, 2007, between Brookfield Asset Management Inc. and BIP Bermuda Holdings III Limited; Securities Purchase Agreement, dated November 20, 2007, between Brookfield Longview Holdings LLC and Brookfield Infrastructure Corporation; Debt Purchase Agreement, dated November 20, 2007, between Brascan (US) Corporation and Brookfield Infrastructure Corporation; English summary of the Amended and Restated Payment-in-Kind Agreement, dated November 5, 2007, between Brascan Brasil Ltda. and Brookfield Brasil TBE Participações Ltda.; and Asset Purchase Agreement dated December 11, 2007, between Great Lakes Power Limited and Great Lakes Power Transmission LP;
2. Master Purchase Agreement, dated June 18, 2007, between Brookfield Infrastructure Partners Limited and Brookfield Asset Management Inc.;
3. Master Services Agreement, dated December 4, 2007, by and among Brookfield Asset Management Inc., Brookfield Infrastructure Partners L.P., Brookfield Infrastructure L.P., Brookfield Infrastructure Holdings (Canada) Inc. and Brookfield Asset Management Barbados Inc. and others described under Item 6.A "Directors and Senior Management—Our Master Services Agreement";
4. Relationship Agreement, dated December 4, 2007, by and among Brookfield Infrastructure Partners L.P., Brookfield Infrastructure Group Inc., Brookfield Infrastructure L.P., Brookfield Infrastructure Group Corporation and Brookfield Asset Management Inc. and others described under Item 7.B "Related Party Transactions—Relationship Agreement";
5. Equity Commitment, dated December 4, 2007, by and among Brookfield Asset Management Inc., Brookfield Infrastructure Partners L.P. and Brookfield Infrastructure L.P. described under Item 7.B "Related Party Transactions—Equity Commitment and Other Financing";

6. Registration Rights Agreement, dated December 4, 2007, between Brookfield Infrastructure Partners L.P. and Brookfield Asset Management Inc. described under Item 7.B “Related Party Transactions—Registration Rights Agreement”;
7. the licensing agreements described under the heading Item 7.B “Related Party Transactions—Licensing Agreement”: Trademark Sublicense Agreement, effective as of May 21, 2007, between Brookfield Infrastructure Partners L.P. and Brookfield Global Asset Management Inc. and Trademark Sublicense Agreement, effective as of August 17, 2007, between Brookfield Infrastructure L.P. and Brookfield Global Asset Management Inc.;
8. Amended and Restated Limited Partnership Agreement of Brookfield Infrastructure Partners L.P., dated December 4, 2007, and amended June 13, 2008, described under Item 10.B “Memorandum and Articles of Association—Description of Our Units and Our Limited Partnership Agreement”;
9. Second Amended and Restated Limited Partnership Agreement for Brookfield Infrastructure L.P., dated December 4, 2007, and amended June 13, 2008, described under Item 10.B “Memorandum and Articles of Association—Description of Brookfield Infrastructure’s Limited Partnership Agreement”;
10. Agreement Relating to the Indirect Acquisition of Longview, dated December 4, 2007, between Brookfield Infrastructure Corporation and Brookfield Asset Management Inc. described under Item 7.B “Related Party Transactions—Longview Acquisition Agreement”; and
11. Credit Agreement, dated June 13, 2008, between Brookfield Infrastructure L.P. and Citibank, N.A., Credit Suisse, Toronto Branch, HSBC Bank Canada, HSBC Bank U.S.A., N.A., Toronto Branch, Royal Bank of Canada and The Royal Bank of Scotland plc described under Item 5 “Operating and Financial Review and Prospects—Managements Discussion and Analysis of Financial Condition and Results of Operations—Capital Resources and Liquidity—Senior Secured Credit Facility.”

Copies of the agreements noted above will be made available, free of charge, by our Managing General Partner and are available electronically on the website of SEC at www.sec.gov and on our SEDAR profile at www.sedar.com. Written requests for such documents should be directed to our Corporate Secretary at Cannon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda. Copies of the agreements noted above will also be available for inspection at the offices of the Manager at 181 Bay Street, Suite 300, Brookfield Place, Toronto, Ontario, M5J 2T3 during normal business hours.

10.D EXCHANGE CONTROLS

There are currently no governmental laws, decrees, regulations or other legislation of Bermuda or the United States which restrict the import or export of capital or the remittance of dividends, interest or other payments to non-residents of Bermuda or the United States holding the Company’s securities, except as otherwise described in this Form 20-F under Item 10.E “Taxation.”

10.E TAXATION

The following summary discusses certain material United States, Canadian and Bermudian tax considerations related to the holding and disposition of our units as of the date hereof. Holders of our units are advised to consult their own tax advisors concerning the consequences under the tax laws of the country of which they are resident or in which they are otherwise subject to tax of making an investment in our units.

UNITED STATES TAX CONSIDERATIONS

This summary discusses certain United States federal income tax considerations related to the holding and disposition of our units as of the date hereof. This summary is based on provisions of the U.S. Internal Revenue Code of 1986, as amended, or the U.S. Internal Revenue Code, on the regulations promulgated thereunder, or the

U.S. Treasury Regulations, and on published administrative rulings and judicial decisions, all as in effect of the date hereof and all of which are subject to change at any time. This summary is necessarily general and may not apply to all categories of investors, some of which may be subject to special rules (including, without limitation, investors that own more than 5% of our units, dealers in securities or currencies, financial institutions or financial services entities, life insurance companies, holders of our units held as part of a straddle, hedge, constructive sale or conversion transaction with other investments, U.S. persons whose functional currency is not the U.S. dollar, persons who have elected mark-to-market accounting, persons who hold our units through a partnership or other entity which is a pass-through entity for U.S. federal income tax purposes, or persons for whom our units are not a capital asset). Tax-exempt organizations are discussed separately below. The actual tax consequences of the acquisition ownership and disposition of our units will vary depending on your circumstances.

For purposes of this discussion, a “U.S. Holder” is a beneficial holder of one or more of our units that is for U.S. federal income tax purposes (1) an individual citizen or resident of the United States; (2) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (4) a trust which either (i) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person. A “non-U.S. Holder” is a holder that is not a U.S. Holder and who, in addition, is not (i) a partnership or other fiscally transparent entity, (ii) an individual present in the United States for 183 days or more in a taxable year who meets certain other conditions under the substantial presence test in under Section 7701(b)(3) of the U.S. Internal Revenue Code and U.S. Treasury Regulations Section 301.7701(b)-1(c), or (iii) subject to rules applicable to certain expatriates who meet the expatriation rules in Section 877 of the U.S. Internal Revenue Code or former long-term residents of the United States.

If a partnership holds our units, the tax treatment of a partner of such partnership will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our units, you should consult your own tax advisors.

A non-U.S. Holder who holds more than 5% of our units very likely will be subject to special rules under the Foreign Investment Real Property Tax Act of 1980, or FIRPTA, and such rules are not addressed below. For purposes of determining whether a non-U.S. Holder holds more than 5% of our units, special attribution rules apply. The application of the FIRPTA rules to a non-U.S. Holder who holds (or is deemed to hold) more than 5% of our units could have a material adverse effect on such non-U.S. Holder. Accordingly, we do not believe that it is generally advisable for a non-U.S. Holder who cannot fully credit any U.S. FIRPTA tax against their home country income tax to own more than 5% of our units (either directly or indirectly). If you are a non-U.S. Holder and anticipate owning more than 5% of our units, you should consult your own tax advisors.

This discussion does not constitute tax advice and is not intended to be a substitute for tax planning. You should consult your own tax advisors concerning the U.S. federal, state and local income tax consequences particular to your ownership and disposition of our units, as well as any consequences under the laws of any other taxing jurisdiction.

Partnership Status of Our Partnership and Brookfield Infrastructure

Each of our partnership and Brookfield Infrastructure have made a protective election to be treated as a partnership for U.S. federal income tax purposes. An entity that is treated as a partnership for U.S. federal income tax purposes incurs no U.S. federal income tax liability. Instead, each partner is required to take into account its allocable share of items of income, gain, loss, and deduction of the partnership in computing its U.S. federal income tax liability, regardless of whether cash distributions are made. Distributions of cash by a partnership to a partner are generally not taxable unless the amount of cash distributed to a partner is in excess of the partner’s adjusted basis in its partnership interest.

An entity that would otherwise be classified as a partnership for U.S. federal income tax purposes may nonetheless be taxable as a corporation if it is a “publicly traded partnership,” unless an exception applies. Our partnership will be publicly traded; however, an exception, referred to as the “Qualifying Income Exception,” exists with respect to any publicly traded partnership if at least 90% of such partnership’s gross income for every taxable year consists of “qualifying income” and the partnership would not be required to register under the U.S. Investment Company Act if it were a U.S. corporation. Qualifying income includes certain interest income, dividends, real property rents, gains from the sale or other disposition of real property, and any gain from the sale or disposition of a capital asset or other property held for the production of income that otherwise constitutes qualifying income. We intend to manage our affairs so that our partnership meets the Qualifying Income Exception in each taxable year. We believe our partnership will be treated as a partnership and not as a corporation for U.S. federal income tax purposes.

If our partnership fails to meet the Qualifying Income Exception, other than a failure which is determined by the IRS to be inadvertent and which is cured within a reasonable time after discovery, or if our partnership is required to register under the U.S. Investment Company Act, our partnership will be treated as if it had transferred all of its assets, subject to liabilities, to a newly formed corporation, on the first day of the year in which our partnership fails to meet the Qualifying Income Exception, in return for stock in that corporation, and then distributed the stock to the holders of our units in liquidation of our partnership. This deemed contribution would likely result in recognition of gain (but not loss) to U.S. Holders of our units. However, U.S. Holders actually or constructively owning less than 5% of our units generally would not recognize the portion of such gain attributable to stock or securities of non-U.S. corporations which we may hold. If, at the time of the contribution, our partnership has liabilities in excess of the tax basis of its assets, all U.S. Holders would generally recognize gain in respect of such excess liabilities upon the deemed transfer. Afterwards, our partnership would be treated as a corporation for U.S. federal income tax purposes.

If our partnership were treated as a corporation in any taxable year, either as a result of a failure to meet the Qualifying Income Exception or otherwise, our partnership’s items of income, gain, loss and deduction would be reflected only on our partnership’s tax return rather than being passed through to our unitholders, and our partnership would be subject to U.S. corporate income tax and branch profits tax with respect to its income, if any, that is effectively connected with a United States trade or business. Moreover, under certain circumstances, our partnership may be classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes, and U.S. Holders would be subject to the rules applicable to PFICs discussed below. See “—Consequences to U.S. Holders—Passive Foreign Investment Companies”. Subject to the PFIC rules discussed below, distributions made to a U.S. Holder would be treated as either taxable dividend income, which may be eligible for reduced rates of taxation (if such distributions are made in respect of our units traded on the NYSE or if certain other requirements are satisfied), to the extent of our partnership’s current or accumulated earnings and profits, or in the absence of earnings and profits, as a nontaxable return of capital, to the extent of the U.S. Holder’s tax basis in our units, or as taxable capital gain, after the U.S. Holder’s basis is reduced to zero. In addition, dividends, interest and certain other passive income that our partnership receives with respect to U.S. investments generally would be subject to U.S. withholding tax at a rate of 30% (although certain non-U.S. Holders nevertheless may be entitled to certain treaty benefits in respect of their allocable share of such income), and U.S. Holders (other than certain corporate U.S. Holders who own 10% or more of our units) would not be allowed a tax credit with respect to any such tax withheld. In addition, the “portfolio interest” exemption would not apply to certain interest income of our partnership (although certain non-U.S. Holders nevertheless may be entitled to certain treaty benefits in respect of their allocable share of such income). Accordingly, treatment of our partnership as a corporation could materially reduce our unitholders’ after-tax returns and, thus, could result in a substantial reduction of the value of our units. In addition to the foregoing consequences, if our partnership were treated as a corporation for U.S. federal income tax purposes, and, as of the time of conversion from partnership status to corporate status, the value of our partnership’s U.S. assets equalled income recognized by our partnership subsequent to such conversion would be subject to U.S. corporate income tax. It is not expected that our partnership’s U.S. assets will at any time equal or exceed such thresholds. If Brookfield Infrastructure were to be treated as a corporation for U.S. federal income tax purposes, consequences similar to those described above would apply.

The remainder of this section assumes that our partnership and Brookfield Infrastructure will be treated as partnerships for U.S. federal income tax purposes. We expect that a substantial portion of the items of income, gain, deduction, loss and credit realized by our partnership will be realized in the first instance by Brookfield Infrastructure and allocated to our partnership for reallocation to our unitholders. Unless otherwise specified, references in this section to realization of our partnership's items of income, gain, loss, deduction or credit include a realization of such items by Brookfield Infrastructure and the allocation of such items to our partnership.

CONSEQUENCES TO U.S. HOLDERS

Holding of Our Units

Income and Loss

If you are a U.S. Holder, you will be required to take into account, as described below, your distributive share of our partnership's items of income, gain, loss, deduction and credit for each of our partnership's taxable years ending with or within your taxable year. Each item generally will have the same character and source (either U.S. or foreign) as though you had realized the item directly. You will report those items without regard to whether any distribution has been or will be received from our partnership. Although we intend to make cash distributions (which we intend to pay to all of our unitholders on a quarterly basis) in an amount that is generally expected to be sufficient to permit our U.S. Holders to fund their estimated U.S. tax obligations (including any federal, state and local income taxes) with respect to their distributive shares of our partnership's net income or gain, based upon your particular tax situation and simplifying assumptions that we will make in determining the amount of such distributions, your tax liability may exceed cash distributions made to you, in which case you would have to satisfy tax liabilities arising from your units in our partnership from your own funds.

With respect to U.S. Holders who are individuals, certain dividends paid by a corporation, including certain qualified foreign corporations, to us and that are allocable to such U.S. Holders prior to January 1, 2011 may be subject to reduced rates of taxation. A qualified foreign corporation includes a foreign corporation that is eligible for the benefits of specified income tax treaties with the United States. In addition, a foreign corporation is treated as a qualified corporation with respect to its shares that are readily tradable on an established securities market in the United States. Among other exceptions, U.S. Holders who are individuals will not be eligible for reduced rates of taxation on any dividends if the payer is a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year. U.S. Holders that are corporations may be entitled to a "dividends received deduction" in respect of dividends paid by U.S. corporations in which we own stock. You should consult your own tax advisors regarding the application of the foregoing rules to your particular circumstances.

For U.S. federal income tax purposes, your allocable share of our partnership's items of income, gain, loss, deduction or credit will be governed by our limited partnership agreement if such allocations have "substantial economic effect" or are determined to be in accordance with your interest in our partnership. Similarly, our partnership's allocable share of items of income, gain, loss, deduction or credit of Brookfield Partnership will be governed by the limited partnership agreement of Brookfield Infrastructure if such allocations have "substantial economic effect" or are determined to be in accordance with our partnership's interest in Brookfield Infrastructure. We believe that, for U.S. federal income tax purposes, such allocations should be given effect, and our Managing General Partner and the Infrastructure GP LP intend to prepare tax returns based on such allocations. If the IRS successfully challenged the allocations made pursuant to either our limited partnership agreement or the limited partnership agreement of Brookfield Infrastructure, the resulting allocations for U.S. federal income tax purposes may be less favorable than the allocations set forth in such agreements.

Basis

You will have an initial tax basis for your units equal to the amount you paid for your units (or if you received your units pursuant to the spin-off, the amount of dividend income you recognized pursuant to the

spinoff) plus your share of our partnership's liabilities, if any. That basis will be increased by your share of our partnership's income and by increases in your share of our partnership's liabilities, if any. That basis will be decreased, but not below zero, by distributions you receive from our partnership, by your share of our partnership's losses and by any decrease in your share of our partnership's liabilities. Under applicable U.S. federal income tax rules, a partner in a partnership has a single, or "unitary," tax basis in his or her partnership interest. As a result, any amount you pay to acquire additional units in our partnership (including through the distribution reinvestment plan) will be averaged with the adjusted tax basis of the units you owned prior to the acquisition of such additional units. The amount you pay to acquire additional units cannot be "traced" to the additional units so acquired. Certain consequences of your "unitary" tax basis are discussed in greater detail below in "Special Considerations for Purchasers of Additional Units."

For purposes of the foregoing rules, the rules discussed immediately below, and the rules applicable to a sale or your units, our partnership's liabilities will generally include our partnership's share of any liabilities of Brookfield Infrastructure.

Limits on Deductions for Losses and Expenses

Your deduction of your share of our partnership's losses will be limited to your tax basis in your units and, if you are an individual or a corporate holder that is subject to the "at risk" rules, to the amount for which you are considered to be "at risk" with respect to our partnership's activities, if that is less than your tax basis. In general, you will be at risk to the extent of your tax basis in your units, reduced by (i) the portion of that basis attributable to your share of our partnership's liabilities for which you will not be personally liable (excluding certain qualified non-recourse financing) and (ii) any amount of money you borrow to acquire or hold your units, if the lender of those borrowed funds owns an interest in us, is related to you, or can look only to your units for repayment. Your at risk amount will generally increase by your allocable share of our partnership's income and gain and decrease by cash distributions you receive from our partnership and your allocable share of losses and deductions. You must recapture losses deducted in previous years to the extent that distributions cause your at risk amount to be less than zero at the end of any taxable year. Losses disallowed or recaptured as a result of these limitations will carry forward and will be allowable to the extent that your tax basis or at risk amount, whichever is the limiting factor, subsequently increases. Upon the taxable disposition of your units, any gain recognized by you can be offset by losses that were previously suspended by the at risk limitation but may not be offset by losses suspended by the basis limitation. Any excess loss above that gain previously suspended by the at risk or basis limitations may no longer be used. You should consult your own tax advisors as to the effects of the at risk rules.

Limitations on Deductibility of Organizational Expenses and Syndication Fees

In general, neither our partnership nor any U.S. Holder may deduct organizational or syndication expenses. Similar rules apply to organizational or syndication expenses incurred by Brookfield Infrastructure. While an election may be made by a partnership to amortize organizational expenses over a 15-year period, we do not intend to make such election for either our partnership or Brookfield Infrastructure. Syndication fees (which would include any sales or placement fees or commissions) must be capitalized and cannot be amortized or otherwise deducted.

Limitations on Interest Deductions

Your share of our partnership's interest expense is likely to be treated as "investment interest" expense. If you are a non-corporate taxpayer, the deductibility of "investment interest" expense is generally limited to the amount of your "net investment income." Your share of our partnership's dividend and interest income will be treated as investment income, although "qualified dividend income" subject to reduced rates of tax in the hands of an individual will only be treated as investment income if you elect to treat such dividend as ordinary income not subject to reduced rates of tax. In addition, state and local tax laws may disallow deductions for your share of our partnership's interest expense.

Net investment income includes gross income from property held for investment and amounts treated as portfolio income under the passive loss rules less deductible expenses, other than interest, directly connected with the production of investment income, but generally does not include gains attributable to the disposition of property held for investment.

Deductibility of Partnership Investment Expenditures by Individual Partners and by Trusts and Estates

Subject to certain exceptions, all miscellaneous itemized deductions of an individual taxpayer, and certain of such deductions of an estate or trust, are deductible only to the extent that such deductions exceed 2% of the taxpayer's adjusted gross income. Moreover, the otherwise allowable itemized deductions of individuals whose gross income exceeds an applicable threshold amount are subject to reduction by an amount equal to the lesser of (i) 3% of the excess of the individual's adjusted gross income over the threshold amount, or (ii) 80% of the amount of the itemized deductions, such reductions to be reduced on a phased basis beginning in 2006. The operating expenses of our partnership, including our partnership's allocable share of the Base Management Fee or any other management fees (if any), will likely be treated as miscellaneous itemized deductions subject to the foregoing rule. Alternatively, it is possible that our partnership and Brookfield Infrastructure will be required to capitalize amounts paid in respect of the Base Management Fee (as well as amounts paid in respect of any other management fees (if any)). Accordingly, if you are a non-corporate U.S. Holder, you should consult your own tax advisors with respect to the application of these limitations.

Sale or Exchange of Our Units

You will recognize gain or loss on a sale by you of your units equal to the difference, if any, between the amount realized and your tax basis in the units sold. Your amount realized will be measured by the sum of the cash or the fair market value of other property received plus your share of our partnership's liabilities, if any.

Gain or loss recognized by you on the sale or exchange by you of your units will generally be taxable as capital gain or loss and will be long-term capital gain or loss if the units were held for more than one year on the date of such sale or exchange. Under certain circumstances, your gain or loss may be long-term capital gain or loss, in part, and short-term capital gain or loss, in part, under the "split" holding period rules discussed below in "Special Considerations for Purchasers of Additional Units." Assuming you have not elected to treat your share of our interest in any PFICs in which we may invest as a "qualified electing fund", gain attributable to such investment in a PFIC would be taxable in the manner described below in "—Passive Foreign Investment Companies". In addition, certain gain attributable to "unrealized receivables" or "inventory items" could be characterized as ordinary income rather than capital gain. For example, if our partnership holds debt acquired at a market discount, accrued market discount on such debt would be treated as "unrealized receivables." The deductibility of capital losses is subject to limitations.

Special Considerations for Purchasers of Additional Units

Where a partner in a partnership acquires portions of his or her interest at different times, applicable U.S. federal income tax rules provide that the partner has a divided, or "split" holding period in his or her interest. Thus, if you acquire additional units at different times (including acquisitions made through the distribution reinvestment plan) each unit you own (including the additional units you acquire) will have a "split" holding period: a fraction of each unit will have a holding period commencing on the date after the acquisition of the additional units under the plan, and a fraction of each unit will have a holding period attributable to your previously-owned ("historic") units, based on the relative fair market values of the additional units and the historic units (as of the date of the acquisition of the additional units). The foregoing rules apply each time you acquire additional units (including under the distribution reinvestment plan). Nonetheless, each unit will retain an "averaged" adjusted tax basis as described above in "Basis." Subject to the special tracing approach described below, if you dispose of any units (whether historic or additional units) within one year of acquiring additional units, the disposition may give rise to both short-term capital gain (or loss), in part, and long-term capital gain (or

loss), in part, as a result of each unit's "split" holding period. Likewise, a cash distribution to you within a year of the acquisition of additional units in excess of your "unitary" adjusted tax basis in all of your units could give rise to both short-term and long-term capital gain. You may under certain circumstances use a "tracing" approach in lieu of having a "split" holding period in your units. The U.S. Treasury Regulations provide that a selling partner in a "publicly traded partnership" may use the actual holding period of the portion of his or her partnership interest if (1) the interest is divided into identifiable units with ascertainable holding periods, (2) the partner can identify the portion of the partnership interest transferred, and (3) the partner elects to use the identification method for all sales or exchanges of his or her interests in the partnership. As described above, our partnership will be a "publicly traded partnership." If you intend to rely on this alternative tracing approach, you must make an election to do so with your first disposition of units. This election applies only to your holding period in your units, not to your basis, which you may not "trace" under the "unitary" tax basis rules described above.

You should consult your own tax advisors regarding the consequences of a "split" holding period in your units, as well the availability and advisability of making the alternative tracing election.

Foreign Tax Credit Limitations

You will generally be entitled to a foreign tax credit with respect to your allocable share of creditable foreign taxes paid on our partnership's income and gains. Complex rules may, depending on your particular circumstances, limit the availability or use of foreign tax credits. Gains from the sale of our partnership's investments may be treated as U.S. source gains. Consequently, you may not be able to use the foreign tax credit arising from any foreign taxes imposed on such gains unless such credit can be applied (subject to applicable limitations) against U.S. tax due on other income treated as derived from foreign sources. Certain losses that our partnership incurs may be treated as foreign source losses, which could reduce the amount of foreign tax credits otherwise available.

Section 754 Election

Our partnership and Brookfield Infrastructure each have made or will make the election permitted by Section 754 of the U.S. Internal Revenue Code, or the Section 754 Election, and in the event we determine that either our partnership or Brookfield Infrastructure is deemed technically terminated pursuant to Section 708 of the U.S. Internal Revenue Code, either our partnership or Brookfield Infrastructure (as applicable) will remake the Section 754 Election. The Section 754 Election is irrevocable without the consent of the IRS. The Section 754 Election generally requires our partnership to adjust the tax basis in its assets, or inside basis, attributable to a transferee of our units under Section 743(b) of the U.S. Internal Revenue Code to reflect the purchase price paid by the transferee for our units. This election does not apply to a person who purchases our units directly from us. For purposes of this discussion, a transferee's inside basis in our partnership's assets will be considered to have two components: (i) the transferee's share of our partnership's tax basis in our partnership's assets, or common basis, and (ii) the adjustment under Section 743(b) of the U.S. Internal Revenue Code to that basis. The foregoing rules would also apply to Brookfield Infrastructure.

Generally, a Section 754 Election would be advantageous to a transferee U.S. Holder if such U.S. Holder's tax basis in its units is higher than the units' share of the aggregate tax basis of our partnership's assets immediately prior to the transfer. In that case, as a result of the Section 754 Election, the transferee U.S. Holder of units would have a higher tax basis in such U.S. Holder's share of our partnership's assets for purposes of calculating, among other items, such U.S. Holder's share of any gain or loss on a sale of our partnership's assets. Conversely, a Section 754 Election would be disadvantageous to a transferee U.S. Holder of our units if such U.S. Holder's tax basis in its units is lower than those units' share of the aggregate tax basis of our partnership's assets immediately prior to the transfer. Thus, the fair market value of our units may be affected either favorably or adversely by the election.

The calculations involved in the Section 754 Election are complex, and we will make them on the basis of assumptions as to the value of our assets and other matters. You should consult your own tax advisors as to the effects of the Section 754 Election.

Uniformity of Our Units

Because we can not match transferors and transferees of our units, we must maintain uniformity of the economic and tax characteristics of our units to a purchaser of our units. In the absence of uniformity, we may be unable to comply fully with a number of U.S. federal income tax requirements. A lack of uniformity can result from a literal application of U.S. Treasury Regulations under Sections 743 of the U.S. Internal Revenue Code to our partnership's Section 743(b) adjustments, the determination that our partnership's Section 704(c) allocations are unreasonable, or other reasons. Section 704(c) allocations would be intended to reduce or eliminate the disparity between tax basis and the value of our partnership's assets in certain circumstances, including on the issuance of additional units. In order to maintain the fungibility of all of our units at all times, we seek to achieve the uniformity of U.S. tax treatment for all purchasers of our units which are acquired at the same time and price (irrespective of the identity of the particular seller of the units or the time when the units are issued by our partnership) through the application of certain tax accounting principles that we believe are reasonable for our partnership. However, the IRS may disagree with us and may successfully challenge our application of such tax accounting principles. Any non-uniformity could have a negative impact on the value of our units.

Foreign Currency Gain or Loss

Our partnership's functional currency will be the U.S. dollar, and our partnership's income or loss will be calculated in U.S. dollars. It is likely that our partnership will recognize "foreign currency" gain or loss with respect to transactions involving non-U.S. dollar currencies. In general, foreign currency gain or loss is treated as ordinary income or loss. You should consult your own tax advisors regarding the tax treatment of foreign currency gain or loss.

Passive Foreign Investment Companies

A U.S. Holder will be subject to special rules applicable to indirect investments in foreign corporations, including an investment in a PFIC.

A PFIC is defined as any foreign corporation with respect to which (after applying the applicable look through rules under 1297(c) of the U.S. Internal Revenue Code) either (i) 75% or more of its gross income for a taxable year is "passive income" or (ii) 50% or more of its assets in any taxable year (generally based on the quarterly average of the value of its assets) produce "passive income." There are no minimum stock ownership requirements for PFICs. Once a corporation qualifies as a PFIC it is as to any person with an interest in such corporation at any time in which it was a PFIC, subject to certain exceptions, always treated as a PFIC, regardless of whether it satisfies either of the qualification tests in subsequent years. Any gain on disposition of stock of a PFIC, as well as income realized on certain "excess distributions" by the PFIC, is treated as though realized ratably over the shorter of your holding period of your units or our holding period for the PFIC. Such gain or income is taxable as ordinary income and dividends paid by a PFIC are not eligible for the preferential tax rate in the hands of individuals who would otherwise be eligible for the preferential tax rate for dividends. In addition, an interest charge would be imposed on you based on the tax treated as deferred from prior years.

If you made an election to treat your proportionate share of our interest in a PFIC as a "qualified electing fund", such election a QEF election, for the first year you are treated as holding such interest, in lieu of the foregoing treatment, you would be required to include in income each year a portion of the ordinary earnings and net capital gains of the PFIC, even if not distributed to our partnership or to you. A QEF election must be made by you on an entity-by-entity basis. To make a QEF election, you would, among other things, be required to submit IRS Form 8621 and supply the IRS with an information statement provided by the PFIC. U.S. Holders should consult their own tax advisors as to the manner in which such direct inclusions affect their allocable share of our income and their tax basis in their units.

Alternatively, in the case of a PFIC that is a publicly traded foreign company, you may make an election to "mark-to-market" your proportionate share of the stock of such foreign company on an annual basis. Pursuant to

such an election, you would include in each year as ordinary income the excess, if any, of the fair market value of your proportionate share of such stock over its adjusted basis at the end of the taxable year. You may treat as ordinary loss any excess of the adjusted basis of your proportionate share of the stock over its fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the election. Although we may in the future acquire PFICs which are publicly traded foreign companies, it is not expected that interests in any of our current operations will be publicly traded. Thus, you would not be eligible to make a mark-to-market election in respect of your indirect ownership interest in any of our operating entities. With the exception of our social infrastructure operations, based on our analysis of our operating entities and Holding Entities, as well as our expectations regarding future operations, we do not believe that any of the operating entities or any of the Holding entities is or is likely to become a PFIC. Although we do not otherwise intend to invest significant amounts in PFICs, there can be no assurance that a current or future investment will not be or become a PFIC or that an investment in PFIC stock will be eligible for the “mark-to-market” election. In addition, we may be required to hold an existing or future operating entity through a Holding Entity that would be a PFIC in order to ensure that our partnership satisfies the Qualifying Income Exception. See “—Investment Structure”, below. To the extent reasonably practicable, we intend to timely provide you with information related to the PFIC status of each entity we are able to identify as a PFIC, including information necessary for you to make a QEF election with respect to each such entity. To the extent reasonably practicable, we intend to make distributions of the earnings of each entity we are able to identify as a PFIC not less frequently than annually so as to minimize amounts that you must treat as excess distributions with respect to any such entity. However, because we cannot assure you that will be the case, and because any gains on a sale of any such entity would remain subject to the PFIC tax regime discussed above (See also “Sale or Exchange of Our Units,” above), we urge you to consider timely filing a QEF election with respect to each entity we are able to identify as a PFIC and for which we are able to provide the necessary information for the first year we hold an interest in such entity.

You should consult your own tax advisors regarding the PFIC rules, including the advisability of making a QEF election or, if applicable, a mark-to-market election with respect to each PFIC.

Investment Structure

To manage our affairs so as to ensure that our partnership meets the Qualifying Income Exception for the publicly traded partnership rules (discussed above) and comply with certain requirements in our limited partnership agreement, we may need to structure certain investments through an entity classified as a corporation for U.S. federal income tax purposes. Such investment structures will be entered into as determined in the sole discretion of our Managing General Partner and the Infrastructure GP LP in order to create a tax structure that generally is efficient for our unitholders. However, because our unitholders will be located in numerous taxing jurisdictions, no assurances can be given that any such investment structure will be beneficial to all our unitholders to the same extent, and may even impose additional tax burdens on some of our unitholders. As discussed above, if any such entity were a non-U.S. corporation it may be considered a PFIC. If any such entity were a U.S. corporation, it would be subject to U.S. federal income tax on its operating income, including any gain recognized on its disposal of its investments. In addition, if the investment involves U.S. real estate, gain recognized on disposition of the investment by a corporation would generally be subject to corporate-level tax, whether the corporation is a U.S. or a non-U.S. corporation.

Taxes in Other Jurisdictions

In addition to U.S. federal income tax consequences, because of an investment in our partnership, you may be subject to potential U.S. state and local taxes in the U.S. state or locality in which you are a resident for tax purposes. You may also be subject to tax return filing obligations and income, franchise or other taxes, including withholding taxes, in non-U.S. jurisdictions in which we invest. We will attempt, to the extent reasonably practicable, to structure our operations and investments so as to minimize income tax filing obligations by our investors in non-U.S. jurisdictions, but, there may be circumstances in which we are unable to do so. Income or gains from investments held by us may be subject to withholding or other taxes in jurisdictions outside the

United States, subject to the possibility of reduction under applicable income tax treaties. If you wish to claim the benefit of an applicable income tax treaty, you may be required to submit information to tax authorities in such jurisdictions. You should consult your own tax advisors regarding the U.S. state, local and non-U.S. tax consequences of an investment in our partnership.

U.S. Withholding Taxes

Although each U.S. Holder is required to provide us with a Form W-9, we nevertheless may be unable to accurately or timely determine the tax status of our investors for purposes of determining whether U.S. withholding applies to payments made by our partnership to some or all of our unitholders. In such a case, payments made by our partnership to U.S. Holders may be subject to U.S. “backup” withholding at the applicable rate (currently 28%) or other U.S. withholding taxes (potentially as high as 30%). You would be able to treat as a credit your allocable share of any U.S. withholding taxes paid in the taxable year in which such withholding taxes were paid and, as a result, you may be entitled to a refund of such taxes. In the event you transfer or otherwise dispose of some or all of your units, special rules may apply for purposes of determining whether you or the transferee of such units is subject to U.S. withholding taxes in respect of income allocable to, or distributions made on account of, such units and/or entitled to refunds of any such taxes withheld. See “—Administrative Matters—Certain Effects of a Transfer of Units”. You should consult your own tax advisors regarding the treatment of U.S. withholding taxes.

Transferor/Transferee Allocations

Our partnership may allocate items of income, gain, loss, deduction and credit using a monthly or other convention, whereby any such items recognized in a given month by our partnership are allocated to the holders of our units as of a specified date of such month. As a result, if you transfer your units, you may be allocated income, gain, loss and deduction realized by our partnership after the date of transfer. Similarly, if you acquire additional units, you may be allocated income, gain, loss, and deduction realized by our partnership prior to your ownership of such units.

Although Section 706 of the U.S. Internal Revenue Code generally provides guidelines for allocations of items of partnership income and deductions between transferors and transferees of partnership interests, it is not clear that our partnership’s allocation method complies with its requirements. If our partnership’s convention were not permitted, the IRS might contend that our partnership’s taxable income or losses must be reallocated among our unitholders. If such a contention were sustained, your respective tax liabilities would be adjusted to your possible detriment. Our Managing General Partner is authorized to revise our partnership’s method of allocation between transferors and transferees (as well as among investors whose interests otherwise vary during a taxable period).

U.S. Federal Estate Tax Consequences

If our units are included in the gross estate of a U.S. citizen or resident for U.S. federal estate tax purposes, then a U.S. federal estate tax might be payable in connection with the death of such person. Individual U.S. Holders should consult their own tax advisors concerning the potential U.S. federal estate tax consequences with respect to our units.

U.S. Taxation of Tax Exempt U.S. Holders of Our Units

Income recognized by a U.S. tax-exempt organization is exempt from U.S. federal income tax except to the extent of the organization’s “unrelated business taxable income”, or UBTI. UBTI is defined generally as any gross income derived by a tax-exempt organization from an unrelated trade or business that it regularly carries on, less the deductions directly connected with that trade or business. In addition, income arising from a “flow through” entity for U.S. federal income tax purposes that holds operating assets or is otherwise engaged in a trade

or business will generally constitute UBTI. Notwithstanding the foregoing, UBTI generally does not include any dividend income, interest income (or certain other categories of passive income) or capital gains recognized by a tax-exempt organization so long as such income is not debt-financed, as discussed below. Our partnership does not expect to be engaged in a trade or business, and any operating assets held by us will be held through entities that are treated as corporations for U.S. federal income tax purposes.

The exclusion from UBTI for dividends, interest (or other passive income) and capital gains does not apply to income from “debt-financed property”, which is treated as UBTI to the extent of the percentage of such income that the average acquisition indebtedness with respect to the property bears to the average tax basis of the property for the taxable year. Gain attributable to the sale of previously debt-financed property continues to be subject to these rules for 12 months after any acquisition indebtedness is satisfied. If an entity treated as a partnership for U.S. federal income tax purposes incurs acquisition indebtedness, a tax-exempt partner in such partnership would be deemed to have acquisition indebtedness equal to its allocable portion of such acquisition indebtedness. Our partnership and Brookfield Infrastructure are not prohibited from incurring indebtedness, and at times either or both may do so (e.g., on June 13, 2008, Brookfield Infrastructure entered into a \$450.0 million senior secured credit facility). If any such indebtedness were used to acquire property by our partnership or Brookfield Infrastructure, such property would be subject to the rules described above, and, consequently, tax-exempt U.S. Holders may recognize UBTI as a result of an investment in our partnership. Our partnership or Brookfield Infrastructure may use such indebtedness, including indebtedness incurred as a result of the senior secured credit facility, for such purposes. In addition, even if such indebtedness were not used either by our partnership or by Brookfield Infrastructure to acquire property but were instead used to fund distributions to our unitholders, if a tax-exempt U.S. Holder used such proceeds to make an investment outside our partnership, the IRS could assert that such investment constitutes “debt-financed property” subject to the rules described above.

A tax-exempt organization is subject to U.S. federal income tax at the regular graduated rates on the net amount of its UBTI, and a tax-exempt organization deriving gross income characterized as UBTI that exceeds \$1,000 in any taxable year is obligated to file a U.S. federal income tax return, even if it has no liability for that year as a result of deductions against such gross income, including an annual \$1,000 statutory deduction.

The potential for having income characterized as UBTI may make our units an unsuitable investment for a tax-exempt organization. Tax-exempt U.S. Holders should consult their own tax advisors regarding all aspects of UBTI.

Investments by U.S. Mutual Funds

U.S. mutual funds that are treated as regulated investment companies, or RICs, for U.S. federal income tax purposes are required, among other things, to meet an annual 90% gross income and a quarterly 50% asset value test under Section 851(b) of the U.S. Internal Revenue Code to maintain their favorable U.S. federal income tax status. The treatment of an investment by a RIC in our units for purposes of these tests will depend on whether our partnership will be treated as a “qualified publicly traded partnership”. If our partnership is so treated, then our units themselves are the relevant assets for purposes of the 50% asset value test and the net income from our units is the relevant gross income for purposes of the 90% gross income test. If, however, our partnership is not so treated, then the relevant assets are the RIC’s allocable share of the underlying assets held by our partnership and the relevant gross income is the RIC’s allocable share of the underlying gross income earned by our partnership. Whether our partnership will qualify as a “qualified publicly traded partnership” depends on the exact nature of its future investments, but it is likely that our partnership will not be treated as a “qualified publicly traded partnership.” RICs should consult their own tax advisors about the U.S. tax consequences of an investment in our units.

Consequences to Non-U.S. Holders of Our Units

We will use commercially reasonable efforts to structure our activities to avoid generating income treated as effectively connected with a U.S. trade or business, including effectively connected income attributable to the

sale of a “United States Real Property Interest”, as defined in the U.S. Internal Revenue Code. Specifically, our partnership will not make an investment directly, or through an entity which would be treated as a pass-through entity for U.S. federal income tax purposes, if we believe at the time of such investment that such investment would generate income treated as effectively connected with a U.S. trade or business. If, as anticipated, our partnership is not treated as engaged in a U.S. trade or business or as deriving income which is treated as effectively connected with a U.S. trade or business, and provided that you are not yourself engaged in a U.S. trade or business, you will not be subject to U.S. tax return filing requirements and generally will not be subject to U.S. federal income tax on interest and dividends from non-U.S. sources and gains from the sale or other disposition of securities or of real property located outside of the United States derived by us.

However, there can be no assurance that the law will not change or that the IRS will not challenge our position that our partnership is not engaged in a U.S. trade or business. If, contrary to our expectations, our partnership is considered to be engaged in a U.S. trade or business, you would be required to file a U.S. federal income tax return even if no effectively connected income is allocable to you. Additionally if our partnership has income that is treated as effectively connected with a U.S. trade or business, you would be required to report that income and would be subject to U.S. federal income tax at the regular graduated rates. In addition, we may be required to withhold U.S. federal income tax on your share of such income. If you are a non-U.S. corporation, you may be subject to branch profits tax as well, at a rate of 30%, or a lower treaty rate, if applicable.

In general, even if our partnership is not engaged in a U.S. trade or business, and assuming you are not otherwise engaged in a U.S. trade or business, you will nonetheless be subject to a withholding tax of 30% on the gross amount on certain U.S. source income which is not effectively connected with a U.S. trade or business. Income subjected to such a flat tax rate is income of a fixed or determinable annual or periodic nature, including dividends and certain interest income. Such withholding tax may be reduced or eliminated with respect to certain types of income under an applicable income tax treaty between the United States and your country of residence or under the “portfolio interest” rules of the U.S. Internal Revenue Code, provided that you provide proper certification as to your eligibility for such treatment. Notwithstanding the foregoing, and although each non-U.S. Holder is required to provide us with a Form W-8, we nevertheless may be unable to accurately or timely determine the tax status of our investors for purposes of establishing whether reduced rates of withholding apply to some or all of our unitholders. In such a case, your allocable share of distributions of U.S.-source dividend and interest income will be subject to U.S. withholding tax at a rate of 30%. As such, if you would not be subject to U.S. tax based on your tax status or are eligible for a reduced rate of U.S. withholding, you may need to take additional steps to receive a credit or refund of any excess withholding tax paid on your account, which may include the filing of a non-resident U.S. income tax return with the IRS. Among other limitations applicable to claiming treaty benefits, if you reside in a treaty jurisdiction which does not treat our partnership as a passthrough entity, you may not be eligible to receive a refund or credit of excess U.S. withholding taxes paid on your account. In the event you transfer or otherwise dispose of some or all of your units, special rules may apply for purposes of determining whether you or the transferee of such units is subject to U.S. withholding taxes in respect of income allocable to, or distributions made on account of, such units and/or entitled to refunds of any such taxes withheld. See “—Administrative Matters—Certain Effects of a Transfer of Units”. You should consult your own tax advisors regarding the treatment of U.S. withholding taxes.

The disposition of our units on the NYSE by a non-U.S. Holder will not be subject to U.S. federal income tax, so long as (i) such non-U.S. Holder does not own (and is not deemed to own) more than 5% of our units, and (ii) for the calendar quarter during which such disposition occurs, our units are regularly quoted by brokers and dealers making a market in our units. We do not intend to list our units for trading on any other exchange unless we determine that the foregoing consequences will continue to apply.

A non-U.S. Holder who owns (or is deemed to own) more than 5% of our units very likely will be subject to special rules under the Foreign Investment Real Property Act of 1980, and under those rules, a disposition of our units by such a non-U.S. Holder may be subject to U.S. federal income tax and return filing obligations. If you

are a non-U.S. Holder and own or anticipate owning more than 5% of our units (either directly or indirectly), you should consult your tax advisors regarding the application of the foregoing rules to you.

The U.S. federal estate tax treatment of our units with regards to the estate of a non-U.S. citizen who is not a resident of the United States is not entirely clear. If our units are includable in the U.S. gross estate of such person, then a U.S. federal estate tax might be payable in connection with the death of such person. Individual non-U.S. Holders who are non-U.S. citizens and not residents of the United States should consult their own tax advisors concerning the potential U.S. federal estate tax consequences with regards to our units.

Administrative Matters

Tax Matters Partner

Our Managing General Partner will act as our partnership's "tax matters partner." As the tax matters partner, the Managing General Partner will have the authority, subject to certain restrictions, to act on our behalf in connection with any administrative or judicial review of our items of income, gain, loss, deduction or credit.

Information Returns

We have agreed to use commercially reasonable efforts to furnish to you, within 90 days after the close of each calendar year, tax information (including Schedule K-1), which describes on a U.S. dollar basis your share of our partnership's income, gain, loss and deduction for our preceding taxable year. In preparing this information, we will use various accounting and reporting conventions, some of which have been mentioned in the previous discussion, to determine your share of income, gain, loss and deduction. The IRS may successfully contend that certain of these reporting conventions are impermissible, which could result in an adjustment to your income or loss.

We may be audited by the IRS. Adjustments resulting from an IRS audit may require you to adjust a prior year's tax liability, and possibly may result in an audit of your own tax return. Any audit of your tax return could result in adjustments not related to our tax returns as well as those related to our tax returns.

Tax Shelter Regulations

If we were to engage in a "reportable transaction", we (and possibly you and others) would be required to make a detailed disclosure of the transaction to the IRS in accordance with recently issued regulations governing tax shelters and other potentially tax-motivated transactions. A transaction may be a reportable transaction based upon any of several factors, including the fact that it is a type of tax avoidance transaction publicly identified by the IRS as a "listed transaction", or as a "transaction of interest", or that it produces certain kinds of losses in excess of \$2 million. An investment in us may be considered a "reportable transaction" if, for example, we recognize certain significant losses in the future. In certain circumstances, a unitholder who disposes of an interest in a transaction resulting in the recognition by such holder of significant losses in excess of certain threshold amounts may be obligated to disclose its participation in such transaction. Our participation in a reportable transaction also could increase the likelihood that our U.S. federal income tax information return (and possibly your tax return) would be audited by the IRS. Certain of these rules are currently unclear, and the scope of reportable transactions can change retroactively, and, therefore, it is possible that they may be applicable in situations other than significant loss transactions.

Moreover, if we were to participate in a reportable transaction with a significant purpose to avoid or evade tax, or in any listed transaction, you may be subject to (i) significant accuracy-related penalties with a broad scope, (ii) for those persons otherwise entitled to deduct interest on federal tax deficiencies, non-deductibility of interest on any resulting tax liability, and (iii) in the case of a listed transaction, an extended statute of limitations. We do not intend to participate in any reportable transaction with a significant purpose to avoid or evade tax, nor do we intend to participate in any listed transactions. However, no assurances can be made that the IRS will not assert that we have participated in such a transaction.

You should consult your own tax advisors concerning any possible disclosure obligation under the regulations governing tax shelters with respect to the disposition of our units held by you.

Taxable Year

Our partnership currently uses the calendar year as its taxable year for U.S. federal income tax purposes. Under certain circumstances which we currently believe are unlikely to apply, a taxable year other than the calendar year may be required for such purposes.

Constructive Termination

Subject to the electing large partnership rules described below, our partnership will be considered to have been terminated for U.S. federal income tax purposes if there is a sale or exchange of 50% or more of our units within a 12-month period.

A termination of our partnership would result in the close of its taxable year for all holders of our units. If you report on a taxable year other than a fiscal year ending on our partnership's year-end, and you are otherwise subject to U.S. federal income tax, the closing of our partnership's taxable year may result in more than 12 months of our partnership's taxable income or loss being includable in your taxable income for the year of termination. Our partnership would be required to make new tax elections after a termination, including a new Section 754 Election. A termination could also result in penalties and other adverse tax consequences if we were unable to determine that the termination had occurred. Moreover, a termination might either accelerate the application of, or subject us to, any tax legislation enacted before the termination.

Elective Procedures for Large Partnerships

The U.S. Internal Revenue Code allows large partnerships to elect streamlined procedures for income tax reporting. This election would reduce the number of items that must be separately stated on the Schedules K-1 that are issued to the holders of our units, and such Schedules K-1 would have to be provided to holders on or before the first March 15 following the close of each taxable year. In addition, this election would prevent our partnership from suffering a "technical termination" (which would close our taxable year and require that we make a new Section 754 Election) if, within a 12-month period, there is a sale or exchange of 50% or more of our total units. Despite the foregoing benefits, there are also costs and administrative burdens associated with such an election. Consequently, our partnership may not elect to be subject to the reporting procedures applicable to large partnerships.

Backup and Other Administrative Withholding Issues

For each calendar year, we will report to you and to the IRS the amount of distributions that we pay, and the amount of tax (if any) that we withhold on these distributions. Under the backup withholding rules, you may be subject to backup withholding tax (at the applicable rate, currently 28%) with respect to distributions paid unless: (i) you are a corporation or come within another exempt category and demonstrate this fact when required or (ii) you provide a taxpayer identification number, certify as to no loss of exemption from backup withholding tax and otherwise comply with the applicable requirements of the backup withholding tax rules. If you are an exempt holder, you should indicate your exempt status on a properly completed IRS Form W-9. A Non-U.S. Holder may qualify as an exempt recipient by submitting a properly completed IRS Form W-8BEN. Backup withholding is not an additional tax; the amount of any backup withholding from a payment to you will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund.

If you do not timely provide us with IRS Form W-9 or W-8, as applicable, or such form is not properly completed, we may become subject to U.S. "backup" withholding taxes in excess of what would have been

imposed had our partnership received certifications from all investors. For administrative reasons, and in order to maintain fungibility of our units, such excess U.S. “backup” withholding taxes, and if necessary similar items, may be treated by our partnership as an expense that will be borne by all unitholders on a pro rata basis (e.g., since it may be impractical for us to allocate any such excess withholding tax cost to the unitholders that failed to timely provide the proper U.S. tax certifications).

Certain Effects of a Transfer of Units

Our partnership may allocate items of income, gain, loss, deduction and credit using a monthly or other convention, whereby any such items recognized in a given month by our partnership are allocated to our unitholders as of a specified date of such month. Any U.S. withholding taxes applicable to dividends received by Brookfield Infrastructure (and, in turn, our partnership) will generally be withheld by our partnership only when such dividends are paid. Because our partnership generally intends to distribute amounts received in respect of dividends shortly after receipt of such amounts, it is generally expected that any U.S. withholding taxes withheld by our partnership on such amounts will correspond to our unitholders who were allocated income and who received the distributions in respect of such amounts. Brookfield Infrastructure may invest in debt obligations or other securities for which the accrual of interest or income thereon is not matched by a contemporaneous receipt of cash. Any such accrued interest or other income would be allocated pursuant to the monthly convention described above. Consequently, our unitholders may recognize income in excess of cash distributions received from our partnership, and any income so included by a unitholder would increase the basis such unitholder has in our units and would offset any gain (or increase the amount of loss) realized by such unitholder on a subsequent disposition of its units. In addition, U.S. withholding taxes generally would be withheld by our partnership only on the payment of cash in respect of such accrued interest or other income, and, therefore, it is possible that some unitholder would be allocated income which may be distributed to a subsequent unitholder and such subsequent unitholder would be subject to withholding at the time of distribution. Consequently, the subsequent unitholder, and not the unitholder who was allocated income, would be entitled to claim any available credit with respect to such withholding.

Brookfield Infrastructure has invested and will continue to invest in certain Holding Entities and operating entities organized in non-U.S. jurisdictions, and income and gains from such investments may be subject to withholding and other taxes in such jurisdictions. If any such non-U.S. taxes are imposed on income allocable to a U.S. Holder, and, thereafter, such U.S. Holder disposed of its units prior to the date distributions are made in respect of such income, under applicable provisions of the U.S. Internal Revenue Code and U.S. Treasury Regulations, the unitholder to whom such income was allocated (and not the unitholder to whom distributions were ultimately made) would, subject to other applicable limitations, be the party permitted to claim a credit for such non-U.S. taxes for U.S. federal income tax purposes. Complex rules may, depending on a unitholder’s particular circumstances, limit the availability or use of foreign tax credits, and investors are urged to consult their own tax advisors regarding all aspects of foreign tax credits.

Nominee Reporting

Persons who hold an interest in our partnership as a nominee for another person are required to furnish to us:

- (a) the name, address and taxpayer identification number of the beneficial owner and the nominee;
- (b) whether the beneficial owner is (1) a person that is not a U.S. person, (2) a foreign government, an international organization or any wholly-owned agency or instrumentality of either of the foregoing, or (3) a tax-exempt entity;
- (c) the amount and description of units held, acquired or transferred for the beneficial owner; and
- (d) specific information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from sales.

Brokers and financial institutions are required to furnish additional information, including whether they are U.S. persons and specific information on units they acquire, hold or transfer for their own account. A penalty of \$50 per failure, up to a maximum of \$100,000 per calendar year, is imposed by the U.S. Internal Revenue Code for failure to report that information to us. The nominee is required to supply the beneficial owner of the units with the information furnished to us.

New Legislation or Administrative or Judicial Action

The U.S. federal income tax treatment of our unitholders depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. You should be aware that the U.S. federal income tax rules, particularly those applicable to partnerships, are constantly under review (including currently) by the Congressional tax-writing committees and other persons involved in the legislative process, the IRS, the U.S. Treasury Department, and the courts, frequently resulting in revised interpretations of established concepts, statutory changes, revisions to regulations and other modifications and interpretations, any of which could adversely affect the value of our units and be effective on a retroactive basis. For example, changes to the U.S. federal tax laws and interpretations thereof could adversely affect the U.S. federal income tax treatment of publicly traded partnerships, including changes that make it more difficult or impossible for our partnership (or Brookfield Infrastructure) to meet the Qualifying Income Exception so as to be treated as a partnership for U.S. federal income tax purposes that is not taxable as a corporation and changes that reduce the net amount of distributions available to our unitholders. Such changes could also affect or cause us to change the way we conduct our activities, affect the tax considerations of an investment in our partnership, change the character or treatment of portions of our partnership's income (including changes that recharacterize certain allocations as potentially non-deductible fees) and adversely affect an investment in our units.

Our partnership's organizational documents and agreements permit our Managing General Partner to modify our limited partnership agreement from, time-to-time, without the consent of our unitholders, to address certain changes in U.S. federal income tax regulations, legislation or interpretation or to elect to treat our partnership as a corporation for U.S. tax purposes. In some circumstances, such revisions could have a material adverse impact on some or all of our unitholders.

THE FOREGOING DISCUSSION IS NOT INTENDED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING. THE TAX MATTERS RELATING TO US AND OUR UNITHOLDERS ARE COMPLEX AND ARE SUBJECT TO VARYING INTERPRETATIONS. MOREOVER, THE EFFECT OF EXISTING INCOME TAX LAWS, THE MEANING AND IMPACT OF WHICH IS UNCERTAIN AND OF PROPOSED CHANGES IN INCOME TAX LAWS WILL VARY WITH THE PARTICULAR CIRCUMSTANCES OF EACH UNITHOLDER AND IN REVIEWING THIS PROSPECTUS THESE MATTERS SHOULD BE CONSIDERED. UNITHOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES OF ANY INVESTMENT IN OUR UNITS.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a fair summary of the principal Canadian federal income tax consequences of the holding and disposition of units in our partnership and who, for purposes of the Income Tax Act (Canada), or the Tax Act, holds our units as capital property and deals at arm's length with our partnership, Brookfield Infrastructure, the Managing General Partner, the Infrastructure General Partner, the Infrastructure GP LP and their respective affiliates. Generally, our units will be considered to be capital property to a holder, provided that the holder does not hold our units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. This summary is not applicable to a holder that is a "financial institution" as defined in the Tax Act for purposes of the "mark-to-market" rules, a holder that is a "specified financial institution" as defined in the Tax Act, a holder to

whom subsection 261(4) of the Tax Act applies, or a holder an interest in which is a “tax shelter investment” as defined in the Tax Act, or who acquires a unit as a tax shelter investment (and assumes that no such persons hold our units). Any such holders should consult their own tax advisors with respect to an investment in our units.

This summary is based on the current provisions of the Tax Act, the regulations thereunder, or the Regulations, all specific proposals to amend the Tax Act or the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, or the Tax Proposals, and the current published administrative and assessing policies and practices of the Canada Revenue Agency, or CRA. This summary assumes that all Tax Proposals will be enacted in the form proposed although no assurance can be given in this regard. This summary does not otherwise take into account or anticipate any changes in law, whether by judicial, administrative or legislative decision or action or changes in CRA’s administrative and assessing policies and practices, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from those described herein. This summary is not exhaustive of all possible Canadian federal income tax consequences that may affect prospective purchasers.

This summary assumes that neither our partnership nor Brookfield Infrastructure will be considered to carry on business in Canada. Our Managing General Partner and the Infrastructure General Partner have advised that they intend to conduct the affairs of each of these entities, to the extent possible, so that none of these entities should be considered to carry on business in Canada for purposes of the Tax Act. However, no assurance can be given in this regard.

Recently enacted rules (referred to herein as the SIFT Rules) will significantly change the taxation of most publicly traded trusts and partnerships and distributions or allocations, as the case may be, from these entities to their investors. Under the SIFT Rules, a “Canadian resident partnership” (within the meaning of the SIFT Rules), the units of which are listed or traded on a stock exchange or other “public market” (within the meaning of the SIFT Rules), and that holds one or more “non-portfolio properties” (within the meaning of the SIFT Rules), or a SIFT Partnership, would be taxed on the income (other than taxable dividends) or capital gains from such properties and on income from businesses carried on by the SIFT Partnership in Canada at a combined tax rate similar to that of a corporation, and allocations of such income to the partners would be taxed as dividends from a taxable Canadian corporation. This summary assumes that our partnership and Brookfield Infrastructure will at no relevant time be a SIFT Partnership on the basis that our partnership and Brookfield Infrastructure are not Canadian resident partnerships. There can be no assurance that the SIFT Rules will not be revised or amended such that the SIFT Rules will apply.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder of our units, and no representation with respect to the Canadian federal income tax consequences to any particular holder is made. Consequently, holders of our units are advised to consult their own tax advisors with respect to their particular circumstances.

TAXATION OF CANADIAN RESIDENT LIMITED PARTNERS

The following is a discussion of the consequences under the Tax Act to limited partners who at all relevant times are resident or deemed to be resident in Canada under the Tax Act, or Canadian Limited Partners.

Computation of Income or Loss

Each Canadian Limited Partner is required to include (or, subject to the “at-risk rules” discussed below, entitled to deduct) in computing his or her income for a particular taxation year the Canadian Limited Partner’s pro rata share of the income (or loss) of our partnership for its fiscal year ending in, or coincidentally with, the Canadian Limited Partner’s taxation year end, whether or not any of that income is distributed to the Canadian Limited Partner in the taxation year and regardless of whether our units were held throughout such year. Our partnership will not itself be a taxable entity and is not expected to be required to file an income tax return in

Canada. However, the income (or loss) of our partnership for a fiscal period for purposes of the Tax Act will be computed as if it were a separate person resident in Canada and our members will be allocated a share of that income (or loss) in accordance with our limited partnership agreement. The income (or loss) of our partnership will include our share of the income (or loss) of Brookfield Infrastructure for a fiscal year determined in accordance with Brookfield Infrastructure's limited partnership agreement. For this purpose, our partnership's fiscal year end and that of Brookfield Infrastructure will be December 31.

The income for tax purposes of our partnership for a given fiscal year of our partnership will be allocated to each unitholder in an amount calculated by multiplying such income that is allocable to unitholders by a fraction, the numerator of which is the sum of the distributions received by such unitholder with respect to such fiscal year and the denominator of which is the aggregate amount of the distributions made by our partnership to unitholders with respect to such fiscal year. Generally, the source and character of items of income allocated to a unitholder with respect to a fiscal year of our partnership will be the same source and character as the cash distributions received by such unitholder with respect to such fiscal year.

If, with respect to a given fiscal year, no distribution is made by our partnership to unitholders or our partnership has a loss for tax purposes, one quarter of the income, or loss, as the case may be, for tax purposes of our partnership for such fiscal year that is allocable to unitholders, will be allocated to the unitholders of record at the end of each calendar quarter ending in such fiscal year in the proportion that the number of units held at each such date by a unitholder is of the total number of units issued and outstanding at each such date. Generally, the source and character of such income or losses allocated to a unitholder at the end of each calendar quarter will be the same source and character as the income or loss earned or incurred by our partnership in such calendar quarter. The income of our partnership as determined for purposes of the Tax Act may differ from its income as determined for accounting purposes and may not be matched by cash distributions. In addition, for purposes of the Tax Act, all income of our partnership and Brookfield Infrastructure must be calculated in Canadian currency. Where our partnership (or Brookfield Infrastructure) holds investments denominated in U.S. dollars or other foreign currencies, gains and losses may be realized by our partnership as a consequence of fluctuations in the relative values of the Canadian and foreign currencies.

In computing the income (or loss) of our partnership, deductions may be claimed in respect of reasonable administrative costs, interest and other expenses incurred by our partnership for the purpose of earning income, subject to the relevant provisions of the Tax Act. Our partnership and Brookfield Infrastructure may be required to withhold and remit Canadian federal withholding tax on any management or administration fees or charges paid or credited to a non-resident person, to the extent that such management or administration fees or charges are deductible in computing our partnership's or Brookfield Infrastructure's income from a source in Canada.

In general, a Canadian Limited Partner's share of any income (or loss) from our partnership from a particular source will be treated as if it were income (or loss) of the Canadian Limited Partner from that source, and any provisions of the Tax Act applicable to that type of income (or loss) will apply to the Canadian Limited Partner. Our partnership will invest in limited partnership units of Brookfield Infrastructure. In computing our partnership's income (or loss) under the Tax Act, Brookfield Infrastructure will itself be deemed to be a separate person resident in Canada which computes its income (or loss) and allocates to its partners their respective share of such income (or loss). Accordingly, the source and character of amounts included in (or deducted from) the income of Canadian Limited Partners on account of income (or loss) earned by Brookfield Infrastructure generally will be determined by reference to the source and character of such amounts when earned by Brookfield Infrastructure. The characterization by CRA of gains realized by our partnership or Brookfield Infrastructure on the disposition of investments as either capital gains or income gains will depend largely on factual considerations, and no conclusions are expressed herein. However, the Managing General Partner and the Infrastructure General Partner advise that our partnership and Brookfield Infrastructure are not expected to realize significant gains or losses from dispositions of investments.

A Canadian Limited Partner's share of taxable dividends received or considered to be received by our partnership in a fiscal year from a corporation resident in Canada will be treated as a dividend received by the Canadian Limited Partner and will be subject to the normal rules in the Tax Act applicable to such dividends, including the enhanced dividend gross up and tax credit for eligible dividends when the dividend received by Brookfield Infrastructure is designated as an eligible dividend.

Foreign taxes paid by our partnership or Brookfield Infrastructure and taxes withheld at source (other than for the account of a particular Canadian Limited Partner) will be allocated pursuant to the governing partnership agreement. Each Canadian Limited Partner's share of the business-income tax and non-business-income tax paid in a foreign country for a year will be creditable against its Canadian federal income tax liability to the extent permitted by the detailed rules contained in the Tax Act. Although the foreign tax credit provisions are designed to avoid double taxation, the maximum credit is limited. Because of this, and because of timing differences in recognition of expenses and income and other factors, there is a risk of double taxation.

Our partnership and Brookfield Infrastructure will be deemed to be a non-resident person in respect of amounts paid or credited to them by a person resident or deemed to be resident in Canada, including dividends or interest. Dividends or interest (other than interest exempt from withholding tax) paid by a person resident or deemed to be resident in Canada to Brookfield Infrastructure will be subject to withholding tax under Part XIII of the Tax Act at the rate of 25%. Pursuant to recent amendments made by the "Fifth Protocol" to the Canada—U.S. Tax Treaty, a Canadian resident payer may be required to look-through fiscally transparent partnerships such as our partnership and Brookfield Infrastructure to the residency of limited partners of our partnership who are entitled to relief under that treaty and take into account reduced rates of Canadian federal withholding tax that such limited partners may be entitled to under that treaty. In determining the rate of Canadian federal withholding tax applicable to amounts paid by the Holding Entities to Brookfield Infrastructure, we expect the Holding Entities to look-through Brookfield Infrastructure and our partnership to the residency of the partners of our partnership (including partners who are residents of Canada) and to take into account any reduced rates of withholding tax that Non-Canadian Limited Partners may be entitled to under an applicable income tax treaty or convention in order to determine the appropriate amount of Canadian federal withholding tax to withhold from dividends or interest paid to Brookfield Infrastructure. However, there can be no assurance that CRA would apply its administrative practice in this context.

If our partnership incurs losses for tax purposes, each Canadian Limited Partner will, subject to the REOP Proposals discussed below, be entitled to deduct in the computation of income for tax purposes the Canadian Limited Partner's pro rata share of any net losses for tax purposes of our partnership for its fiscal year to the extent that the Canadian Limited Partner's investment is "at-risk" within the meaning of the Tax Act. The Tax Act contains "at-risk rules" which may, in certain circumstances, restrict the deduction of a limited partner's share of any losses of a limited partnership. Our Managing General Partner and the Infrastructure General Partner do not anticipate that our partnership or Brookfield Infrastructure will incur losses but no assurance can be given in this regard. Accordingly, Canadian Limited Partners should consult their own tax advisors for specific advice with respect to the potential application of the "at-risk rules".

On October 31, 2003, the Department of Finance released for public comment Tax Proposals, or the REOP Proposals, regarding the deductibility of interest and other expenses for purposes of the Tax Act. Under the REOP Proposals, a taxpayer would be considered to have a loss from a source that is a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit (excluding capital gains or losses) from the business or property during the period that the business is carried on or that the property is held. In general, these proposals may deny the realization of losses by Canadian Limited Partners from their investment in our partnership in a particular taxation year, if, in the year the loss is claimed, it is not reasonable to expect that an overall cumulative profit would be earned from the investment in our partnership for the period in which the Canadian Limited Partner has held and can reasonably be expected to hold the investment. Our Managing General Partner and the Infrastructure General Partner do not anticipate that the activities of our partnership and Brookfield Infrastructure will, in and of themselves, generate losses, but no

assurance can be given in this regard. However, unitholders may incur expenses in connection with an acquisition of units in our partnership that could result in a loss that could be affected by the REOP Proposals.

The REOP Proposals have been the subject of a number of submissions to the Minister of Finance (Canada). As part of the 2005 federal budget, the Minister of Finance (Canada) announced that an alternative proposal to reflect the REOP Proposals would be released for comment at an early opportunity. No such alternative proposal has been released to date. There can be no assurance that such alternative proposal will not adversely affect Canadian Limited Partners, or that any revised proposals may not differ significantly from the REOP Proposals described herein. On November 9, 2006, the Minister of Finance (Canada) introduced revised proposed amendments to the Tax Act relating to foreign investment entities, referred to as the FIE Proposals, that will, if enacted, apply to taxation years that begin after 2006. In the 2009 Federal Budget the government announced it was reviewing the FIE Proposals in light of submissions it had received. Each of the defined terms used in this paragraph are as defined in the FIE Proposals. The FIE Proposals generally require a taxpayer (other than an “exempt taxpayer” as defined in the FIE Proposals) that holds a “participating interest” (other than an “exempt interest”) in a “foreign investment entity” to include in income annually as income from property an amount determined by multiplying the “designated cost” of the participating interest by the prescribed rate of interest under the Tax Act from time-to-time unless the taxpayer makes a valid election to use either the “accrual method” or the “mark-to-market” method (which election is unlikely to be available in the case of our partnership or Brookfield Infrastructure because of the nature of their investments). Under the FIE Proposals, our units will be an exempt interest and therefore will not be subject to the FIE Proposals. Our partnership’s interest in Brookfield Infrastructure will also be an exempt interest.

However, in computing income for Canadian federal income tax purposes, Brookfield Infrastructure will be subject to the FIE Proposals with respect to any interest that is a participating interest in a foreign investment entity (other than an exempt interest) or a tracked interest. For these purposes, an exempt interest includes an interest in a corporation that is a “controlled foreign affiliate” as defined in the Tax Act.

Each of the foreign subsidiaries that will be directly owned by Brookfield Infrastructure, collectively referred to as the controlled foreign affiliates, or CFAs, is expected to be a “foreign affiliate” and a “controlled foreign affiliate”, and not a “tracked interest”, each as defined in the Tax Act and the FIE Proposals, of Brookfield Infrastructure. Accordingly, the interest of Brookfield Infrastructure in the CFAs would not be subject to the FIE Proposals. However, if any of the CFAs becomes a tracked interest or ceases to be a CFA of Brookfield Infrastructure or if Brookfield Infrastructure acquires an interest in a foreign subsidiary that is a tracked interest or acquires an interest in a foreign subsidiary that is not a CFA, then Brookfield Infrastructure’s investment in such CFA or other foreign subsidiary would be subject to the FIE Proposals, unless another exemption is available. Canadian Limited Partners to whom the application of the FIE Proposals may be relevant are advised to consult their own tax advisors for the potential consequences of the application of these proposals having regard to such Canadian Limited Partners’ particular circumstances.

Dividends paid by the CFAs to Brookfield Infrastructure will be included in computing the income of Brookfield Infrastructure. To the extent that any of the CFAs or any direct or indirect subsidiary thereof earns income that is characterized as “foreign accrual property income” as defined in the Tax Act, or FAPI, in a particular taxation year of the CFA, the FAPI allocable to Brookfield Infrastructure must be included in computing the income of Brookfield Infrastructure for Canadian federal income tax purposes for the fiscal period of Brookfield Infrastructure in which the taxation year of that CFA ends, whether or not Brookfield Infrastructure actually receives a distribution of that FAPI. If an amount of FAPI is included in computing the income of Brookfield Infrastructure for Canadian federal income tax purposes, an amount may be deductible in respect of the “foreign accrual tax” as defined in the Tax Act applicable to the FAPI. Any amount of FAPI included in income net of the amount of any deduction in respect of foreign accrual tax will increase the adjusted cost base to Brookfield Infrastructure of its shares of the particular CFA in respect of which the FAPI was included. At such time as Brookfield Infrastructure receives a dividend of this type of income that was previously treated as FAPI, that dividend will effectively not be taxable to Brookfield Infrastructure and there will be a corresponding reduction in the adjusted cost base to Brookfield Infrastructure of the particular CFA shares.

Disposition of Our Units

The disposition by a Canadian Limited Partner of a unit of our partnership will result in the realization of a capital gain (or capital loss) by such limited partner. The amount of such capital gain (or capital loss) will generally be the amount, if any, by which the proceeds of disposition of a unit, less any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base of such unit. In general, the adjusted cost base of a Canadian Limited Partner's units will be equal to (i) the actual cost of the units (excluding any portion thereof financed with limited recourse indebtedness), plus (ii) the pro rata share of the income of our partnership allocated to the Canadian Limited Partner for the fiscal years of our partnership ending before the relevant time less (iii) the aggregate of the pro rata share of losses of our partnership allocated to the Canadian Limited Partner (other than losses which cannot be deducted because they exceed the Canadian Limited Partner's "at-risk" amount) for the fiscal years of our partnership ending before the relevant time and the Canadian Limited Partner's distributions from our partnership made before the relevant time. The adjusted cost base of each of our units will be subject to the averaging provisions contained in the Tax Act.

Where a Canadian Limited Partner disposes of all of its units, such person will no longer be a partner of our partnership. If, however, a Canadian Limited Partner is entitled to receive a distribution from our partnership after the disposition of all such units, then the Canadian Limited Partner will be deemed to dispose of the units at the later of: (i) the end of the fiscal year of our partnership during which the disposition occurred; and (ii) the date of the last distribution made by our partnership to which the Canadian Limited Partner was entitled. Pursuant to the Tax Proposals, the pro rata share of the income (or loss) for tax purposes of our partnership for a particular fiscal year which is allocated to a Canadian Limited Partner who has ceased to be a partner will generally be added (or deducted) in the computation of the adjusted cost base of the Canadian Limited Partner's units at the time of the disposition. These rules are complex and Canadian Limited Partners should consult their own tax advisors for advice with respect to the specific tax consequences to them of disposing of units of our partnership.

A Canadian Limited Partner will realize a deemed capital gain if, and to the extent that, the adjusted cost base of the Canadian Limited Partner's units is negative at the end of any fiscal year of our partnership. In such a case, the adjusted cost base of the Canadian Limited Partner's units will be nil at the beginning of the next fiscal year of our partnership.

In general, one-half of a capital gain realized by a Canadian Limited Partner must be included in computing such limited partner's income as a taxable capital gain. Where a Canadian Limited Partner disposes of units to a tax-exempt person, more than one-half of such capital gain may be treated as a taxable capital gain if any portion of the gain is attributable to an increase in value of depreciable property held by Brookfield Infrastructure. Canadian Limited Partners contemplating such dispositions should consult their own advisors. The Infrastructure General Partner has advised that it does not expect that Brookfield Infrastructure will hold any depreciable property and therefore expects that only one-half of any capital gains arising from a disposition of our units should be treated as taxable capital gains. One-half of a capital loss is deducted as an allowable capital loss against taxable capital gains realized in the year and any remainder may be deducted against taxable capital gains in any of the three years preceding the year or any year following the year to the extent and under the circumstances described in the Tax Act.

A Canadian Limited Partner that is throughout the relevant taxation year a "Canadian-controlled private corporation" as defined in the Tax Act may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on its "aggregate investment income", as defined in the Tax Act, for the year, which is defined to include taxable capital gains.

Eligibility for Investment

Units of our partnership should be "qualified investments" under the Tax Act for trusts governed by registered retirement savings plans, deferred profit sharing plans, registered retirement income funds, registered

education savings plans, registered disability savings plans and, commencing in 2009, tax-free savings accounts provided that our units are listed on a designated stock exchange (which would include the NYSE). In certain limited circumstances Units of our partnership might not be a qualified investment. You should consult with a tax advisor in respect of your ownership of Units of our partnership.

TAXATION OF NON-CANADIAN LIMITED PARTNERS

The following summary applies to holders who at all relevant times are not resident and are not deemed to be resident in Canada for purposes of the Tax Act and who do not acquire or hold their investment in our partnership in connection with a business carried on, or deemed to be carried on, in Canada, each a Non-Canadian Limited Partner. The following summary assumes that our units are not “taxable Canadian property” as defined in the Tax Act and that our partnership and Brookfield Infrastructure generally will not dispose of properties that are taxable Canadian property (which includes, but is not limited to, property that is used or held in a business carried on in Canada, shares of corporations resident in Canada that are not listed on a designated stock exchange and listed shares where the number of shares owned exceeds prescribed amounts). Our units will be taxable Canadian property if, at any time within the 60-month period ending at the time of disposition or deemed disposition, the fair market value of all of the properties of our partnership that were taxable Canadian property, certain types of resource properties, income interests in trusts resident in Canada or interests in or options in respect thereof, was greater than 50% of the fair market value of all of its properties. Our Managing General Partner and the Infrastructure General Partner advise that our units are not expected to be taxable Canadian property and that our partnership and Brookfield Infrastructure are not expected to dispose of taxable Canadian property. However, no assurance can be given in this regard.

Taxation of Income or Loss

A Non-Canadian Limited Partner will not be subject to Canadian federal income tax under Part I of the Tax Act on its share of income from a business carried on by our partnership (or Brookfield Infrastructure) outside Canada or the non-business income earned by our partnership (or Brookfield Infrastructure) from sources in Canada. However, a Non-Canadian Limited Partner may be subject to Canadian federal withholding tax under Part XIII of the Tax Act, as described below. Our Managing General Partner and the Infrastructure General Partner, as the case may be, have advised that they intend to organize and conduct the affairs of our partnership or Brookfield Infrastructure such that Non-Canadian Limited Partners should not be considered to be carrying on business in Canada solely by virtue of their investment in our partnership. However, no assurance can be given in this regard.

Our partnership and Brookfield Infrastructure will be deemed to be a non-resident person in respect of certain amounts paid or credited to them by a person resident or deemed to be resident in Canada, including dividends or interest. Dividends or interest (other than interest exempt from withholding tax) paid by a person resident or deemed to be resident in Canada to Brookfield Infrastructure will be subject to withholding tax under Part XIII of the Tax Act at the rate of 25%. Pursuant to recent amendments made by the “Fifth Protocol” to the Canada-U.S. Tax Treaty, a Canadian resident payer may be required to look-through fiscally transparent partnerships such as our partnership and Brookfield Infrastructure to the residency of limited partners of our partnership who are entitled to relief under that treaty and take into account reduced rates of Canadian federal withholding tax that such limited partners may be entitled to under that treaty. In determining the rate of Canadian federal withholding tax applicable to amounts paid by the Holding Entities to Brookfield Infrastructure, we expect the Holding Entities to look-through Brookfield Infrastructure and our partnership to the residency of the partners of our partnership (including partners who are residents of Canada) and to take into account any reduced rates of withholding tax that Non-Canadian Limited Partners may be entitled to under an applicable income tax treaty or convention in order to determine the appropriate amount of Canadian federal withholding tax to withhold from dividends or interest paid to Brookfield Infrastructure. However, there can be no assurance that CRA would apply its administrative practice in this context.

BERMUDA TAX CONSIDERATIONS

In Bermuda there are no taxes on profits, income or dividends, nor is there any capital gains tax, estate duty or death duty. Profits can be accumulated and it is not obligatory to pay dividends. As “exempted undertakings”, exempted partnerships and overseas partnerships are entitled to apply for (and will ordinarily receive) an assurance pursuant to the Exempted Undertakings Tax Protection Act 1966 that, in the event that legislation introducing taxes computed on profits or income, or computed on any capital asset, gain or appreciation, is enacted, such taxes shall not be applicable to the partnership or any of its operations until March 28, 2016. Such an assurance may include the assurance that any tax in the nature of estate duty or inheritance tax shall not be applicable to the units, debentures or other obligations of the partnership.

Exempted partnerships and overseas partnerships fall within the definition of “international businesses” for the purposes of the Stamp Duties (International Businesses Relief) Act 1990, which means that instruments executed by or in relation to an exempted partnership or an overseas partnership are exempt from stamp duties (such duties were formerly applicable under the Stamp Duties Act 1976). Thus, stamp duties are not payable upon, for example, an instrument which effects the transfer or assignment of a unit in an exempted partnership or an overseas partnership, or the sale or mortgage of partnership assets; nor are they payable upon the partnership capital.

10.F DIVIDENDS AND PAYING AGENTS

Not applicable.

10.G STATEMENT BY EXPERTS

Not applicable.

10.H DOCUMENTS ON DISPLAY

Any statement in this Form 20-F about any of our contracts or other documents is not necessarily complete. If the contract or document is filed as an exhibit to the Form 20-F the contract or document is deemed to modify the description contained in this Form 20-F. You must review the exhibits themselves for a complete description of the contract or document.

Brookfield Asset Management and our partnership are both subject to the information filing requirements of the Exchange Act, and accordingly are required to file periodic reports and other information with the SEC. As a foreign private issuer under the SEC’s regulations, we file annual reports on Form 20-F and other reports on Form 6-K. The information disclosed in our reports may be less extensive than that required to be disclosed in annual and quarterly reports on Forms 10-K and 10-Q required to be filed with the SEC by U.S. issuers.

Moreover, as a foreign private issuer, we are not subject to the proxy requirements under Section 14 of the Exchange Act, and our directors and principal shareholders are not subject to the insider short swing profit reporting and recovery rules under Section 16 of the Exchange Act. Our and Brookfield Asset Management’s SEC filings are available at the SEC’s website at www.sec.gov. You may also read and copy any document we or Brookfield Asset Management files with the SEC at the public reference facilities maintained by the SEC at SEC Headquarters, Public Reference Section, 100 F Street, N.E., Washington D.C. 20549. You may obtain information on the operation of the SEC’s public reference facilities by calling the SEC at 1-800-SEC-0330.

In addition, Brookfield Asset Management and our partnership are required to file documents required by Canadian securities laws electronically with Canadian securities regulatory authorities and these filings are available on our or Brookfield Asset Management’s SEDAR profile at www.sedar.com. Written requests for such documents should be directed to our Corporate Secretary at Cannon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

10.I SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT NON-PRODUCT RELATED MARKET RISK

See the information contained in this Form 20-F under Item 5 “Operating and Financial Review and Prospects.”

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of December 31, 2008, an evaluation of the effectiveness of our “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15d-15(e) of the United States Securities Exchange Act of 1934 (the “Exchange Act”)) was carried out under the supervision and with the participation of persons performing the functions of principal executive and principal financial officers for us and our Manager. Based upon that evaluation, the persons performing the functions of principal executive and principal financial officers for us have concluded that, as of December 31, 2008, our disclosure controls and procedures were effective: (i) to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms; and (ii) to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including the persons performing the functions of principal executive and principal financial officers for us, to allow timely decisions regarding required disclosure.

It should be noted that while our management, including persons performing the functions of principal executive and principal financial officers for us, believe our disclosure controls and procedures provide a reasonable level of assurance that such controls and procedures are effective, they do not expect that our disclosure controls and procedures or internal controls will prevent all error and all fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Management’s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including persons performing the functions of principal executive and principal financial officers for us, we conducted an evaluation of the effectiveness of our internal control over financial reporting using the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on our evaluation under the framework in Internal Control—Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2008.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The effectiveness of our internal control over financial reporting as of December 31, 2008 has been audited by Deloitte & Touche, LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control

There was no change in our internal control over financial reporting during the year ended December 31, 2008, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Managing General Partner's board of directors has determined that Danesh Varma possesses specific accounting and financial management expertise and that he is an audit committee financial expert as defined by the U.S. Securities and Exchange Commission and is independent within the meaning of the rules of the NYSE. Our Managing General Partner's Board has also determined that other members of the Audit Committee have sufficient experience and ability in finance and compliance matters to enable them to adequately discharge their responsibilities.

ITEM 16B. CODE OF ETHICS

On December 4, 2007, our Managing General Partner adopted a Code of Conduct and Ethics (the "Code") that applies to the members of the board of directors of the Managing General Partner, our partnership and any officers or employees of the Managing General Partner. We have posted a copy of the Code on our website at www.brookfieldinfrastructure.com/aboutus/governance.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our Managing General Partner has retained Deloitte & Touche LLP to act as our partnership's and Brookfield Infrastructure's independent accountants.

The table below summarizes the fees for professional services rendered by Deloitte & Touche LLP for the audit of our annual financial statements for the periods ended December 31, 2007 and 2008.

<u>THOUSANDS</u>	<u>December 31,</u> <u>2008</u>		<u>December 31,</u> <u>2007</u>	
	<u>USD</u>	<u>%</u>	<u>USD</u>	<u>%</u>
Audit fees	\$878	100%	\$200	100%
Tax fees	—	—	—	—
Audit-related fees	—	—	—	—
Total	<u>\$878</u>	<u>100%</u>	<u>\$200</u>	<u>100%</u>

The audit committee of the Managing General Partner pre-approves all audit and non-audit services provided to our partnership and Brookfield Infrastructure by Deloitte & Touche LLP. In connection with the original registration statement all fees paid to Deloitte & Touche LLP were paid by Brookfield Asset Management Inc., and as such have not been disclosed by our partnership.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEE

None.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASER

Our partnership may from time-to-time, subject to applicable law, purchase our units for cancellation in the open market, provided that any necessary approval has been obtained.

Brookfield has also advised our partnership that it may from time-to-time, subject to applicable law, purchase our units in the market without making an offer to all unitholders.

On November 3, 2008, our Managing General Partner’s board of directors authorized our partnership to purchase for cancellation up to \$25 million of our units through the facilities of NYSE, subject to a regulatory limit of 1,167,043 Units in the aggregate. Such purchases are authorized for the period beginning on November 10, 2008 and ending on November 9, 2009, or earlier should our partnership complete its purchases prior to such date. All such purchases are subject to compliance with applicable United States federal securities laws, including Rule 10b-18 under the United States Securities Exchange Act of 1934, as amended, as well as applicable Canadian securities laws. The following table sets forth the number of units of our partnership purchased and cancelled pursuant to the above program for the periods indicated.

<u>Period</u>	<u>Total number of units purchased</u>	<u>Average price paid per unit (US\$)</u>	<u>Total number of units purchased as part of publicly announced plans or programs</u>	<u>Approximate dollar value of units that may yet be purchased under the program (US\$ MILLIONS)</u>
November 10, 2008 to November 30, 2008	52,300	\$11.02	52,300	\$24.4
December 1, 2008 to December 31, 2008	128,302	11.06	128,302	23.0
January 1, 2009 to January 31, 2009	Nil	N/A	Nil	N/A
February 1, 2009 to February 28, 2009	91,100	12.80	91,100	21.8
March 1, 2009, to March 31, 2009	582,900	11.28	582,900	15.3

ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not Applicable

ITEM 16G. CORPORATE GOVERNANCE

Our corporate practices are not materially different than those required of domestic companies under the NYSE listing standards.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

See the list of financial statements on page F-1 which are filed as part of this annual report on Form 20-F.

ITEM 19. EXHIBITS

<u>Number</u>	<u>Description</u>
1.1	Certificate of registration of Brookfield Infrastructure Partners L.P., registered as of May 29, 2007—incorporated by reference to Exhibit 1.1 to our Partnership’s Registration Statement on Form 20-F filed July 31, 2007. (With regard to applicable cross-references in this report, our Partnership’s registration statement was filed with the SEC under File No. 1-33632).
1.2	Amended and Restated Limited Partnership Agreement of Brookfield Infrastructure Partners L.P., dated December 4, 2007—incorporated by reference to Exhibit 1.2 to our Partnership’s Registration Statement on Form 20-F/A filed December 13, 2007.
2.1	Equity Commitment, dated December 4, 2007, by and among Brookfield Asset Management Inc., Brookfield Infrastructure Partners L.P. and Brookfield Infrastructure L.P.—incorporated by reference to Exhibit 2.1 to our Partnership’s Registration Statement on Form 20-F/A filed December 13, 2007.
4.1	Second Amended and Restated Limited Partnership Agreement for Brookfield Infrastructure L.P., dated December 4, 2007—incorporated by reference to Exhibit 4.1 to our Partnership’s Registration Statement on Form 20-F/A filed December 18, 2007.
4.2	Master Services Agreement, dated December 4, 2007, by and among Brookfield Asset Management Inc., Brookfield Infrastructure Partners L.P., Brookfield Infrastructure L.P., Brookfield Infrastructure Holdings (Canada) Inc. and Brookfield Asset Management Barbados Inc. and others—incorporated by reference to Exhibit 4.2 to our Partnership’s Registration Statement on Form 20-F/A filed December 13, 2007.
4.3	Relationship Agreement, dated December 4, 2007, by and among Brookfield Infrastructure Partners L.P., Brookfield Infrastructure Group Inc., Brookfield Infrastructure L.P., Brookfield Infrastructure Group Corporation and Brookfield Asset Management Inc. and others—incorporated by reference to Exhibit 4.3 to our Partnership’s Registration Statement on Form 20-F/A filed December 13, 2007.
4.4	Registration Rights Agreement, dated December 4, 2007, between Brookfield Infrastructure Partners L.P. and Brookfield Asset Management Inc.—incorporated by reference to Exhibit 4.4 to our Partnership’s Registration Statement on Form 20-F/A filed December 13, 2007.
4.5	Trademark Sublicense Agreement, effective as of May 21, 2007, between Brookfield Infrastructure Partners L.P. and Brookfield Global Asset Management Inc.—incorporated by reference to Exhibit 4.5 to our Partnership’s Registration Statement on Form 20-F/A filed December 13, 2007.
4.6	Master Purchase Agreement, dated June 18, 2007, between Brookfield Infrastructure Partners Limited and Brookfield Asset Management Inc.—incorporated by reference to Exhibit 4.6 to our Partnership’s Registration Statement on Form 20-F filed July 31, 2007.
4.7	Trademark Sublicense Agreement, effective as of August 17, 2007, between Brookfield Infrastructure L.P. and Brookfield Global Asset Management Inc.—incorporated by reference to Exhibit 4.8 to our Partnership’s Registration Statement on Form 20-F/A filed December 13, 2007.

<u>Number</u>	<u>Description</u>
4.8	Securities Purchase Agreement, dated November 19, 2007, between Brookfield Asset Management Inc. and Brookfield Infrastructure Holdings (Canada) Inc.—incorporated by reference to Exhibit 4.9 to our Partnership’s Registration Statement on Form 20-F/A filed December 13, 2007.
4.9	Securities Purchase Agreement, dated November 16, 2007, between Brookfield Asset Management Inc. and BIP Bermuda Holdings III Limited—incorporated by reference to Exhibit 4.10 to our Partnership’s Registration Statement on Form 20-F/A filed December 13, 2007.
4.10	Securities Purchase Agreement, dated November 20, 2007, between Brookfield Longview Holdings LLC and Brookfield Infrastructure Corporation—incorporated by reference to Exhibit 4.11 to our Partnership’s Registration Statement on Form 20-F/A filed December 13, 2007.
4.11	Debt Purchase Agreement, dated November 20, 2007, between Brascan (US) Corporation and Brookfield Infrastructure Corporation—incorporated by reference to Exhibit 4.12 to our Partnership’s Registration Statement on Form 20-F/A filed December 13, 2007.
4.12	English summary of the Amended and Restated Payment-in-Kind Agreement, dated November 5, 2007, between Brascan Brasil Ltda. and Brookfield Brasil TBE Participações Ltda.—incorporated by reference to Exhibit 4.13 to our Partnership’s Registration Statement on Form 20-F/A filed December 13, 2007.
4.13	Asset Purchase Agreement dated December 11, 2007, between Great Lakes Power Limited and Great Lakes Power Transmission LP—incorporated by reference to Exhibit 4.14 to our Partnership’s Registration Statement on Form 20-F/A filed December 13, 2007.
4.14	Agreement Relating to the Indirect Acquisition of Longview, dated December 4, 2007, between Brookfield Infrastructure Corporation and Brookfield Asset Management Inc.—incorporated by reference to Exhibit 4.15 to our Partnership’s Registration Statement on Form 20-F/A filed December 13, 2007.
4.15	Credit Agreement, dated June 13, 2008, between Brookfield Infrastructure L.P. and Citibank, N.A., Credit Suisse, Toronto Branch, HSBC Bank Canada, HSBC Bank U.S.A., N.A., Toronto Branch, Royal Bank of Canada and The Royal Bank of Scotland plc.—incorporated by reference to Exhibit 4.16 to our Partnership’s Annual Report on Form 20-F filed June 30, 2008 (with regard to applicable cross-references in this report, our Partnership’s Annual Report on Form 20-F filed on June 30, 2008 was filed with the SEC under File No. 001-33632).
4.16	Amendment to Second Amended and Restated Limited Partnership Agreement of Brookfield Infrastructure L.P. dated June 13, 2008 by Brookfield Infrastructure General Partner Limited—incorporated by reference to Exhibit 4.17 to our Partnership’s Annual Report on Form 20-F filed June 30, 2008.
4.17	Amendment to Amended and Restated Limited Partnership Agreement, dated June 13, 2008 by Brookfield Infrastructure Partners L.P.—incorporated by reference to Exhibit 4.18 to our Partnership’s Annual Report on Form 20-F filed June 30, 2008.
12.1	Certification of Samuel Pollock, Chief Executive Officer, Brookfield Infrastructure Group Corporation, pursuant to Section 302 of the Sarbanes Oxley Act of 2002.*
12.2	Certification of John Stinebaugh, Chief Financial Officer, Brookfield Infrastructure Group Corporation, pursuant to Section 302 of the Sarbanes Oxley Act of 2002.*
13.1	Certification of Samuel Pollock, Chief Executive Officer, Brookfield Infrastructure Group Corporation, pursuant to 18 U.S.C. Section 1350, as adopted to Section 906 of the Sarbanes Oxley Act of 2002.*
13.2	Certification of John Stinebaugh, Chief Financial Officer, Brookfield Infrastructure Group Corporation, pursuant to 18 U.S.C. Section 1350, as adopted to Section 906 of the Sarbanes Oxley Act of 2002.*

* Filed electronically herewith.

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this registration statement on its behalf.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
by its general partner, Brookfield Infrastructure Partners
Limited

Dated: April 24, 2009

By: /s/ ALEX ERSKINE
Name: Alex Erskine
Title: Director

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
Audited Financial Statements of Brookfield Infrastructure Partners L.P. as of December 31, 2008 and December 31, 2007 and for the year ended December 31, 2008 and for the period from May 21, 2007 (inception) to December 31, 2007	F-2
Audited Consolidated and Combined Financial Statements of Brookfield Infrastructure L.P. as of December 31, 2008 and December 31, 2007 and for the years ended December 31, 2008, 2007 and 2006	F-12
Audited Consolidated Financial Statements of ETC Holdings Ltd. and Subsidiaries as of and for the years ended December 31, 2008 and December 31, 2007	F-29
Audited Consolidated Financial Statements of Island Timberlands Limited Partnership as of and for the years ended December 31, 2008 and December 31, 2007	F-61
Audited Consolidated Financial Statements of Longview Timber Holdings, Corp. as of December 31, 2008 and December 31, 2007 and for the year ended December 31, 2008 and for the period from April 20, 2007 to December 31, 2007	F-80

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

As of December 31, 2008 and December 31, 2007 and for the year ended December 31, 2008 and for the period from May 21, 2007 (inception) to December 31, 2007.

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

To the Partners of

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

We have audited the accompanying balance sheets of Brookfield Infrastructure Partners L.P. (the “Partnership”) as of December 31, 2008 and 2007, and the related statements of operations, other comprehensive income, accumulated other comprehensive income, partnership capital and of cash flows for the year ended December 31, 2008 and for the period from May 21, 2007 (inception) to December 31, 2007. These financial statements are the responsibility of the Partnership’s management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the year ended December 31, 2008 and for the period from May 21, 2007 (inception) to December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Partnership’s internal control over financial reporting as of December 31, 2008, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2009 expressed an unqualified opinion on the Partnership’s internal control over financial reporting.

Independent Registered Chartered Accountants
Licensed Public Accountants
Deloitte & Touche LLP

Toronto, Canada
March 15, 2009

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

To the Partners of Brookfield Infrastructure Partners L.P.

We have audited the internal control over financial reporting of Brookfield Infrastructure Partners L.P. (the “Partnership”) as of December 31, 2008, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Partnership’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Partnership’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the financial statements as of and for the year ended December 31, 2008 of the Partnership and our report dated March 15, 2009 expressed an unqualified opinion on those financial statements.

Independent Registered Chartered Accountants
Licensed Public Accountants

Deloitte & Touche LLP

Toronto, Canada
March 15, 2009

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

As of December 31, 2008 and 2007

BALANCE SHEETS

<u>US\$ MILLIONS</u>	<u>2008</u>	<u>2007</u>
ASSETS		
Equity accounted investment (Note 3)	<u>\$546.5</u>	<u>\$544.7</u>
Total assets	<u>546.5</u>	<u>544.7</u>
Liabilities and partnership capital		
Accumulated other comprehensive income	<u>8.6</u>	<u>1.3</u>
Partnership capital (Note 4)	<u>537.9</u>	<u>543.4</u>
Total liabilities and partnership capital	<u>\$546.5</u>	<u>\$544.7</u>

The accompanying notes are an integral part of these financial statements.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

For the year ended December 31, 2008 and for the period from May 21, 2007 (inception) to December 31, 2007

STATEMENTS OF OPERATIONS

<u>US\$ MILLIONS (EXCEPT PER UNIT INFORMATION)</u>	<u>2008</u>	<u>2007⁽¹⁾</u>
Earnings from equity accounted investment	<u>\$16.8</u>	<u>\$ 0.7</u>
Net income	<u>\$16.8</u>	<u>\$ 0.7</u>
Earnings per unit (Note 5)		
Basic and diluted	<u>\$0.72</u>	<u>\$—</u>

(1) Figures are since inception, May 21, 2007.

The accompanying notes are an integral part of these financial statements.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

For the year ended December 31, 2008 and for the period from May 21, 2007 (inception) to December 31, 2007

STATEMENTS OF OTHER COMPREHENSIVE INCOME

<u>US\$ MILLIONS</u>	<u>2008</u>	<u>2007</u>
Net income	\$ 16.8	\$ 0.7
Other comprehensive income (loss)		
Foreign currency translation (loss) gain	(42.2)	1.3
Net gains on related hedging items	49.5	—
Other comprehensive income	7.3	1.3
Comprehensive income	\$ 24.1	\$ 2.0

STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME

<u>US\$ MILLIONS</u>	<u>2008</u>	<u>2007</u>
Accumulated other comprehensive income, opening	\$ 1.3	\$ —
Other comprehensive income	7.3	1.3
Accumulated other comprehensive income, closing	\$ 8.6	\$ 1.3

STATEMENTS OF PARTNERSHIP CAPITAL

<u>US\$ MILLIONS</u>	<u>2008</u>	<u>2007</u>
Partnership capital, opening	\$543.4	\$542.7
Repurchase of units during the period	(2.0)	—
Distributions to unitholders	(20.3)	—
Net income for the period	16.8	0.7
Partnership capital, closing	\$537.9	\$543.4

The accompanying notes are an integral part of these financial statements.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

For the year ended December 31, 2008 and for the period from May 21, 2007 (inception) to December 31, 2007

STATEMENTS OF CASH FLOWS

<u>US\$ MILLIONS</u>	<u>2008</u>	<u>2007</u>
Operating activities		
Net income	\$ 16.8	\$ 0.7
Distributions from equity accounted investment	22.3	—
Adjustments for non-cash items:		
Earnings from equity accounted investment	(16.8)	(0.7)
Cash from operating activities	<u>22.3</u>	<u>—</u>
Financing activities		
Distributions to unitholders	\$(20.3)	\$—
Repurchase of units during the year	(2.0)	—
Cash used in financing activities	<u>\$(22.3)</u>	<u>\$—</u>
Cash and equivalents		
Change during the period	—	—
Balance, beginning of period	—	—
Balance, end of period	<u>\$ —</u>	<u>\$—</u>

The accompanying notes are an integral part of these financial statements.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

For the year ended December 31, 2008 and for the period from May 21, 2007 (inception) to December 31, 2007

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND DESCRIPTION OF THE BUSINESS

Brookfield Infrastructure Partners L.P. (the “Partnership” or “BIP”) was formed as a limited partnership established under the laws of Bermuda, pursuant to a limited partnership agreement dated May 21, 2007 as amended and restated. BIP holds a 60% interest in Brookfield Infrastructure L.P. (“Brookfield Infrastructure”), a partnership that has interests in electricity transmission, timber and social infrastructure operations in North and South America, United Kingdom and Australia. Effective January 31, 2008, BIP’s limited partnership units have traded under the symbol “BIP” on the NYSE.

Because BIP does not hold a controlling interest in Brookfield Infrastructure and because of the Financial Accounting Standards Board (“FASB”) Interpretation No. 46, (Revised December 2003), Consolidation of Variable Interest Entities (“FIN”) 46 (R), BIP does not consolidate the results of operations, assets or liabilities of Brookfield Infrastructure. The consolidated financial statements of Brookfield Infrastructure are included elsewhere within this annual report and should be read in conjunction with BIP’s financial statements.

2. SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements represent the financial position and results of operations for BIP on the basis that its investment in Brookfield Infrastructure is accounted for on an equity accounting basis.

These financial statements are prepared in conformity with generally accepted accounting principles in the United States of America (“U.S. GAAP”).

All figures are presented in millions of United States dollars unless otherwise noted.

Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts will differ from those estimates used in the preparation of these financial statements. Investment valuation and income taxes are the primary areas management has made estimates and assumptions.

Investments

Investments in operations in which the Partnership does not have control, but has the ability to exercise significant influence over operating and financial policies are accounted for under the equity method. Under the equity method, investments are stated at cost and are adjusted for the Partnership’s proportional share of undistributed equity earnings or losses of the investment and distributions received from the investment.

The Partnership accounts for its investment in Brookfield Infrastructure, over which it has significant influence, under the equity method.

Investment Valuation

The Partnership recognizes an impairment charge when a decline in the fair value of its investments below their carrying values is judged to be other-than-temporary. The Partnership considers various factors in

determining whether to recognize an impairment charge, including the length of time and extent to which the fair value has been less than the Partnership's cost basis, the financial condition and near-term prospects of the investee, and the Partnership's intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value.

Income Taxes

Income taxes are recognized using the asset and liability approach. Income tax expense is based on pretax financial accounting income. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts.

Significant management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities, and any valuation allowance recorded against the net deferred tax assets. The Partnership accounts for deferred taxes in accordance with SFAS No. 109, Accounting for Income Taxes, which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. SFAS No. 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that a portion of the deferred tax asset will not be realized.

Foreign Currency Translation and Transactions

The U.S. dollar is the Partnership's functional and reporting currency.

Cash and Cash Equivalents

The Partnership considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Recently Adopted Accounting Standards

i) SFAS 157, "Fair Value Measurements"

Fair Value Measurements. In September 2006, the FASB issued SFAS 157, "Fair Measurements" ("SFAS 157"). SFAS 157, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories.

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The Company adopted SFAS 157 on January 1, 2008, on a prospective basis, as required for financial assets and financial liabilities.

3. EQUITY ACCOUNTED INVESTMENTS

The Partnership's net investment in equity accounted entities includes the following:

<u>US\$ MILLIONS</u>	<u>Ownership %</u>	<u>Book Value December 31</u>	
		<u>2008</u>	<u>2007</u>
Brookfield Infrastructure L.P.	60%	\$546.5	\$544.7

4. PARTNERSHIP CAPITAL

During 2008 the number of issued and outstanding Partnership units changed as follows:

<u>US\$ MILLIONS (EXCEPT FOR UNIT INFORMATION)</u>	2008	
	<u>Book Value</u>	<u>Units</u>
Outstanding at beginning of period	\$543.4	23,340,871
Repurchase of units during the period	(2.0)	(180,602)
Distributions to unitholders	(20.3)	—
Net income for the period	16.8	—
Outstanding at end of period	<u>\$537.9</u>	<u>23,160,269</u>

5. EARNINGS PER UNIT

The components of basic and diluted earnings per unit are summarized in the following table:

<u>US\$ MILLIONS (EXCEPT FOR UNIT INFORMATION)</u>	2008
Net income	\$ 16.8
Weighted average units outstanding—basic	23,330,631
Unexercised dilutive options	—
Weighted average units outstanding—diluted	<u>23,330,631</u>

BROOKFIELD INFRASTRUCTURE L.P.

As of December 31, 2008 and December 31, 2007 and for the years ended December 31, 2008, 2007 and 2006.

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

To the Partners of Brookfield Infrastructure L.P.:

We have audited the accompanying consolidated and combined balance sheets of Brookfield Infrastructure L.P. and subsidiaries (the “Partnership”) as of December 31, 2008 and 2007, and the related consolidated and combined statements of operations, other comprehensive income, accumulated other comprehensive income, retained earnings and of cash flows for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Partnership’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the Partnership’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated and combined financial statements present fairly, in all material respects, the financial position of Brookfield Infrastructure L.P. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated and combined financial statements, on March 12, 2008, the Partnership acquired 100% of the assets and liabilities of the transmission division of Great Lakes Power Limited. This transaction was accounted for as a reorganization of entities under common control, and therefore the financial statements have been presented giving retroactive effect to the transaction for all periods presented.

Independent Registered Chartered Accountants
Licensed Public Accountants

Deloitte & Touche LLP

Toronto, Canada
March 15, 2009

BROOKFIELD INFRASTRUCTURE L.P.
CONSOLIDATED AND COMBINED BALANCE SHEETS

<u>US\$ MILLIONS</u>	<u>As of December 31, 2008</u>	<u>As of December 31, 2007</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 9.2	\$ 221.3
Accounts receivable and other	53.6	9.2
Total current assets	<u>62.8</u>	230.5
Cost accounted investments	195.2	195.2
Equity accounted investments (Note 3)	716.8	505.8
Property, plant and equipment (Note 4)	174.0	210.6
Other assets	12.5	2.8
Deferred taxes	13.0	13.0
	<u>\$1,174.3</u>	<u>\$1,157.9</u>
Liabilities and partnership capital		
Current liabilities		
Accounts payable and other liabilities	\$ 6.9	\$ 18.9
	6.9	18.9
Corporate borrowings (Note 5)	139.5	—
Non-recourse borrowings (Note 6)	97.6	115.0
Deferred tax liabilities	10.4	19.5
Preferred shares (Note 12)	20.0	20.0
	<u>274.4</u>	173.4
Redeemable partnership units (Note 7)	169.3	354.2
Partnership capital		
Retained earnings	157.0	22.4
Accumulated other comprehensive income	33.6	21.5
Partnership units (Note 7)	540.0	586.4
	<u>\$1,174.3</u>	<u>\$1,157.9</u>

The accompanying notes are an integral part of these financial statements.

BROOKFIELD INFRASTRUCTURE L.P.
CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS

<u>US\$ MILLIONS</u>	Years ended December 31		
	2008	(Note 2) 2007	(Note 2) 2006
Revenue	\$ 32.9	\$33.1	\$30.7
Cost of revenue (exclusive of depreciation expense)	(2.6)	(1.1)	(1.3)
Depreciation expense	(7.7)	(7.2)	(6.2)
Gross margin	22.6	24.8	23.2
Selling, general and administrative expenses	(18.7)	(4.4)	(3.8)
Dividend income	14.3	0.5	—
Other income (loss)	0.9	(0.4)	(0.3)
	19.1	20.5	19.1
Interest expense	(12.9)	(6.9)	(5.8)
Net income before below noted items	6.2	13.6	13.3
Income tax expense	(1.5)	(4.4)	(4.4)
Deferred tax (expense) recovery	(1.9)	10.6	1.5
Earnings (losses) from equity accounted investments	25.2	(7.8)	—
Net income	\$ 28.0	\$12.0	\$10.4

The accompanying notes are an integral part of these financial statements.

BROOKFIELD INFRASTRUCTURE L.P.
CONSOLIDATED AND COMBINED STATEMENTS
OF OTHER COMPREHENSIVE INCOME

<u>US\$ MILLIONS</u>	<u>Years ended December 31</u>		
	<u>2008</u>	<u>(Note 2)</u> <u>2007</u>	<u>(Note 2)</u> <u>2006</u>
Net income	<u>\$ 28.0</u>	<u>\$12.0</u>	<u>\$10.4</u>
Other comprehensive income (loss)			
Foreign currency translations (losses) gains on the net investment in self-sustaining operations	(70.4)	12.7	(0.7)
Net gains on related hedging items	<u>82.5</u>	<u>—</u>	<u>—</u>
Other comprehensive income (loss)	<u>12.1</u>	<u>12.7</u>	<u>(0.7)</u>
Comprehensive income	<u>\$ 40.1</u>	<u>\$24.7</u>	<u>\$ 9.7</u>

CONSOLIDATED AND COMBINED STATEMENTS
OF ACCUMULATED OTHER COMPREHENSIVE INCOME

<u>US\$ MILLIONS</u>	<u>Years ended December 31</u>		
	<u>2008</u>	<u>(Note 2)</u> <u>2007</u>	<u>(Note 2)</u> <u>2006</u>
Accumulated other comprehensive income, opening	<u>\$21.5</u>	<u>\$ 8.8</u>	<u>\$ 9.5</u>
Other comprehensive income (loss)	<u>12.1</u>	<u>12.7</u>	<u>(0.7)</u>
Accumulated other comprehensive income, closing	<u>\$33.6</u>	<u>\$21.5</u>	<u>\$ 8.8</u>

CONSOLIDATED AND COMBINED STATEMENTS OF RETAINED EARNINGS

<u>US\$ MILLIONS</u>	<u>Years ended December 31</u>		
	<u>2008</u>	<u>(Note 2)</u> <u>2007</u>	<u>(Note 2)</u> <u>2006</u>
Retained earnings, opening	<u>\$ 22.4</u>	<u>\$14.2</u>	<u>\$ 3.8</u>
Net income for the period	<u>28.0</u>	<u>12.0</u>	<u>10.4</u>
Fair value adjustment on redeemable partnership units (Note 7)	<u>184.9</u>	<u>—</u>	<u>—</u>
Adjustment related to acquired entity (Note 7)	<u>(44.4)</u>	<u>—</u>	<u>—</u>
Distributions to unitholders	<u>(33.9)</u>	<u>—</u>	<u>—</u>
Distribution from operations	<u>—</u>	<u>(3.8)</u>	<u>—</u>
Retained earnings, closing	<u>\$157.0</u>	<u>\$22.4</u>	<u>\$14.2</u>

The accompanying notes are an integral part of these financial statements.

BROOKFIELD INFRASTRUCTURE L.P.
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS

<i>US\$ MILLIONS</i>	Years Ended December 31		
	2008	(Note 2) 2007	(Note 2) 2006
Operating activities			
Net income	\$ 28.0	\$ 12.0	\$ 10.4
Adjustment for non-cash items:			
Deferred tax recovery	1.9	(10.6)	(1.5)
(Earnings) losses from equity accounted investments	(25.2)	7.8	—
Depreciation	7.7	7.2	6.2
Change in non-cash working capital	(6.6)	(0.4)	4.3
Cash from operating activities	5.8	16.0	19.4
Investing activities			
Additional investment in Transelec (Note 8)	(134.9)	—	—
Acquisition of Ontario Transmission (Note 8)	(93.6)	—	—
Investment in BGTF (Note 8)	(92.8)	—	—
Acquisition of PPP assets (Note 8)	(12.3)	—	—
Additional investment in Longview	(10.5)	—	—
Additions to property, plant and equipment	(8.2)	(16.8)	(16.9)
Increase in non-recourse borrowings	4.0	—	—
Proceeds from hedge settlement (Note 11)	26.8	—	—
Cash used in investing activities	(321.5)	(16.8)	(16.9)
Financing activities			
Corporate borrowings	139.5	—	—
Cash contribution upon spin off	—	197.9	—
Issuance of preferred shares	—	20.0	—
Distributions to unitholders	(33.9)	—	—
Repurchase of units	(2.0)	—	—
Cash from financing activities	103.6	217.9	—
Cash and cash equivalents			
Change during the year	\$(212.1)	\$217.1	\$ 2.5
Balance, beginning of year	221.3	4.2	1.7
Balance, end of year	\$ 9.2	\$221.3	\$ 4.2
Cash interest paid	\$ 12.4	\$ 7.1	\$ 6.7

The accompanying notes are an integral part of these financial statements.

BROOKFIELD INFRASTRUCTURE L.P.

For the years ended December 31, 2008, 2007 and 2006

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

1. ORGANIZATION AND DESCRIPTION OF THE BUSINESS

Brookfield Infrastructure L.P. (“Brookfield Infrastructure”) was formed as a limited partnership established under the laws of Bermuda, pursuant to a limited partnership agreement dated May 17, 2007 as amended and restated. Brookfield Infrastructure consists of interests in electricity transmission, timber and social infrastructure operations in North and South America, United Kingdom and Australia.

In May 2007, Brookfield Asset Management Inc. (“Brookfield”) announced its intention to spin-off a portion of its infrastructure assets through a special dividend to the holders of its Class A limited voting shares and Class B limited voting shares (the “Spin-off”). Prior to the Spin-off, Brookfield restructured its infrastructure division so that portions of its operations were owned by Brookfield Infrastructure. At the time of the reorganization, Brookfield owned approximately 61% of the limited partnership units of Brookfield Infrastructure directly, and a wholly owned subsidiary of Brookfield owned exchangeable units of Brookfield Infrastructure representing approximately 39% of the limited partnership units of Brookfield Infrastructure. Brookfield transferred 60% of the limited partnership units of Brookfield Infrastructure that it owned to Brookfield Infrastructure Partners L.P. (“BIP”), a limited partnership, in consideration for units of BIP. These BIP units were then distributed by Brookfield to holders of its Class A limited voting shares and Class B limited voting shares as a special dividend on January 31, 2008.

2. SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements reflect Brookfield Infrastructure’s accounting for the following investments on the equity accounting basis:

- 17.8% interest in Transelec Chile S.A., or Transelec, the Chilean transmission operations, which were acquired by Brookfield in June 2006.
- 23% interest in Longview Timber Holdings Corp., or Longview, the US timber operations, which were acquired by Brookfield in April 2007.
- 37.5% interest in Island Timberlands Limited Partnership, or Island, the Canadian timber operations, which were acquired by Brookfield in May 2007.
- 9.1% interest in the Brookfield Global Timber Fund L.P., or BGTF, which is a fund established by Brookfield in November 2008, whose sole material asset is an investment Longview.
- 30% interest in Peterborough Hospital, UK and a 50% interest in Long Bay Forensic and Prison Hospitals, Australia, respectively, both of which are Public Private Partnerships (“PPP”). Brookfield Infrastructure acquired the interest in the two social infrastructure PPP’s during the year which were previously joint venture investments of a Brookfield company.

Brookfield Infrastructure also has an interest in a group of transmission lines in Brazil, Transmissoras Brasileiras de Energia, commonly referred to as TBE. The investment reflects the direct investment in five Brazilian transmission companies with ownership percentages ranging from 7% to 18%, which is currently being accounted for under the cost accounting basis.

On March 12, 2008, Brookfield Infrastructure acquired 100% of the assets and liabilities of the transmission division of Great Lakes Power Limited (GLPL), (“the Ontario Transmission” operations) which was an entity owned and controlled by Brookfield at the time of the acquisition by Brookfield Infrastructure. This transaction constitutes a reorganization of entities under common control, and has been accounted for in a manner similar to

a pooling of interests, resulting in the 2007 and 2006 financial statements being prepared on a combined basis. Accordingly, these financial statements have been presented giving retroactive effect to the transaction described above using historical carrying costs of the assets and liabilities of the Ontario Transmission operations for all periods presented.

The following table illustrates our policy used to account for our significant investments:

<u>METHOD OF ACCOUNTING AT DECEMBER 31, 2008</u>	<u>Ownership %</u>	<u>Method</u>
Ontario Transmission	100.0%	Consolidation
Transec	17.8%	Equity
Longview	23.0%	Equity
Island Timberlands	37.5%	Equity
BGTF (Note 8)	9.1%	Equity
PPP	30% – 50%	Equity
TBE	7.0% – 18.0%	Cost

These financial statements are prepared in conformity with generally accepted accounting principles in the United States of America (“U.S. GAAP”).

All figures are presented in millions of United States Dollars unless otherwise noted.

Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts will differ from those estimates used in the preparation of these financial statements. Investment valuation and income taxes are the primary areas where management has made estimates and assumptions.

Investments

Investments in operations in which Brookfield Infrastructure does not have control, but has the ability to exercise significant influence over operating and financial policies, are accounted for under the equity method. Under the equity method, investments are stated at cost and are adjusted for Brookfield Infrastructure’s proportional share of undistributed equity earnings or losses of the investment and distributions received from the investment.

Investment Valuation

Brookfield Infrastructure recognizes an impairment charge when a decline in the fair value of its investments below the carrying value is judged to be other-than-temporary. Brookfield Infrastructure considers various factors in determining whether to recognize an impairment charge, including the length of time and extent to which the fair value has been less than Brookfield Infrastructure’s cost basis, the financial condition and near-term prospects of the investee, and Brookfield Infrastructure’s intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value.

Income Taxes

Income taxes are recognized using the asset and liability approach. Income tax expense is based on pre-tax financial accounting income. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Significant management judgment is required in determining the provision for income taxes, deferred tax assets and

liabilities, and any valuation allowance recorded against the net deferred tax assets. Brookfield Infrastructure accounts for deferred taxes in accordance with SFAS No. 109, Accounting for Income Taxes, which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. SFAS No. 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that a portion of the deferred tax asset will not be realized.

Foreign Currency Translation and Transactions

The U.S. dollar is Brookfield Infrastructure's functional and reporting currency. Foreign currency denominated monetary assets and liabilities of Brookfield Infrastructure where the functional currency is other than the U.S. dollar, are translated at the rate of exchange prevailing at period-end and revenues and expenses at average rates during the period. Gains or losses on the translation of these items are included in the statement of operations.

The Ontario Transmission business' functional and reporting currency is the Canadian dollar. Ontario Transmission's monetary assets and liabilities, are translated at the rate of exchange prevailing at period-end and revenues and expenses at average rates during the period. Gain or losses on the translation of these items are included in the statement of operations.

Cash and Cash equivalents

Brookfield Infrastructure considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Revenue Recognition

Dividend income is recognized on the ex-dividend date.

The Ontario Transmission operations business recognizes revenue on an accrual basis, when electricity is wheeled, at the regulated rate established by the Ontario Electricity Board.

Derivative Financial Instruments

Brookfield Infrastructure selectively utilizes derivative financial instruments to manage financial risks primarily relating to foreign exchange risks. Hedge accounting is applied when the derivative is designated as a hedge of a specific exposure and there is reasonable assurance that it will continue to be effective as a hedge based on an expectation of offsetting cash flows or fair value. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as a hedge or the hedging relationship is terminated. Once discontinued, the cumulative change in fair value of a derivative that was previously deferred by the application of hedge accounting is recognized in income over the remaining term of the original hedging relationship. Realized and unrealized gains and losses on foreign exchange forward contracts designated as hedges of currency risks are included in other comprehensive income when the currency risk relates to a net investment in a self-sustaining subsidiary and are otherwise included in income in the same period as when the underlying asset, liability or anticipated transaction affects income.

Derivative financial instruments that are not designated as hedges are carried at estimated fair value, and gains and losses arising from changes in fair value are recognized in income in the period the changes occur.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, including costs of acquisition incurred by the Ontario Transmission operations business, less accumulated depreciation. The cost of the property, plant and equipment is depreciated over the estimated service lives of the assets as follows:

	<u>Method</u>	<u>Rate</u>
Buildings	Straight-line	40 years
Transmission stations, towers and related fixtures	Straight-line	25 to 40 years
Other equipment	Straight-line	5 to 40 years

Construction work in progress is not depreciated until the assets are put into service.

Capitalization of Interest

Interest on funds used in construction is charged to construction work in progress at the prescribed rate of return applicable to the rate base.

Recently Adopted Accounting Standards

i) SFAS 157, “Fair Value Measurements”

In September 2006, the FASB issued SFAS 157 “Fair Value Measurements” (“SFAS 157”). SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Based on quoted market prices in active markets for identical assets or liabilities.

Level 2: Based on observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Brookfield Infrastructure adopted SFAS 157 on January 1, 2008, on a prospective basis, as required for financial assets and financial liabilities.

The following table presents additional information about the Partnership’s financial assets and liabilities which are measured at fair value on a recurring basis as of December 31, 2008.

<u>US\$ MILLIONS</u>	<u>Recurring Fair Value Measurement</u>	
	<u>Level 2</u>	<u>Total</u>
Accounts receivable and other	\$ 43.6	\$ 43.6
Redeemable Partnership units	169.3	169.3

Future Accounting Policies

ii) SFAS 161, “Disclosures about Derivative Instruments and Hedging Activities”, an amendment of FASB Statement 133 In March 2008, the FASB issued Statement No. 161, “Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133” (“FAS 161”). SFAS 161 enhances disclosures for derivative instruments and hedging activities and their effects on an entity’s financial position, financial performance and cash flows. Under SFAS 161, an entity is required to disclose the objectives for using derivative instruments in terms of underlying risk and accounting designation; the

fair values, gains and losses of derivatives; as well as credit-risk-related contingent features in derivative agreements. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. The Partnership has adopted this standard effective January 1, 2009.

iii) SFAS 141(R), “Business Combinations” and SFAS 160, “Non-controlling Interests in Consolidated Financial Statements”

In December 2007, the FASB issued SFAS 141(R), “Business Combinations” (“SFAS 141(R)”), replacing SFAS 141. SFAS 141(R) established principles and requirements for how the acquirer of a business recognizes and measures (in its financial statements) the identifiable assets acquired, the liabilities assumed, and any non controlling interest in the acquiree. SFAS 141(R) also provides guidance for recognizing and measuring goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Brookfield Infrastructure is currently evaluating the impact of the adoption of SFAS 141(R) on its Financial Statements.

3. EQUITY ACCOUNTED INVESTMENTS

Brookfield Infrastructure’s net investment in equity accounted entities includes the following:

<u>US\$ MILLIONS</u>	<u>December 31, 2008</u>		<u>December 31, 2007</u>	
	<u>Ownership %</u>	<u>Book Value</u>	<u>Ownership %</u>	<u>Book Value</u>
Transelec	17.8%	\$222.9	10.7	\$128.4
Longview ⁽¹⁾	23.0%	205.9	30.0	212.9
Island Timberlands	37.5%	182.8	37.5	164.5
BGTF	9.1%	92.6	—	—
PPP	30% – 50%	12.6	—	—
		<u>\$716.8</u>		<u>\$505.8</u>

(1) Includes equity interest and a shareholder loan.

The following tables presents certain summarized financial information in total, for all investments in equity accounted affiliates based on a 100% ownership interest in each entity:

<u>US\$ MILLIONS</u>	<u>Years ended December 31</u>	
	<u>2008</u>	<u>2007⁽¹⁾</u>
Gross revenue	\$ 706.7	\$ 39.3
Costs and expense applicable to gross revenue	(294.1)	(20.1)
Gross margin	412.6	19.2
Investment income	8.3	16.5
Cash taxes	(1.4)	—
Interest expense	(176.5)	(29.6)
	243.0	6.1
Depreciation, depletion and amortization	(180.6)	(12.9)
Deferred taxes and other	51.5	(27.0)
Net income (loss)	<u>\$ 113.9</u>	<u>\$(33.8)</u>

(1) Includes result for the period from November 27, 2007 to December 31, 2007.

<u>US\$ MILLIONS</u>	<u>As at December 31</u>	
	<u>2008</u>	<u>2007</u>
Current assets	\$ 596.9	\$ 251.7
Non-current assets	6,299.8	6,999.5
Total assets	<u>\$6,896.7</u>	<u>\$7,251.2</u>
Current liabilities	\$ 193.2	\$1,434.1
Non-current liabilities	4,339.1	3,494.4
Total liabilities	<u>\$4,532.3</u>	<u>\$4,928.5</u>

4. PROPERTY, PLANT AND EQUIPMENT

<u>US\$ MILLIONS</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>December 31, 2008</u>	<u>December 31, 2007</u>
			<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 0.5	\$ —	\$ 0.5	\$ 0.5
Buildings	12.1	3.7	8.4	10.9
Transmission stations, towers and related fixtures ...	213.8	50.5	163.3	193.6
Other equipment	1.8	—	1.8	5.6
	<u>\$228.2</u>	<u>\$54.2</u>	<u>\$174.0</u>	<u>\$210.6</u>

5. CORPORATE BORROWINGS

On June 13, 2008, Brookfield Infrastructure closed a \$450 million senior secured revolving credit facility. The facility includes two tranches; tranche A in maximum principal amount of \$135 million for general working capital including acquisitions and tranche B in a maximum principal amount of \$315 million for acquisitions. The facility is available on a revolving basis for one year unless extended in accordance with the terms of the credit agreement. All amounts outstanding under this facility will be repayable on June 13, 2011. All obligations of Brookfield Infrastructure under the facility are guaranteed by certain subsidiaries of Brookfield Infrastructure and are secured by all of the assets of Brookfield Infrastructure and the guarantors. Loans under the facility accrue interest at a floating rate based on LIBOR plus 2.75%, increasing, in the case of loans under tranche B which are at any time outstanding for a period longer than six months, by 0.50% on each six month anniversary of the date of advance of such loans. Brookfield Infrastructure is required to pay an unused commitment fee under the facility equal to 35% of the applicable margin per annum. In the fourth quarter, \$139.5 million was drawn on the credit facility, which remained outstanding as at December 31, 2008.

6. NON—RECOURSE BORROWINGS

<u>US\$ MILLIONS</u>	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Series 1 First Mortgage Bonds	\$97.6	\$115.0

The Series 1 bonds bear interest at the rate of 6.6%. Semi-annual payments of interest only are due and payable on June and December 16 each year until and including June 16, 2013. Equal blended semi-annual payments of principal and interest on the Series 1 Bonds will commence on December 16, 2013 and will continue until and including June 16, 2023. The Series 1 Bonds will not be fully amortized by their maturity date. The remaining principal balance of the Series 1 Bonds will be fully due on June 16, 2023. The Series 1 First Mortgage Bonds are secured by a charge on generation and transmission present and future real property assets of Ontario Transmission's operations. Interest on the Bonds is expensed in accordance with the interest rate prescribed by regulation. In 2008, the interest rate was 6.6% (2007—6.6%). The fair market value of the Series 1 Bonds is \$90.9 million (2007—\$125.4 million) based on current market prices for debt with similar terms.

7. PARTNERSHIP CAPITAL

Brookfield Infrastructure has issued redeemable partnership units that may, at the request of the holder, require Brookfield Infrastructure to redeem all or a portion of the holder's units of Brookfield Infrastructure at the market price for cash after two years from the date of closing of the Spin-off. This right is subject to BIP's right of first refusal which entitles it, at its sole discretion, to elect to acquire any unit so presented to Brookfield Infrastructure in exchange for one of BIP's units (subject to certain customary adjustments). Based on the number of BIP units issued in the Spin-off, Brookfield's aggregate limited partnership interest in Brookfield Infrastructure would be 39% if Brookfield exercised its redemption right in full and BIP fully exercised its right of first refusal. The units are considered mezzanine equity and are recorded at their redemption amount which also equals their fair value. As at December 31, 2008, fair value of these units was lower than book value by \$184.9 million, which was recorded in retained earnings.

Brookfield Infrastructure has also issued partnership units that are held by BIP and represent 60% of its capital base.

During 2008 and 2007, the number of issued and outstanding Partnership units changed as follows:

<i>US\$ MILLIONS (EXCEPT UNIT INFORMATION)</i>	2008		2007	
	Book Value	Units	Book Value	Units
Outstanding at beginning of year	586.4	23,729,328	586.4	23,729,328
Adjustment related to acquired entity	(44.4)	—	—	—
Units repurchased	(2.0)	(180,602)	—	—
Outstanding at end of year	<u>540.0</u>	<u>23,548,726</u>	<u>586.4</u>	<u>23,729,328</u>

As at December 31, total number of units outstanding were comprised as follows:

	2008	2007
General partnership units	388,457	388,457
Limited partnership units	23,160,269	23,340,871
Partnership units	23,548,726	23,729,328
Redeemable partnership units	15,112,744	15,112,744
Total	<u>38,661,470</u>	<u>38,842,072</u>

The caption "adjustment related to acquired entity" recorded in the statement of retained earnings and above is related to the acquisition of Ontario Transmission, an entity that was accounted for as a reorganization of entities under common control, as described in Note 2.

8. ACQUISITIONS

Ontario Transmission was acquired by Brookfield Infrastructure on March 12, 2008. With the transaction, Brookfield Infrastructure acquired 550 km of 44 kV to 230 kV transmission lines in Canada that comprise an important component of Ontario's transmission system that connects generation in Northern Ontario to electricity demand in Southern Ontario.

Brookfield Infrastructure acquired the assets and liabilities for \$93.6 million. The purchase was financed with cash on hand that was contributed to Brookfield Infrastructure upon spin-off.

This acquisition was recorded at the historical carrying values of Ontario Transmission's assets and liabilities as described below.

<u>US\$ MILLIONS</u>	<u>March 12, 2008</u>
Current assets	\$ 5.3
Property, plant and equipment	208.4
Other assets	1.3
Current liabilities	(2.4)
Non-recourse borrowings	(119.0)
Total	<u>\$ 93.6</u>

On November 3, 2008, Brookfield Infrastructure made an investment of a 9.1% interest in BGTF, a fund established by Brookfield on October 14, 2008. BGTF's sole asset, Longview Timber Holdings Corp. ("Longview"), was seeded into BGTF by Brookfield subsequent to a recapitalization of Longview in which Brookfield Infrastructure did not participate, resulting in a dilution of its interest in Longview to 23% from 30%. Consideration of \$92.8 million was contributed by Brookfield Infrastructure in exchange for the ownership interest in BGTF, thereby increasing Brookfield Infrastructure's investment in Longview by 7.0%. Brookfield Infrastructure's total investment in Longview (direct and indirect through BGTF) remained at 30% and did not change as a result of the transactions. Brookfield Infrastructure also has an additional commitment of \$10.0 million to fund further acquisitions by BGTF.

On April 3, 2008, the Partnership increased its ownership interest in Transelec to 17.8% from 10.7% for a total purchase consideration of \$134.9 million.

On December 5, 2008, Brookfield Infrastructure completed the acquisition of Brookfield Multiplex's interest in two PPP projects, the Peterborough Hospital in the United Kingdom and the Long Bay Forensic and Prison Hospitals in Australia—for a total investment of approximately \$12.3 million.

9. INCOME TAXES

Included in the net deferred tax recovery amount of \$10.6 million for 2007, is \$8.4 million representing the net of \$13.0 million deferred tax assets, and \$4.6 million deferred tax liability that arose as a result of the initial tax costs in certain subsidiaries being higher or lower than the initial book value of the investments that arose on the formation of Brookfield Infrastructure.

10. RELATED PARTY TRANSACTIONS

In the normal course of operations, Brookfield Infrastructure entered into the transactions described below on market terms with related parties. These transactions have been measured at exchange value and are recognized in the financial statements.

Ontario Transmission has provided advances to and received advances from related parties in the normal course of operations. Ontario Transmission has also provided advances to and received advances from other divisions of GLPL. These advances are non-interest bearing, unsecured and due on demand.

At period end no amounts were due from related parties (as at December 31, 2007—\$3.7 million) and \$1.7 million was due to related parties (as at December 31, 2007—\$0.6 million).

11. DERIVATIVES AND HEDGING

During the year Brookfield Infrastructure exercised its right under a put agreement to sell its interest in TBE. Brookfield Infrastructure expects to receive Brazilian Reais denominated proceeds during the first quarter

of 2009 related to the sale upon receipt of regulatory approval. As a hedge against adverse changes in the Brazilian Reais, Brookfield Infrastructure entered into a forward contract to sell a notional amount of Brazilian Reais at a predetermined rate. As a result, Brookfield Infrastructure expects to receive after tax proceeds of approximately \$274 million. Brookfield Infrastructure has chosen to apply hedge accounting and accordingly records changes in fair value in Other Comprehensive Income. For the year ended December 31, 2008 Brookfield Infrastructure recorded a gain of \$70.5 million related to forward contracts, \$26.8 million of which has been realized by Brookfield Infrastructure and \$43.7 million which has been recorded as current mark-to-market on an outstanding contract with a notional amount of R\$465 million and fixed rate of R\$1.91:1.

Brookfield Infrastructure also entered into a forward contract to buy a notional amount of approximately £8 million as a hedge against its future additional investment in the Peterborough Hospital in the United Kingdom (Note 14). Brookfield Infrastructure recorded a loss of \$0.3 million as a current mark-to-market on the contract in the statement of operations as of December 31, 2008.

12. PREFERRED SHARES

Preferred shares represent \$5 million of preferred shares issued totalling \$20 million. The preferred shares are entitled to receive a preferential dividend equal to 6% of their redemption value and are redeemable, in whole or in part, at an amount equal to their redemption value plus accrued and unpaid dividends at any time after the tenth anniversary of their issuance.

13. SEGMENTED INFORMATION

Brookfield Infrastructure's operating segments are electricity transmission and timber. A key measure most often used by the Chief Operating Decision Maker in assessing performance and in making resource allocation decisions is adjusted net operating income ("ANOI") a non-GAAP measure, which enables the determination of cash return on equity deployed. ANOI is defined as net income excluding the impact of depreciation, depletion and amortization, deferred taxes and other non-cash items. The following table provides each segment's results based on the format that management organizes its segments in order to make operating decisions and assess performance. Each segment is presented on both a 100% basis and a proportional basis, taking into account Brookfield Infrastructure's ownership interest in operations accounted for using the consolidation and equity methods. For cost accounted investments, the segment results reflect dividend income.

<i>FOR THE YEAR ENDED DECEMBER 31, 2008</i> <i>US\$ MILLIONS</i>	Electricity Transmission	Partnership Share	Timber⁽²⁾	Partnership Share	Corporate	Total⁽¹⁾
Revenue	\$367.7	\$ 86.4	\$ 368.4	\$124.8	\$ —	
Dividend income	14.3	14.3	—	—	—	
Costs attributed to revenue	(59.0)	(15.8)	(239.0)	(81.8)	(14.0)	
Net operating income	323.0	84.9	129.4	43.0	(14.0)	
Other income (expense)	9.5	1.6	(1.2)	(0.5)	1.2	
Interest expense	(93.2)	(21.1)	(90.6)	(29.0)	(4.3)	
Cash taxes	(1.4)	(1.4)	(1.4)	(0.7)	—	
Adjusted net operating income (ANOI) ...	237.9	64.0	36.2	12.8	(17.1)	
Depreciation, depletion and amortization	(70.5)	(17.6)	(117.8)	(36.7)	—	
Deferred taxes and other items	(41.7)	(6.5)	91.3	30.6	(1.5)	
Net income (loss)	\$125.7	\$ 39.9	\$ 9.7	\$ 6.7	\$(18.6)	\$28.0

<i>FOR THE YEAR ENDED DECEMBER 31, 2007</i> <i>US\$ MILLIONS</i>	Electricity Transmission	Partnership share	Timber	Partnership share	Corporate	Total⁽¹⁾
Revenue	\$ 54.3	\$35.5	\$ 18.1	\$ 6.1	\$—	
Dividend income	0.5	0.5	—	—	—	
Costs attributed to revenue	(9.6)	(6.4)	(16.9)	(5.6)	—	
Net operating income	45.2	29.6	1.2	0.5	—	
Other income (expense)	3.0	0.3	(5.1)	(1.9)	—	
Interest expense	(17.7)	(8.0)	(8.6)	(2.7)	—	
Cash taxes	(4.5)	(4.5)	—	—	—	
Adjusted net operating income (ANOI)	26.0	17.4	(12.5)	(4.1)	—	
Depreciation, depletion and amortization . . .	(14.4)	(8.0)	(5.8)	(1.8)	—	
Deferred taxes and other	(16.0)	0.4	(0.5)	(0.3)	8.4	
Net (loss) income ⁽¹⁾	<u>\$ (4.4)</u>	<u>\$ 9.8</u>	<u>\$ (18.8)</u>	<u>\$ (6.2)</u>	<u>\$ 8.4</u>	<u>\$12.0</u>
<i>FOR THE YEAR ENDED DECEMBER 31, 2006</i> <i>US\$ MILLIONS</i>	Electricity Transmission	Partnership share	Timber	Partnership share	Corporate	Total⁽¹⁾
Revenue	\$ 30.7	\$30.7	\$ —	\$—	\$—	
Dividend income	—	—	—	—	—	
Costs attributed to revenue	(5.1)	(5.1)	—	—	—	
Net operating income	25.6	25.6	—	—	—	
Other expenses	(0.3)	(0.3)	—	—	—	
Interest expense	(5.8)	(5.8)	—	—	—	
Cash taxes	(4.4)	(4.4)	—	—	—	
Adjusted net operating income (ANOI)	15.1	15.1	—	—	—	
Depreciation, depletion and amortization . . .	(6.2)	(6.2)	—	—	—	
Deferred taxes and other	1.5	1.5	—	—	—	
Net income	<u>\$ 10.4</u>	<u>\$10.4</u>	<u>\$ —</u>	<u>\$—</u>	<u>\$—</u>	<u>\$10.4</u>

- (1) The majority of Brookfield Infrastructure's investments are accounted for using the equity method or cost method of accounting in accordance with U.S. GAAP (Note 2). This results in the earnings from these investments being presented in one line on the Statement of Operations. The above table presents the detailed components making up net income for investments accounted for using the consolidation, equity and cost methods in a more fulsome manner. Accordingly, with the exception of net income, the totals of each line item in the above table will not agree to the Statement of Operations.
- (2) Brookfield Infrastructure proportionately accounts for its investment in Longview at a 30% ownership interest, through its direct and indirect interest in the Company.

14. COMMITMENTS, CONTINGENCIES AND GUARANTEES

In the normal course of operations, Ontario Transmission operations executes agreements that provide for indemnification and guarantees to third parties in transactions such as debt issuances. The nature of substantially all of the indemnification undertakings prevents Ontario Transmission operations from making a reasonable estimate of the maximum potential amount Ontario Transmission operations could be required to pay third parties as the agreements do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, Ontario Transmission operations has not made significant payments under such indemnification agreements.

The payments for interest in respect of the First Mortgage Bonds for the next 5 years are as follows:

<u>US\$ MILLIONS</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
	\$6.5	\$6.5	\$6.5	\$6.5	\$6.5

In the normal course of operations, Ontario Transmission operations has committed as at December 31, 2008 to spend approximately \$75.0 million on capital projects in future years.

Ontario Transmission operations may, from time to time, be involved in legal proceedings, claims, and litigation that arise in the ordinary course of business which Ontario Transmission operations believes would not reasonably be expected to have a material adverse effect on the financial condition of Ontario Transmission operations.

There are no specified decommissioning costs relating to the Ontario Transmission operations assets. Ontario Transmission operations has a comprehensive repair and capital expenditure program to ensure that its transmission lines are maintained to optimum industry standards. Replacement of the assets occur in accordance with a long term capital plan and would involve typical costs of removal as part of that process. In the circumstance where a portion of a line or other assets were removed completely, there may be some contractual obligations under private or crown easements or other land rights which require the transmission owner to reinstate the land to a certain standard, typically the shape it was prior to the construction of the transmission assets. As well, certain environmental, land use and/or utility legislation, regulations and policy may apply in which Ontario Transmission would have to comply with remediation requirements set by the government. The requirements will typically depend on the specific property characteristics and what criteria the government determines to be appropriate to meet safety and environmental concerns. These asset lives are indeterminate given their nature. As the individual assets or components reach the end of their useful lives, they are retired and replaced. Historically, certain asset components have been replaced a number of times, thus creating a perpetual asset with an indeterminate life. As such, the retirement date for these lines cannot be reasonably estimated and therefore, the fair value of the associated liability cannot be determined at this time. As a result, no liability has been accrued in these financial statements.

Brookfield Infrastructure acquired an interest in the Peterborough Hospital PPP project in the United Kingdom in the fourth quarter of 2008. The project is in the construction phase with construction expected to be complete in late 2011. Brookfield Infrastructure has a commitment to fund its share of the additional equity investment in the project totalling approximately £8 million.

15. SUBSEQUENT EVENTS

As described in Note 11, Brookfield Infrastructure exercised an option to sell its minority interests in TBE and expects to receive after tax proceeds from the sale of approximately R\$465 million in April 2009 upon receipt of regulatory approval.

On February 3, 2009, subsequent to year end, Brookfield Infrastructure completed the acquisition of Brookfield Multiplex's interest in an additional PPP Project—the Royal Melbourne Showgrounds in Australia, for an investment of approximately \$3.0 million.

ETC HOLDINGS LTD. AND SUBSIDIARIES

As of December 31, 2008 and December 31, 2007 and for the years then ended Santiago, Chile

ETC HOLDINGS LTD. AND SUBSIDIARIES

December 31, 2008

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
Report of Registered Public Accounting Firm	F-31
Consolidated Financial Statements	
Consolidated Balance Sheets	F-32
Consolidated Statements of Income (Loss)	F-34
Consolidated Statements of Comprehensive (Loss) Income	F-35
Consolidated Statements of Retained Earnings (Deficit)	F-36
Consolidated Statements of Cash Flows	F-37
Notes to the Consolidated Financial Statements	F-38

US\$: United States dollars

ThUS\$: Thousands of United States dollars

Ch\$: Chilean peso

UF: Unidad de Fomento or UF, is an inflation-indexed, Chilean-peso denominated monetary unit. The UF is set daily in advance based on the changes in the Chilean Consumer Price Index (CPI) of the previous months.

REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of ETC Holdings Ltd.

We have audited the accompanying consolidated balance sheets of ETC Holdings Ltd. and subsidiaries (the “Company”) as of December 31, 2008 and 2007, and the related consolidated statements of income (loss), comprehensive (loss) income, retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ETC Holdings Ltd. and subsidiaries as of December 31, 2008 and 2007 and the consolidated results of their operations and their cash flows for the years then ended in conformity with Canadian generally accepted accounting principles, which differ in certain respects from accounting principles generally accepted in the United States of America (see Note 13 to the consolidated financial statements).

As discussed in Note 2c) to the consolidated financial statements, in 2008 the Company changed its accounting policy with respect to embedded derivatives.

Ernst + Young Ltda.

Santiago, Chile
February 6, 2009

ETC HOLDINGS LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<u>US\$ THOUSANDS</u>	<u>As of December 31, 2008</u>	<u>(Restated, Note 2c)</u> <u>As of December 31, 2007</u>
Assets		
Current assets		
Cash and cash equivalents (Note 2h)	\$ 130,344	\$ 75,303
Trade accounts receivable	51,365	47,021
Miscellaneous receivables	832	968
Recoverable income taxes (Note 3)	3,229	7,350
Prepaid expenses	149	215
Future income tax asset (Note 3)	239	2,609
Other current assets (Note 4)	311	6,969
Derivatives (Note 8)	6,740	—
Total current assets	<u>193,209</u>	<u>140,435</u>
Property, plant, and equipment (Note 2i,5)		
Land	26,201	30,760
Buildings and infrastructure	1,106,782	1,386,358
Machinery and equipment	484,672	558,333
Other property, plant and equipment	2,083	2,630
Less: Accumulated depreciation	<u>(121,143)</u>	<u>(90,420)</u>
Total property, plant, and equipment, net	<u>1,498,595</u>	<u>1,887,661</u>
Other assets		
Investments in other companies	501	429
Goodwill (Note 2f)	487,927	488,656
Long-term receivables	2,456	3,085
Long-term future income taxes, net (Note 3)	103,509	130,374
Rights-of-way (Note 2j)	215,760	273,670
Other intangibles (Note 2j)	17,500	28,254
Long-term bank deposit (Note 12a)	890,064	848,813
Derivatives (Note 8)	141,324	—
Total other assets	<u>1,859,041</u>	<u>1,773,281</u>
Total assets	<u>\$3,550,845</u>	<u>\$3,801,377</u>

The accompanying notes are an integral part of these financial statements.

ETC HOLDINGS LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<u>US\$ THOUSANDS</u>	<u>As of December 31, 2008</u>	<u>(Restated, Note 2c)</u> <u>As of December 31, 2007</u>
Liabilities and shareholders' equity		
Current liabilities		
Short-term bank loans	\$ 1,327	\$ 2,329
Current portion of long-term bonds payable (Note 6, 8)	23,381	18,463
Derivatives (Note 8)	5,099	819
Accounts payable	58,055	105,215
Accrued liabilities (Note 9)	5,525	5,450
Withholdings	4,287	2,844
Other current liabilities	140	9,648
Total current liabilities	97,814	144,768
Long-term liabilities		
Long-term bonds payable (Note 6, 8)	1,378,623	1,521,619
Long-term bank loans (Note 7)	884,741	840,234
Long-term derivatives (Note 8)	28,819	100,021
Long-term provisions (Note 9)	3,022	2,971
Other long-term liabilities	4,626	3,047
Total long-term liabilities	2,299,831	2,467,892
Contingencies and commitments (Note 12)	—	—
Non-controlling interest	270	141
Shareholders' equity: (Note 10,11)		
Paid-in capital	1,368,379	1,207,571
Distributions	(78,895)	(35,167)
Accumulated other comprehensive (loss) income	(191,882)	64,871
Retained earnings (deficit)	55,328	(48,699)
Subtotal: accumulated other comprehensive (loss) income and retained earnings (deficit)	(136,554)	16,172
Shareholders' equity, net	1,152,930	1,188,576
Total liabilities and shareholders' equity	\$3,550,845	\$3,801,377

The accompanying notes are an integral part of these financial statements.

ETC HOLDINGS LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (LOSS)

<u>US\$ THOUSANDS</u>	For the years ended December 31	
	2008	<i>(Restated, Note 2c)</i> 2007
Sales revenue <i>(Note 2n)</i>	\$ 334,794	\$ 242,303
Cost of sales	(40,948)	(26,461)
Depreciation	(62,752)	(59,935)
Administrative, selling and other expenses	(10,840)	(14,464)
Other expenses, net	<u>(5,251)</u>	<u>(2,345)</u>
Income before financing charges and income taxes	215,003	139,098
Interest income	73,319	75,561
Interest expense, including:	(228,156)	(251,574)
Interest on long-term debt	(227,661)	(251,067)
Other interest expense	(495)	(507)
Foreign exchange (loss) gain, net	(97,233)	11,774
Other financial income (expense)	<u>143,716</u>	<u>(34,526)</u>
Income (loss) before income taxes	106,649	(59,667)
Income taxes (charge) recovery <i>(Note 3)</i>	(2,515)	22,170
Non-controlling interest	<u>(107)</u>	<u>30</u>
Net income (loss) for the year	<u><u>\$ 104,027</u></u>	<u><u>\$ (37,467)</u></u>

The accompanying notes are an integral part of these financial statements.

ETC HOLDINGS LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

<u>US\$ THOUSANDS</u>	For the years ended December 31	
	2008	<i>(Restated, Note 2c)</i> 2007
Net income (loss) for the year	\$ 104,027	\$(37,467)
Other comprehensive income (loss):		
Translation (losses) gains on the net investment in self-sustaining operation	(313,113)	98,086
Net gains (losses) on related hedging items, net of taxes of \$(11,423) and \$6,460	55,772	(31,541)
Net gains on cash flow hedges	588	—
Comprehensive (loss) income for the year	<u>\$(152,726)</u>	<u>\$ 29,078</u>

The accompanying notes are an integral part of these financial statements.

ETC HOLDINGS LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)

<u>US\$ THOUSANDS</u>	For the years ended December 31	
	2008	<i>(Restated, Note 2c)</i> 2007
Deficit at the beginning of the year	\$ (48,699)	\$(11,232)
Net income (loss) for the period	<u>104,027</u>	<u>(37,467)</u>
Retained earnings (deficit) at the end of the year	<u>\$ 55,328</u>	<u>\$(48,699)</u>

The accompanying notes are an integral part of these financial statements.

ETC HOLDINGS LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<u>US\$ THOUSANDS</u>	For the years ended December 31	
	2008	<i>(Restated, Note 2c)</i> 2007
Cash flows from operating activities:		
Net income (loss) for the period	\$ 104,027	\$ (37,467)
Adjustments for items that do not represent cash flows:		
Depreciation	62,752	59,935
Foreign exchange loss (gain), net	97,233	(11,774)
Future income taxes	2,515	(18,829)
Accrued interest to be paid	52,047	48,865
Unrealized (gains) losses on derivatives	(138,465)	37,617
Other	(1,289)	(4,836)
Changes in working capital balances:		
Trade accounts receivable	(4,208)	(9,741)
Prepaid expenses and other assets	66	(953)
Recoverable taxes	7,350	(6,879)
Accounts payable and accrued liabilities	(15,526)	6,394
Net cash provided by operating activities	166,502	62,332
Cash flows from financing activities:		
Capital contributions	160,808	—
Proceeds from bonds	—	349,319
Proceeds from loans	41,500	—
Long-term bank deposit	(41,500)	—
Payments of bonds	(2,506)	(357,208)
Distribution of capital	(43,728)	(35,167)
Net cash (used in) provided by financing activities	114,574	(43,056)
Cash flows from investing activities:		
Acquisition of business—adjustment to purchase price	(160,808)	—
Sales of property, plant and equipment	16,329	4,381
Purchase of property, plant, and equipment	(69,372)	(52,060)
Receipts from (payments on) derivative contracts designated as hedge of net investment	4,328	(25,924)
Net cash flows provided by (used in) investing activities	(209,523)	(73,603)
Effect of exchange rate changes on cash and cash equivalents	(16,512)	8,644
Total net cash flows for the period	55,041	(45,683)
Cash and cash equivalents, beginning of the period	75,303	120,986
Cash and cash equivalents, end of the period (Note 2h)	\$ 130,344	\$ 75,303
Supplemental cash flow information:		
Interest paid	\$ 148,262	\$ 172,866
Income taxes paid	\$ —	\$ 6,015

The accompanying notes are an integral part of these financial statements.

ETC HOLDINGS LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

1. The Company and Business

ETC Holdings Ltd. (the “Company”) was formed in Bermuda on June 15, 2006 with an initial share capital of ThUS\$12. The objective of the Company as per its Memorandum of Association is to acquire, hold, pledge and dispose of investments in the equity and debt, directly and indirectly of Rentas Eléctricas I Limitada and Rentas Eléctricas II Limitada (now Transelec Holdings Rentas Limitada) and any other persons and entities that carry on electricity transmission business in Chile, and any activities that are ancillary thereto. As of December 31, 2008 and 2007 the principal asset held by the Company through its indirect subsidiary Transelec Holdings Rentas Limitada is its investment in Transelec S.A. (“Transelec”).

References herein to “parent company” are to ETC Holdings Ltd. and references to the “Company” or the “Group” are to ETC Holdings Ltd. together with its consolidated subsidiaries (see Note 2b).

On June 30, 2006, the Company acquired through its indirect subsidiary Rentas Eléctricas IV Limitada 999,900 shares of Transelec (at this time under the name of HQI Transelec Chile S.A.), representing 99.99% of its share capital, from Hydro-Québec International Transmisión Sudamérica S.A. and International Finance Corporation. In the same transaction, another Company’s subsidiary Rentas Eléctricas III Limitada acquired 100 shares of Transelec representing 0.01% of its share capital from HQ Puno Ltd.

On October 24, 2006, Rentas Eléctricas IV Limitada acquired from, Rentas Eléctricas III Limitada 100 shares, corresponding to 0.01% of the share capital of HQI Transelec Chile S.A. and having full ownership of this entity, merged the latter by absorption. After the merger Rentas Eléctricas IV Limitada changed its name first to Nueva Transelec S.A. and then to Transelec S.A.

On March 26, 2007, Rentas Eléctricas III Limitada became an incorporated company and changed its name to Rentas Eléctricas III S.A. On May 9, 2007, Rentas Eléctricas Rentas III S.A. acquired 100 shares of Transelec owned by Transelec Holdings Rentas Limitada, corresponding to 0.01% of its share capital and became owner of 100% of Transelec. As a consequence, Rentas Eléctricas III S.A. merged Transelec by absorption. The merged entity continues its operations under name Transelec S.A.

Transelec’s business is to exploit and develop electricity transmission systems in Chile. For this purpose it may obtain, acquire and use the respective concessions and permits and exercise all the rights and faculties that the prevailing legislation confers on electrical companies. Transelec’s business also includes providing engineering and management consulting services and developing other business and industrial activities related to transmission of electricity. Transelec may act directly or through subsidiaries or other related companies, both in Chile and abroad. As of March 31, 2008 and December 31, 2007 Transelec has one subsidiary Transelec Norte S.A. that is also engaged in the electricity transmission business in Chile.

2. Summary of Significant Accounting Policies

a) Basis of accounting

The consolidated financial statements have been prepared by management following Canadian generally accepted accounting principles (“Canadian GAAP”). The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from the estimates.

b) Basis of consolidation

The accompanying financial statements reflect the consolidated financial position, results of operations and cash flows of the parent company and its subsidiaries. The effects of all significant transactions with consolidated subsidiaries have been eliminated in consolidation.

As of December 31, 2008 and 2007, the Group was composed of the parent company and the following direct and indirect subsidiaries:

	Participation as of			
	December 31, 2008		December 31, 2007	
	Direct/Indirect	%	Direct/Indirect	%
Rentas Eléctricas I Limitada	Direct	99.97	Direct	99.96
Transec Holdings Rentas Limitada	Indirect	99.97	Indirect	99.96
Transec S.A.	Indirect	99.97	Indirect	99.96
Transec Norte S.A.	Indirect	99.97	Indirect	99.96

c) Changes in accounting policies

Financial Instruments—Disclosures and Presentation

On December 1, 2006, the Canadian Accounting Standards Board (“AcSB”) of the Canadian Institute of Chartered Accountants (“CICA”) issued two new accounting standards, Section 3862, Financial Instruments—Disclosures and Section 3863, Financial Instruments—Presentation. These standards replace Section 3861, Financial Instruments—Disclosure and Presentation and enhance the disclosure of the nature and extent of risks arising from financial instruments and how the entity manages those risks. These new standards became effective for the Company on January 1, 2008. Disclosures related to risk management are included in Note 8.

Capital Disclosures

On December 1, 2006, the AcSB issued Section 1535, Capital Disclosures. Section 1535 requires the disclosure of: (i) an entity’s objectives, policies and process for managing capital; (ii) quantitative data about an entity’s managed capital; (iii) whether an entity has complied with capital requirements; and (iv) if an entity has not complied with such capital requirements, the consequences of such non-compliance. This new standard became effective for the Company on January 1, 2008. Disclosures related to the capital management are included in Note 11.

Accounting for indexation features in the electricity transmission contracts

Contracts for electricity transmission services that Transec has with some of its clients include indexation formulas that adjust periodically Transec’s remuneration (revenues) for its services. The indexes in the formulas include inflation indexes, foreign exchange rate between Chilean peso and U.S. dollar, prices of metals and prices of other ingredients used in the construction of the transmission assets. The underlying concept of the indexations is to reflect Transec’s investment in the construction of assets used to transport electricity. Those indexations were considered embedded derivatives and were accounted for separately and measured at fair value in the financial statements for the year ended December 31, 2007. During 2008 the Company reconsidered the treatment of those indexation features and concluded that it is acceptable under Canadian GAAP not to bifurcate and recognize them separately as embedded derivatives since they meet criteria of closely related to the economic characteristics and risks of the host contracts under CICA 3855. Instead the entire contracts were considered contract-based intangibles acquired in the business combination (acquisition of Transec—see Note 1) valued initially at fair value and then amortized over the period of the arrangements.

The Company believes that the new accounting policy provides reliable and more relevant information because (a) it harmonizes the accounting for the transactions with IFRS (see Note 2d) below) that will shortly

became the Company's primary GAAP and that provides high quality information about the financial position, performance and changes in financial position of an entity, (b) is subject to lower level of estimations as it does not involve use of unobservable market inputs to determine fair value of the embedded features that need to be used given the absence of active market for energy transmission services in Chile.

The Company recognized the effect of this voluntary change to the alternative accounting policy retroactively in accordance with CICA Section 1506. The difference between the fair value of the derivatives and amortized cost of intangibles of ThUS\$14,305 (loss), that was presented in "Other expense, net" line in the consolidated statement of loss, net of corresponding future tax effect of ThUS\$2,606 was included as adjustment to loss for the year 2007 and the balance of Deficit for the year ended December 31, 2007.

d) Future accounting pronouncements

Goodwill and Intangible Assets

In February 2008, the AcSB issued CICA Handbook Section 3064, Goodwill and Intangible Assets, replacing Handbook Sections 3062, Goodwill and Other Intangible Assets and 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new section will be applicable to the financial statements relating to fiscal years beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition of intangible assets by profit-oriented enterprises. The Company is currently evaluating the impact of Section 3064 on its financial statements.

Business Combinations and Consolidated Financial Statements

In October 2008 AcSB decided to replace Section 1581, Business Combinations, with Section 1582, Business Combinations; and Section 1600, Consolidated Financial Statements, with Sections 1601, Consolidated Financial Statements, and 1602, Non-controlling Interests.

Section 1582 provides the Canadian equivalent to International Financial Reporting Standard IFRS 3, "Business Combinations" (January 2008). The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted.

Section 1601, establishes standards for the preparation of consolidated financial statements, while the new Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, "Consolidated and Separate Financial Statements" (January 2008). The Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. An entity adopting those Sections for a fiscal year beginning before January 1, 2011 needs also to adopt Section 1582. The Company is currently evaluating the impact of those pronouncements on its financial statements.

Rate Regulated Operations

In August 2007, the AcSB issued a decision, effective January 1, 2009, to withdraw the temporary exemption in CICA Handbook Section 1100, Generally Accepted Accounting Principles, which permits the recognition and measurement of assets and liabilities arising from rate regulation. The Company is currently assessing the impact of the AcSB's decision on its financial statements.

Credit risk in the Fair Value of Financial Assets and Financial Liabilities

In January 2009 the Emerging Issue Committee (“EIC”) of AcSB issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. The EIC reached a consensus in that abstract that an entity’s own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The interpretation is effective in the interim and annual financial statements for periods ending on or after the date of issuance of the abstract. The Company is currently assessing the impact of the abstract on its financial statements.

Adoption of International Financial Reporting Standards (“IFRS”)

In February 2008, the AcSB confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Accounting Standard Board (IASB) will also continue to issue new accounting standards during the conversion period, and as a result, the final impact of IFRS on the Company’s consolidated financial statements will only be measured once all the IFRS applicable at the conversion date are known.

For ETC Holding Ltd. the changeover to IFRS is not mandatory; however it will be in the future for its subsidiaries in Chile and its shareholders in Canada. As a result, the Company is developing a plan for its conversion to IFRS. A detailed analysis of the differences between IFRS and the current Company’s accounting policies as well as an assessment of the impact of various alternatives are in progress.

e) Business combination and purchase price adjustment

As mentioned in the Note 1 above the Company acquired on June 30, 2006, Transelec from Hydro-Québec International Transmisión Sudamérica S.A. and International Finance Corporation (the “Sellers”). The Company accounted for the business combination using the purchase method of accounting. The cost of acquisition was allocated to identifiable net assets on the basis of the estimated fair values at the date of purchase. The excess of acquisition costs over the net assets acquired stated at fair values was allocated to goodwill.

In accordance with the terms of the Purchase Agreement the purchase price was subject to two adjustments dependent on the results of the trunk transmission tariff process developed in accordance with the Short Law enacted on March 13, 2004. The trunk transmission tariff process was concluded with the issuance—on January 15, 2008—of the Trunk Tariff Process Supreme Decree of the Ministerio de Economía, Fomento y Reconstrucción. The first adjustment to the purchase price paid for Transelec and that was pending as of December 31, 2007 was associated to the difference of the investment value (referred to as VI) of some facilities included in the abovementioned Supreme Decree and the value for those facilities established in the Purchase Agreement. The amount of this adjustment was agreed between the Sellers and Transelec being the legal successor of the acquiring entity and paid on April 4, 2008 to the Sellers. The second adjustment related to the recalculation of the revenues by the regulatory organizations Centro de Despacho Económico de Carga (“CDEC”) and Centro de Despacho Económico de Carga del Sistema Interconectado del Norte Grande (“CDEC-SING”) using as a base new VI of the transmission facilities. Both adjustments, totaling to ThUS\$160,808, were recorded in the year ended December 31, 2008 as adjustment to goodwill.

f) Goodwill

The excess of acquisition cost over the net assets acquired in the business combination and stated at fair values was allocated to goodwill. Goodwill is not amortized and is reviewed annually for impairment. A two-step

impairment test is used to identify potential goodwill impairment and measure the amount of a goodwill impairment loss to be recognized, if any:

- (1) The fair value of a reporting unit is compared with its carrying amount, including goodwill, in order to identify a potential impairment. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary.
- (2) When the carrying amount of a reporting unit exceeds its fair value, the fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. When the carrying amount of reporting unit goodwill exceeds the fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

For the purpose of testing goodwill for impairment, all goodwill acquired was assigned to one reporting unit—Transelec. No impairment losses were recognized in the periods covered by these consolidated financial statements.

g) Reporting currency and foreign currency translation

The Company keeps its accounting records and prepares financial statements in U.S. dollars. Transelec that is considered a self-sustaining subsidiary keeps its accounting records in Chilean pesos (“Ch\$”). Financial statements of Transelec have been translated to U.S. dollars using the current rate method and exchange gains and losses arising from the translation were recognized in a separate component of other comprehensive income.

Exchange rate in effect at the balance sheet date used to translate assets and liability items was as follows:

	<u>As of December 31</u>	
	<u>2008</u>	<u>2007</u>
	<u>Ch\$</u>	<u>Ch\$</u>
US\$	636.45	496.89

Other foreign currency transactions are translated using the temporal method. Translation gains and losses are included in income for the period.

Index-linked assets and liabilities

Transelec has certain assets and liabilities that are denominated in index-linked units of account that are stated at the year-end values of the respective units of account. The principal index-linked unit used in Chile is the Unidad de Fomento (“UF”), which is adjusted daily to reflect the changes in Chile’s Consumer Price Index. As of December 31, 2008 and 2007 values for the UF were as follows:

	<u>As of December 31</u>	
	<u>2008</u>	<u>2007</u>
	<u>Ch\$</u>	<u>Ch\$</u>
UF	21,452.57	19,622.66

h) Cash and cash equivalents and Statement of Cash Flows

The consolidated statements of cash flows have been prepared using the indirect method. Cash and cash equivalents presented in the consolidated statements of cash flows include cash on hand, time deposits, and other highly liquid short-term investment with an original maturities of three months or less when purchased and are detailed as follows:

<u>US\$ THOUSANDS</u>	<u>As of December 31</u>	
	<u>2008</u>	<u>2007</u>
Cash and bank	\$ 4,244	\$ 980
Time deposits	126,100	68,802
Repurchase agreements	—	5,521
Total	<u>\$130,344</u>	<u>\$75,303</u>

Time deposits are recorded at cost plus accrued interest and UF indexation adjustments, when applicable. Average interest rate on the term deposits was 5.0% as of December 31, 2008 and 6.4 % as of December 31, 2007.

Purchase commitments with resale agreements are valued at the investment value (cost) plus indexation adjustments and interest.

i) Property, plant, and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and any accumulated impairment losses. Financing costs are capitalized to property, plant and equipment during the construction period. During the year ended December 31, 2008 and 2007, the financial costs that have been capitalized amounted to ThUS\$3,506 and ThUS\$1,823, respectively.

Depreciation

The depreciation of property, plant and equipment has been calculated on a straight-line method, based on the estimated useful lives of the assets that for major classes of the property, plant and equipment are as follows:

	<u>Years</u>
Transmission lines	40
Electrical equipment	15-35
Non-hydraulic civil projects	40
Other	3-15

Asset retirement

Some of the Company's transmission lines and other assets may have asset retirement obligations. The majority of the Company's rights-of-way on which such assets are located are of perpetual duration. As the Company expects to use majority of its installed assets for an indefinite period, no removal date can be determined and consequently a reasonable estimate of the fair value of any related asset retirement obligation cannot be made at the balance sheet date. If, at some future date, it becomes possible to estimate the fair value cost of removing assets that the Company is legally required to remove, an asset retirement obligation will be recognized at that time.

Impairment

The carrying values of property plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is being derecognized.

j) Intangibles

Intangibles include rights-of-way, valued at acquisition cost based on their fair values as of June 30, 2006. Rights-of-way have no expiration term and are considered to have an indefinite useful life. Rights-of-way are not amortized until their lives will be determined to be no longer indefinite. The rights-of-way are assessed for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. The impairment test consists of a comparison of the fair value of the intangible assets with their carrying amount. When the carrying amount exceeds fair value, an impairment loss is recognized in an amount equal to the excess. Rights-of-way amounted to ThUS\$215,760 and to ThUS\$273,670 as of December 31, 2008 and 2007, respectively.

Other intangibles presented on the consolidated balance sheet include value of the off-market contracts acquired in the business combination. Those contracts are stated at acquisition cost less accumulated amortization. Those intangibles are amortized over period of respective contracts. Remaining life of the contracts ranges between 4 and 8 years as of December 31, 2008.

k) Bonds payable

The bonds payable acquired in the business acquisition were valued at their fair value as of June 30, 2006 that was considered acquisition cost and since then that cost is amortized. Bonds issued after the acquisition date are initially valued at their fair value. The bonds also accrue interest and are subject to UF indexation adjustments, when applicable.

The portion of the bonds principal and interest that are payable within one year are presented in Current liabilities. The remaining portion is included in the Long-term liabilities.

l) Current and future income taxes

The Company has determined its current income tax assets and liabilities in accordance with Chilean tax regulations.

The Company follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements and their respective tax base, using substantively enacted future income tax rates. The effect of a change in income tax rates on future tax liabilities and assets is recognized in income in the period in which the change occurs. Temporary differences that arose on the acquisition of Transelec (see Note 1 and Note 2e) resulted in future income tax assets and liabilities.

m) Staff severance indemnities

Transelec has—under agreements with its employees—an obligation to pay to the employees who have completed 15 years of service (including service in Transelec’s legal predecessors before merger with Rentas Eléctricas IV Limitada and Rentas Electricas III Limitada), staff severance indemnities based on the number of the years of service. The employees receive the payment at the time their employment contract ends (and based on latest salary before the termination) due to retirement or voluntary resignation. In addition some employees have additional benefit determined as fixed amount in UF as of December 1, 2000 that will be paid at the time of termination of their contracts. The cost of these non-pension benefits has been determined based on the management’s best estimates and accrued as a liability as employees render service.

n) Revenue recognition and tariff-setting

The regulatory framework that governs electrical transmission activity in Chile comes from the By—Law of the Electric Services dated 1982 (DFL(M) No. 1/82), and subsequent amendments thereto, including Law 19.940 (called also the “Short Law”) enacted on March 13, 2004. These are complemented by the By—Law of the Electric Services Regulations dated 1997 (Supreme Decree No. 327/97 of the Mining Ministry), and its amendments, and by the Technical Standard for Liability and Quality of Service (R.M.EXTA No. 40 dated May 16, 2005) and subsequent amendments thereto.

The Company’s revenues correspond mainly to remuneration from the use of its electricity transmission facilities. This remuneration is earned in part from arrangements subject to the tariff regulation and in part from contractual arrangements with the users of the transmission facilities. The total remuneration for the use of the transmission facilities for both regulated and contractual arrangements includes in general two components: i) the AVNR, which is the annuity of the New Replacement Value (VNR), calculated in such a way that the present value of these annuities, using an annual real discount rate and the economic useful life of each of the facilities equals the cost of replacing the existing transmission facilities with new facilities with similar characteristics at current market prices, plus, ii) the COyM, which corresponds to the cost required to operate, maintain and administrate the corresponding transmission facilities.

Revenues generating from both regulatory and contractual arrangements are recognized and invoiced on a monthly basis, using fixed monthly amounts resulting from the application of the AVNR and COyM values stipulated in the contracts or resulting from the regulated tariffs and indexed as applicable. The transmission service is invoiced usually at the beginning of the month following the month when the service was rendered and thus the revenue recognized each month includes transmission service provided but not invoiced up to the month end.

o) Derivative contracts and hedging

The subsidiaries Transelec Holdings Rentas Limitada and Transelec selectively utilize derivative financial instruments primarily to manage financial risks, principally foreign exchange risk. Hedge accounting is applied when the derivative is designated as a hedge of a specific exposure and there is reasonable assurance that it will continue to be effective as hedge based on an expectation of offsetting cash flows or fair value.

Realized and unrealized gains and losses on cross currency swaps and forwards designated as hedges of currency risks related to a net investment in Transelec (considered a self-sustaining subsidiary with functional currency different from currency of the parent company) are included in the Other Comprehensive Income.

Derivative financial instruments that are not designated as hedges or do not meet hedge effectiveness criteria are carried at estimated fair values, and gains and losses arising from changes in fair values are recognized in income or loss in the period the changes occur and are classified in Other financial income (expense).

Derivative instruments are separately stated on the balance sheet depending on their nature as assets or liabilities.

p) Vacation accrual

The annual cost of staff vacation is recognized as an expense in the financial statements on an accrual basis.

q) Reclassifications

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

3. Current and Future Income Taxes

a) General information

Each consolidated entity prepares and files its individual income tax return. During the year 2008 Rentas Eléctricas I Limitada and Transelec S.A. had taxable losses. Transelec Holdings Rentas Limitada and Transelec Norte S.A. had taxable income.

b) Recoverable—Payable income taxes

As of December 31, 2008 and 2007 the recoverable income taxes are composed as follows:

<u>US\$ THOUSANDS</u>	<u>As of December 31,</u>	
	<u>2008</u>	<u>2007</u>
Provision for income taxes	\$(10,475)	\$ (838)
Provisory income tax payments	4,627	5,777
Receivable from tax losses absorbed	9,678	2,411
Other	(601)	—
Total	\$ 3,229	\$7,350

c) Income tax recovery

The composition of the net income tax benefit (charge) for the years ended December 31, 2008 and 2007 including the effects of future income taxes is as follows:

<u>US\$ THOUSANDS</u>	<u>As of December 31,</u>	
	<u>2008</u>	<u>(Restated, Note 2c) 2007</u>
Current income tax	\$(10,475)	\$ (838)
Effect of future income taxes	7,960	23,008
Total	\$ (2,515)	\$22,170

d) **Future income taxes**

As of December 31, 2008 and 2007, the future income taxes, are composed as follows:

<i>US\$ THOUSANDS</i>	As of December 31, 2008				As of December 31, 2007 (Restated—Note 2c)			
	Future income tax assets		Future income tax liabilities		Future income tax assets		Future income tax liabilities	
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
Temporary differences								
Staff vacation accrual	251	—	—	—	235	—	—	—
Leased assets	—	—	—	—	—	77	—	—
Property, plant and equipment	—	114,280	—	—	—	116,068	—	—
Intangibles	—	—	—	14,695	—	—	—	21,872
Prepaid expenses	—	—	—	3,498	—	—	—	4,681
Forward contracts	—	—	100	—	1,563	—	—	—
Tax losses ⁽¹⁾	—	10,670	—	—	—	36,340	—	—
Swap contracts	—	—	—	7,575	—	193	—	—
Embedded derivatives	—	—	—	—	—	—	—	—
Bonds	—	6,854	—	—	—	9,959	—	—
Off-market contracts	—	—	—	2,936	—	—	—	5,255
Staff severance indemnities	—	—	—	428	—	—	—	455
Other	88	896	—	59	811	—	—	—
Total future income taxes	339	132,700	100	29,191	2,609	162,637	—	32,263
Net future income tax assets/liabilities	239	103,509	—	—	2,609	130,374	—	—

(1) Total amount of the unused tax losses on which future tax asset was recognized was ThUS\$ 62,764 as of December 31, 2008. In accordance with current Chilean tax regulations, tax losses do not expire.

4. Other Current Assets

The detail of the other current assets as of December 31, are as follows:

<i>US\$ THOUSANDS</i>	As of December 31,	
	2008	2007
Guarantee deposit (restricted cash)	\$—	\$5,830
Accrued interest on the long-term bank deposit (restricted cash)	234	780
Other	77	359
Total	\$311	\$6,969

5. Property, Plant and Equipment

Property, plant and equipment are detailed in the table below:

<i>US\$ THOUSANDS</i>	As of December 31, 2008			As of December 31, 2007		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	\$ 26,201	\$ —	\$ 26,201	\$ 30,760	\$ —	\$ 30,760
Buildings and infrastructure:						
Buildings	20,625	(1,551)	19,074	25,638	(1,127)	24,511
Access roads	886	(43)	843	1,137	(23)	1,114
Transmission lines	860,595	(49,866)	810,729	1,069,261	(39,472)	1,029,789
Houses and apartments	123	(9)	114	158	(6)	152
Non-hydraulic civil projects	170,334	(12,400)	157,934	214,289	(8,997)	205,292
Works in progress	54,219	—	54,219	75,875	—	75,875
Total buildings and infrastructure	<u>1,106,782</u>	<u>(63,869)</u>	<u>1,042,913</u>	1,386,358	(49,625)	1,336,733
Machinery and equipment:						
Telecommunications equipment	11,389	(3,527)	7,862	14,429	(2,637)	11,792
Furniture, machinery and office equipment	216	(81)	135	268	(54)	214
Service furniture and equipment	65	(12)	53	62	(7)	55
Tools and instruments	2,089	(331)	1,758	2,249	(228)	2,021
Power generation unit	1,695	(308)	1,387	2,112	(221)	1,891
Electrical equipment	413,894	(35,527)	378,367	474,202	(25,761)	448,441
Mechanical, protection and measurement equipment	49,858	(14,425)	35,433	59,895	(10,186)	49,709
Transport and loading equipment	524	(192)	332	627	(132)	495
Computers and software	4,942	(2,871)	2,071	4,489	(1,569)	2,920
Total machinery and equipment	<u>484,672</u>	<u>(57,274)</u>	<u>427,398</u>	558,333	(40,795)	517,538
Other property, plant, and equipment:						
Construction materials	2,083	—	2,083	2,630	—	2,630
Total other property, plant, and equipment	<u>2,083</u>	<u>—</u>	<u>2,083</u>	2,630	—	2,630
Total property, plant and equipment	<u>\$1,619,738</u>	<u>\$(121,143)</u>	<u>\$1,498,595</u>	<u>\$1,978,081</u>	<u>\$(90,420)</u>	<u>\$1,887,661</u>

Depreciation for the year ended December 31, 2008 amounted to ThUS\$62,752 (ThUS\$59,935 for the year ended December 31, 2007).

Assets under construction classified as Work in progress in the table above are not being depreciated yet.

6. Bonds Payable

The detail of bonds payable as of December 31, 2008 and 2007 is as follows:

Registration or identification number of the instrument	Series	Nominal amount placed	Currency or Indexation unit	Effective interest rate	Maturity date	Periodicity		As of December 31		Principal/Interest
						Interest payment	Principal payment	2008	2007	
								Book value	Book value	
								<i>US\$ THOUSANDS</i>		
Current portion of long-term bonds:										
249	B1	3,949	UF	4.44%	Mar 1, 2009	Semiannually	Semiannually	\$ 164	\$ 159	Interest
249	B2	59,236	UF	4.44%	Mar 1, 2009	Semiannually	Semiannually	2,473	2,388	Interest
First issuance	Single	7,946,777	US\$	6.71%	Apr 15, 2009	Semiannually	At maturity	13,690	7,947	Interest
249	B1	2,000	UF	4.44%	Mar 1, 2009	Semiannually	At maturity	84	—	Principal
249	B2	30,000	UF	4.44%	Mar 1, 2009	Semiannually	At maturity	1,253	—	Principal
249	B1	2,000	UF	4.44%	Sep 1, 2009	Semiannually	Semiannually	84	157	Principal
249	B2	30,000	UF	4.44%	Sep 1, 2009	Semiannually	Semiannually	1,253	2,370	Principal
481	D	23,658	UF	4.37%	Jun 15, 2009	Semiannually	At maturity	797	998	Interest
480	C	69,398	UF	3.03%	Mar 1, 2009	Semiannually	At maturity	2,339	2,741	Interest
First issuance	Private placement	1,703	US\$	6.60%	Feb 2, 2009	Semiannually	At maturity	1,244	1,703	Interest
Total current portion of bonds payable								\$ 23,381	\$ 18,463	
Long-term bonds payable:										
249	B1	190,000	UF	4.44%	Mar 1, 2022	Semiannually	Semiannually	7,198	8,740	Principal
249	B2	2,850,000	UF	4.44%	Mar 1, 2022	Semiannually	Semiannually	107,975	131,104	Principal
First issuance	Single	465,000,000	US\$	6.71%	Apr 15, 2011	Semiannually	At maturity	472,658	484,145	Principal
481	D	13,500,000	UF	4.37%	Dec 15, 2027	Semiannually	At maturity	455,039	533,128	Principal
480	C	6,000,000	UF	3.03%	Sep 1, 2016	Semiannually	At maturity	202,240	236,946	Principal
First issuance	Private placement	150,000,000	US\$	6.60%	May 2, 2013	Quarterly	At maturity	150,000	150,000	Principal
Debt issuance costs								(16,487)	(22,444)	
Total long-term bonds payable								\$1,378,623	\$1,521,619	

Following is a schedule of the long-term debt (bonds) maturity in each of the five years beginning on January 1, 2009 and 2008 and thereafter:

<i>US\$ THOUSANDS</i> Year	As of December 31,	
	2008	2007
2008	\$ —	\$ 2,527
2009	2,157	2,527
2010	2,157	2,527
2011	486,684	489,200
2012	4,314	5,055
2013	154,314	155,055
Thereafter	752,378	883,191
Total	\$1,402,004	\$1,540,082

7. Bank Loans

Following is a schedule of the long-term bank maturity in each of the five years beginning on January 1, 2009 and 2008 and thereafter:

<i>US\$ THOUSANDS</i> Year	As of December 31,	
	2008	2007
2008	\$ —	\$ —
2009	—	—
2010	884,741	840,234
2011	—	—
2012	—	—
2013	—	—
Thereafter	—	—
Total	<u>\$884,741</u>	<u>\$840,234</u>

As of December 31, 2008 and 2007 the balance of the bank loans corresponds to loan obtained from Scotia & Trust (Cayman) Ltd. The loan bears interest of 6 months LIBOR plus 3%. Effective interest rate of the loan is 4.85% as of December 31, 2008.

8. Fair Value of Financial Instruments and Risk Management

a) Classification of financial instruments

The classification of financial instruments under the new accounting standards effective January 1, 2008 (see Note 2c), and their carrying amounts are as follows:

<i>US\$ THOUSANDS</i> Financial assets	As of December 31, 2008				As of December 31, 2007			
	HFT ⁽¹⁾	L&R ⁽²⁾	HTM ⁽³⁾	Total	HFT ⁽¹⁾	L&R ⁽²⁾	HTM ⁽³⁾	Total
Cash and cash equivalents	\$130,344	\$ —	\$ —	\$ 130,344	\$75,303	\$ —	\$ —	\$ 75,303
Trade accounts receivable	—	\$51,365	—	51,365	—	47,021	—	47,021
Guarantee deposit (restricted)	—	—	—	—	5,830	—	—	5,830
Accrued interest on the long-term bank deposit (restricted) ⁽⁴⁾	—	—	234	234	—	—	780	780
Derivative financial instruments, including:								
Not designated for hedge accounting ⁽⁵⁾	91,376	—	—	91,376	—	—	—	—
Designated as hedges of net investment and cash flow hedges ⁽⁶⁾	56,688	—	—	56,688	—	—	—	—
Long-term bank deposit	—	—	890,064	890,064	—	—	848,813	848,813
Investments in other companies	501	—	—	501	429	—	—	429
Long-term receivables	—	2,456	—	2,456	—	3,085	—	3,085
Total	<u>\$278,909</u>	<u>\$53,821</u>	<u>\$890,298</u>	<u>\$1,223,028</u>	<u>\$81,562</u>	<u>\$50,106</u>	<u>\$849,593</u>	<u>\$981,261</u>

<u>US\$ THOUSANDS</u> <u>Financial liabilities</u>	<u>As of December 31, 2008</u>		<u>As of December 31, 2007</u>	
	<u>HFT⁽¹⁾</u>	<u>Other than HFT⁽¹⁾</u>	<u>HFT⁽¹⁾</u>	<u>Other than HFT⁽¹⁾</u>
Accounts payable and other short-term payables	\$ —	\$ 58,055	\$ —	\$ 105,215
Debt (including current and non-current portion)	—	2,288,072	—	2,382,645
Derivatives financial instruments, including:				
Not designated for hedge accounting ⁽⁷⁾	33,918	—	100,840	—
Designated as hedge of net investment ⁽⁸⁾	—	—	9,479	—
Other long-term payables	—	4,626	—	3,047
Total	<u>\$33,918</u>	<u>\$2,350,753</u>	<u>\$110,319</u>	<u>\$2,490,907</u>

(1) Held for trading.

(2) Loans and receivables.

(3) Held-to-maturity.

(4) Classified in other current assets.

(5) Classified in other non-current assets.

(6) ThUS\$6,740 classified in other current assets and ThUS\$49,948 in other non-current assets.

(7) Includes current and non-current portion.

(8) Classified in other non-current liabilities.

b) Fair value of financial instruments

The carrying amount of all financial instruments, except for long-term bonds, approximates their fair value. The fair value of derivative financial instruments reflects the estimated amount that the Company, if required to settle an outstanding contract, would be required to pay or would be entitled to receive at the balance sheet date. The fair values of the long-term bonds payable, based on year-end quoted market prices for the same or similar debt instruments of the same remaining maturities, are provided in the following table:

<u>US\$ THOUSANDS</u> <u>Description</u>	<u>As of December 31, 2008</u>		<u>As of December 31, 2007</u>	
	<u>Carrying value</u>	<u>Fair value</u>	<u>Carrying value</u>	<u>Fair value</u>
Long-term bond payable	1,378,623	1,348,715	1,521,619	1,534,830

c) Use of derivatives

Transec entered into eleven US\$/UF cross currency swaps contracts totaling to ThUS\$270,000 to hedge part of its exchange rate risk exposure related to bonds denominated in US\$. Initially part of those swaps were designated as cash flow hedges, however given ineffectiveness observed after the inception date hedge accounting was not applied and all changes in the fair value of the swaps are recorded in income. Fair value of the swap contracts recognized on the consolidated balance sheet amounts to ThUS\$16,876 (net liability) as of December 31, 2008, and to ThUS\$100,840 (liability) as of December 31, 2007. The swaps contracts mature in 2011 (the same maturity as the debt being hedged).

As of December 31, 2008 Transec has also opened 6 foreign currency forwards to sell ThUS\$54,000 designated as cash flow hedges to mitigate the short-term impact of fluctuations in the exchange rate on the revenues stream. The fair value recognized on the balance sheet as of December 31, 2008 amounts to ThUS\$588 (asset). The contracts mature during the 1st semester of 2009.

As of December 31, 2007, Transec had opened 3 forward contracts to buy ThUS\$12,400 not designated for hedge accounting. The fair value of these forward contracts recognized on the consolidated balance sheet was ThUS\$284 (liability) as of December 31, 2007. The contracts expired in 1st quarter of 2008.

The subsidiary Transelec Holdings Rentas Limitada uses financial derivative instruments (US\$/Ch\$ forwards and swaps) as hedge of a portion of its net investment in Transelec controlled in Chilean pesos in order to reduce the exposure to changes in currency exchange rates. The nominal amount of these contracts was ThUS\$250,000 as of December 31, 2008 and ThUS\$530,451 as of December 31, 2007. Changes in the fair value of these derivative contracts are recorded in other comprehensive income (loss). Amounts excluded from the measure of effectiveness of net investment hedges are recognized in earnings in the period in which they arise. Fair values of the derivatives recognized on the consolidated balance sheet were ThUS\$ 56,100 (asset) as of December 31, 2008 and ThUS\$9,195 (liability) at December 31, 2007.

On August 8, 2008, Transelec Holdings Rentas Limitada entered into eighteen US\$/UF cross currency swap contracts totaling to ThUS\$345,000. The swaps are considered as economic cash flow hedges to offset the variability of expected future cash flows related to US\$ debt, however hedge accounting was not applied and all changes in the fair value of the swaps are recorded in income. Fair value of the swap contracts recognized on the consolidated balance sheet amounts to ThUS\$74,332 (asset) as of December 31, 2008. The swaps contracts mature in 2011 (the same maturity as the debt being hedged).

d) Risk management

The Company is exposed to the following risks as a result of holding financial instruments: market risk (i.e. interest rate risk, currency risk and other price risks that impact the fair values of financial instruments); credit risk; and liquidity risk. The following is a description of these risks and how they are managed:

Market risk

Market risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by the Company will fluctuate because of changes in market prices. Market risk includes the risk of changes in interest rates, currency exchange rates and changes in market prices due to factors other than interest rates or currency exchange rate such as equity prices, commodity prices or credit spreads.

The Company endeavours to maintain a matched position in respect of the book values of foreign currency assets and liabilities and the impact of changes in interest rates on net income from floating rate assets and liabilities. This is achieved generally by intent of funding assets with financial liabilities in the same currency and with similar interest rate characteristics and holding financial contracts such as interest rate and foreign exchange derivatives to minimize residual exposures. Unmatched positions are carried from time to time within predetermined limits, principally to reduce borrowing costs or when hedging is impractical or uneconomic. Financial instruments held by the Company that are subject to market risk include principally borrowings and derivative instruments such as interest rate and currency swaps and forwards. The categories of financial instruments that can potentially give rise to significant variability are described in the following paragraphs.

Interest rate risk

The observable impacts on the fair values and future cash flows of financial instruments that can be directly attributable to interest rate risk include changes in the net income from financial instruments whose cash flows are determined with reference to floating interest rates and changes in the value of financial instruments whose cash flows are fixed in nature.

The Company's assets largely consist of long duration physical assets. Accordingly, the Company's financial liabilities consist primarily of long-term fixed rate debt or floating rate debt that partially has been swapped to fixed rates with interest rate derivatives. Debts instruments are recorded on the balance sheet are at their amortized cost.

The result of a 50 basis point increase in interest rates on the Company's net floating rate between assets and liabilities (swap) would have resulted in a corresponding increase in net income before tax of US\$0.7 million as at December 30, 2008 on an annualized basis.

The Company holds financial instruments to hedge the net investment in self-sustaining operation whose functional currency is other than the U.S. dollar (Transelec). The result of a 50 basis point increase in interest rates on the Company's net floating rate between assets and liabilities (swap) would have resulted in a corresponding decrease the value of these hedging instrument by US\$0.9 million as at December 31, 2008, which would be recorded in other comprehensive income and offset by changes in the U.S. dollar carrying value of the net investment being hedged.

Currency risk

Changes in currency rates will impact the carrying value of financial instruments denominated in currencies other than functional currencies of the consolidated entities in addition to any changes in the value of the financial instruments in the relevant currency due to other risks.

The Company has bonds payable denominated in Unidad de Fomento (UF), changes in the translated value of which are recorded in net income. The impact of a 1% change in the U.S. dollar against UF would result in a US\$6.3 million gain (loss).

The Company holds financial instruments to hedge the net investment in self-sustaining operation whose functional currency is other than the U.S. dollar (Transelec). A 1% increase in the U.S. dollar exchange rate would increase the value of these hedging instruments by US\$2 million as at December 31, 2008, which would be recorded in other comprehensive income and offset by changes in the U.S. dollar carrying value of the net investment being hedged.

Credit risk

Credit risk is the risk of loss due to the failure of a borrower or counterparty to fulfill its contractual obligations causing a financial loss. The Company's exposure to credit risk in respect of financial instruments relates primarily to counterparties obligations regarding accounts receivable, bank deposits and derivative contracts.

The Company assesses the credit worthiness of each counterparty before entering into contracts and ensures that counterparty meet minimum credit quality requirements. Management evaluates and monitors counterparty credit risk for bank deposits and derivative financial instruments and endeavours to minimize counterparty credit risk through diversification and other credit risk mitigation techniques. The credit risk of derivative financial instruments is limited to the positive fair value of the instruments which tends to be a relatively small proportion of the notional value. Substantially all of the Company's derivative financial instruments involve counterparties that are branches of global banks or other financial institutions with high credit ratings from international credit rating agencies. The Company does not expect to incur credit losses in respect of any of these counterparties.

The Company monitors also its credit risk exposure related to accounts receivable from clients on an on-going basis and periodically evaluates necessity to establish allowances for doubtful accounts based on the information about counterparty financial condition. Currently management believes there is no significant credit risk related to its receivables. The maximum exposure in respect to receivables is equal to their carrying value.

The Company earns a significant part of its revenues (approx. 71% in the year ended December 31, 2008) from one client, which is a Chilean electricity generating company. As of December 31, 2008 approx. 34% of the trade accounts receivable are due from that client.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund an obligation as it comes due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price.

To ensure the Company is able to react to investment opportunities quickly and on a value basis as well as to pay its obligations on due dates, the Company maintains relatively high level of liquidity. The primary source of liquidity consists of cash and cash equivalents as well as trade accounts receivable. As of December 31, 2008 Transelec has 3 unused credit line facilities totaling to ThUS\$60,000 and available to finance working capital needs of which ThUS\$15,000 expire in March 2009, ThUS\$15,000 expire in November 2009 and ThUS\$30,000 expire in February 2010. In addition, Transelec has available unused credit facility of up to UF3.2 million (approx. ThUS\$108,000) available up to September 2010 to finance expansion projects or refinance debt.

The Company is subject to the risks associated with debt financing, including the ability to refinance indebtedness at maturity.

These risks are mitigated through the use of long-term debt secured by high quality assets, maintaining debt levels that are in management's opinion relatively conservative, and by diversifying maturities over an extended period of time.

9. Accrued Liabilities and Provisions

Accrued liabilities as of December 31, 2008 and 2007 are composed as follows:

<u>US\$ THOUSANDS</u> <u>Description</u>	<u>As of December 31,</u>	
	<u>2008</u>	<u>2007</u>
Accrued payroll	\$3,099	\$3,132
Vacation accrual	1,477	1,382
Staff severance indemnities (short-term portion)	949	936
Total	<u>\$5,525</u>	<u>\$5,450</u>

Long-term provisions presented on the balance sheet as of December 31, 2008 includes obligation for staff severance indemnities of ThUS\$3,022 (ThUS\$2,971 as of December 31, 2007) determined in accordance with accounting policy described in the Note 2m). Total amount of cost benefit for staff severance indemnities recognized in the year ended December 31, 2008 was ThUS\$655 (ThUS\$1,381 in the period ended December 31, 2007).

10. Shareholders' Equity

The detail of changes in the Shareholders' Equity during the year ended December 31, 2008 and 2007 is shown in the table below:

<u>US\$ THOUSANDS</u>	<u>Paid-in capital</u>	<u>Distributions</u>	<u>Other comprehensive income</u>	<u>Deficit</u>	<u>Total</u>
Balance as of January 1, 2007	\$ 348,812	\$ —	\$ (1,674)	\$ (11,232)	\$ 335,906
Increase of capital	858,759	—	—	—	858,759
Distributions	—	(35,167)	—	—	(35,167)
Translation gain on the net investment in self-sustaining operation	—	—	98,086	—	98,086
Loss on hedging instruments	—	—	(31,541)	—	(31,541)
Net loss for the year	—	—	—	(37,467)	(37,467)
Balance as of December 31, 2007 (Restated)	<u>1,207,571</u>	<u>(35,167)</u>	<u>64,871</u>	<u>(48,699)</u>	<u>1,188,576</u>
Increase of capital	160,808	—	—	—	160,808
Distributions	—	(43,728)	—	—	(43,728)
Translation loss on the net investment in self-sustaining operation	—	—	(313,113)	—	(313,113)
Gain on hedging instruments	—	—	56,360	—	56,360
Net income for the year	—	—	—	104,027	104,027
Balance as of December 31, 2008	<u>\$1,368,379</u>	<u>\$(78,895)</u>	<u>\$(191,882)</u>	<u>\$ 55,328</u>	<u>\$1,152,930</u>

As of December 31, 2008 and 2007 the authorized share capital was divided into 1,400,012,000 shares of nominal value of US\$1 per share.

On June 27, 2007 the shareholders decided that the principal amount of each holder's promissory convertible notes outstanding at that date and totaling to ThUS\$858,759 be immediately converted into such number of ordinary shares of the Company as contemplated by such holder's note agreement and any accrued and unpaid interest amounts owing under such holder's note on the conversion date shall become payable in cash. Following the conversion the Company's shareholders keep the same percentage of the ownership interest in the Company as existing before the conversion.

On December 27, 2007, July 11, 2008 and December 29, 2008 the Company distributed to its shareholders funds amounting to ThUS\$35,167, ThUS\$36,412 and ThUS\$7,316 respectively.

Shareholders in the Company and their participation are as follows as of December 31, 2008 and 2007:

<u>Shareholder</u>	<u>Participation as of December 31,</u>	
	<u>2008</u>	<u>2007</u>
CPP Investment Board Private Holding Inc.	27.728%	27.744%
BIP Bermuda Holdings III Limited	17.750%	10.700%
Bryson International Limited	10.036%	17.044%
4358520 Canada Inc.	22.101%	22.114%
4358538 Canada Inc.	3.900%	3.902%
Infra—PSP Canada Inc.	18.485%	18.496%
Total	<u>100.000%</u>	<u>100.000%</u>

11. Capital Management

The capital of the Company consists of the components of shareholders' equity as presented on the Company's consolidated balance sheet.

The Company's objectives when managing this capital is to maintain an appropriate balance between holding a sufficient amount of capital to support its operations and providing shareholders with a prudent amount of leverage to enhance returns. Company's financial debt, which consists of debt of consolidated subsidiaries and totaling to ThUS\$2,288,072 million at December 31, 2008 (ThUS\$2,382,645 million as of December 31, 2007). Part of this debt is secured by the long-term bank deposit that the Company has in Scotiabank & Trust (Cayman) Ltd. amounting to ThUS\$890,064 million and ThUS\$848,813 million as of as of December 31, 2008 and 2007, respectively.

The Company is in full compliance with capital requirements and covenants related to equity as of December 31, 2008.

12. Contingencies and Restrictions

The Company is subject to some covenants in respect of its corporate debt and is in full compliance with all such covenants as at December 31, 2008.

a) Pledge on assets

In January 2008, the Company requested an irrevocable standby letter of credit for US\$41,600,000 to secure the Debt Service Escrow to Bank of Nova Scotia Agreed by Transelec S.A in the Bond debts Indentures.

In February 2008, the Company requested an irrevocable standby letter of credit for US\$4,000,000 to secure the Debt Service Escrow to Bank of Nova Scotia Agreed by Transelec S.A in the Bond debts Indentures.

On June 29, 2007 the Company's subsidiaries Transelec Holdings Rentas Limitada and Rentas Electricas I Limitada which directly hold 100% of interest in Transelec S.A. pledged their shares in Transelec and Transelec Norte S.A. in favor of The Bank of Nova Scotia, HSBC Bank Canada, The Bank of New York and holders of the bonds issued by Transelec Holdings Rentas Limitada to secure its obligations to those entities resulting from the issuance of the bonds in private placement made in February 2007. The outstanding balance of the bonds (including accrued interest) amounts to ThUS\$151,245 and ThUS\$151,703 as of December 31, 2008 and December 31, 2007, respectively.

ETC Holdings Ltd. holds funds amounting to ThUS\$890,064 and ThUS\$848,813 as of December 31, 2008 and 2007, respectively in the long-term bank deposit account in Scotiabank & Trust (Cayman) Ltd. Those funds are pledged to secure a bank loan provided by the same institution to subsidiary Rentas Eléctricas I Limitada. The outstanding balance of the loan payable classified in long-term liabilities amounts to ThUS\$884,741 and ThUS\$840,234 as of December 31, 2008 and 2007, respectively. In the event of default Scotiabank & Trust (Cayman) Ltd. has a right to set off and apply the deposit against the loan.

b) Litigations, lawsuits and demands from regulators

1. On December 5, 2002, the Superintendency of Electricity and Fuel (SEC) in Ordinary Official Letter No. 7183, charged the Company for its alleged responsibility in the interruption of electrical supply in the Central Interconnected System (SIC) on September 23, 2002. The Company presented the answers in a timely manner and these were added to the corresponding evidence. By Exempt Resolution No. 1438 of August 14, 2003, the Superintendency applied various fines to Transelec for a total of Annual Tax Units (UTA) 2,500 equivalent as of December 31, 2008 to ThUS\$1,775. As of December 31, 2008, the Company had appealed the complaint before the Santiago Court of Appeals,

and placed a deposit of 25% of the original fine. The Company maintains that it is not responsible for this situation since it considers it a case of force majeure.

2. In Ordinary Official Letter No. 1210 dated February 21, 2003 the SEC filed charges for the alleged responsibility of Transelec in the interruption of electric service in the SIC, on January 13, 2003. By Resolution No. 808, of April 27, 2004, the SEC imposed a fine of 560 UTA equivalent as of December 31, 2008, to ThUS\$398, against which a writ of administrative reconsideration was filed, which was rejected. The Company appealed the complaint before the Santiago Court of Appeals and placed a deposit of 25% of the original fine. The Company maintains that it is not responsible for this situation since it considers it a case of force majeure.
3. On September 30, 2005 the SEC through Exempt Resolution No. 1117, applied the following sanctions to the Company: a fine of 560 UTA equivalent as of December 31, 2008 to ThUS\$450, for allegedly not having coordinated to ensure electric service, as determined in the investigation of the general failure of the SIC on November 7, 2003; a fine of 560 UTA equivalent as of December 31, 2008, to ThUS\$398, in the Company's condition as the owner of the installations, for allegedly operating the installations without adhering to the operation scheduling set forth by the CDEC-SIC, without justified cause, as determined in the investigation of the general failure of the SIC on November 7, 2003. As of December 31, 2008, the Company had appealed the charges before the SEC, which is pending resolution; Management believes it has no responsibility in these events.
4. On December 17, 2004, the SEC through Exempt Resolution No. 2334 fined the Company 300 UTA, equivalent as of December 31, 2008, to ThUS\$213, for its alleged responsibility in the interruption of electrical supply south of Temuco, caused by a truck crashing into a structure of the Charrúa—Temuco line. As of December 31, 2008, the Company had filed a motion of invalidation and administrative reconsideration, firmly sustaining that it was a case of force majeure and that the charges are not applicable and should be annulled.
5. On December 31, 2005, the SEC through Official Letter No. 1831, filed charges against the Company for allegedly infringing on various provisions of the electrical regulations while operating its installations, which would have caused the interruption of electrical supply in the SIC on March 21, 2005. By SEC Exempt Resolution SEC No. 220, of February 7, 2006, the Company was fined 560 UTA equivalent as of December 31, 2008, to ThUS\$398. An appeal was filed to order generation of power again on February 16, 2006, which is still outstanding. As of December 31, 2008, the Company had presented the required evidence.

As of December 31, 2008, the Company has recognized a provision for these contingent obligations for the amount of ThUS\$2,787. This estimation considers the fact that similar cases are being heard in the Appeals Court, and that, the Appeals Court and Supreme Court have confirmed the decision of the SEC. In addition, there are similar cases with a reconsideration petition before the SEC for which the SEC has maintained the previously established fines.

c) Guarantees

At the Company's request Banco Santander Chile gave guarantees totaling ThUS\$1,933 and ThUS\$533 as of December 31, 2008 and 2007, respectively to the Chilean Ministry of Economy, Development and Reconstruction and some other parties to ensure completion by the Company of certain works related to the transmission system.

As of December 31, 2008 and 2007, the Company has received financial guarantees from contractors and third parties, mainly to guarantee the completion of construction and maintenance work amounting to ThUS\$16,937 and ThUS\$16,229, respectively.

13. Differences Between Canadian and United States Generally Accepted Accounting Principles

Canadian GAAP varies in certain respects from US GAAP. Such differences involve certain methods for measuring the amounts shown in the financial statements that are discussed below. The principal methods applied in the preparation of the accompanying financial statements which have resulted in the amounts which differ from those that would have otherwise been determined under US GAAP are described below.

The reconciliations presented below include only differences related to measurement of items in the financial statements and does not contemplate additional disclosures that may be required under US GAAP.

a) Embedded derivatives

The Company entered into certain contracts for electricity transmission that have embedded features corresponding to foreign currency, prices of commodities used in the construction of transmission assets and inflation indexes. As described in the Note 2c) the Company concluded that those indexation features represent embedded derivatives, however those derivatives may not require bifurcation and separate accounting as they are closely related to the economic characteristics and risks of the host contracts under CICA Section 3855. Instead the entire contracts are considered contract-based intangibles acquired in the business combination. Under US GAAP Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (“SFAS 133”) includes different criteria for considering embedded derivatives as clearly and closely related to the economic characteristics and risks of the host contract, especially with regards to foreign currency derivatives. The Company concluded that the embedded features require bifurcation and fair value accounting with changes in fair value recorded in earnings under SFAS 133. Effects of the bifurcation of the embedded derivatives and their respective tax effects were included as an adjustment in the reconciliation to US GAAP as of and for the years ended December 31, 2008 and 2007 in paragraph b) below.

b) Effects of conforming to US GAAP

The adjustments to reported net income (loss) required to conform to US GAAP were as follows:

<u>US\$ THOUSANDS</u>	<u>For the year ended December 31,</u>	
	<u>2008</u>	<u>2007</u>
Net income (loss) as shown in the Canadian GAAP financial statements	\$ 104,027	\$(37,467)
Embedded derivatives (paragraph a)	40,604	14,095
Adjustments of deferred income taxes (paragraph a)	(6,903)	(2,396)
Net income (loss) under US GAAP	<u>137,728</u>	<u>(25,768)</u>
Other comprehensive (loss) income, net as shown in the Canadian GAAP financial statements	(256,753)	66,545
Adjustments to US GAAP	—	—
Other comprehensive (loss) income under US GAAP	<u>(256,753)</u>	<u>66,545</u>
Total comprehensive (loss) income under US GAAP	<u><u>\$(119,025)</u></u>	<u><u>\$ 40,777</u></u>

The adjustments to reported Shareholders’ equity required to conform to US GAAP were as follows:

<u>US\$ THOUSANDS</u>	<u>As of December 31,</u>	
	<u>2008</u>	<u>2007</u>
Shareholders’ equity as shown in the Canadian GAAP financial statements	1,152,930	1,188,576
Embedded derivatives (paragraph a)	54,699	14,095
Adjustments of deferred income taxes (paragraph a)	(9,299)	(2,396)
Shareholders’ equity under US GAAP	<u>1,198,330</u>	<u>1,200,275</u>

The following summarizes the changes in shareholders' equity under US GAAP during the years ended December 31, 2008 and 2007:

<i>US\$ THOUSANDS</i>	For the year ended December 31,	
	2008	2007
Opening balance	1,200,275	335,906
Contribution and increase of capital	160,808	858,759
Net investment in self-sustaining foreign operation	(313,113)	98,086
Gain (loss) on hedging instruments	56,360	(31,541)
Net income (loss) for the year	137,728	(25,768)
Distributions	(43,728)	(35,167)
Closing balance	1,198,330	1,200,275

c) Recent US GAAP accounting pronouncements

Business Combinations and Noncontrolling Interest in Consolidated Financial Statements

In December 2007, FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS No. 141(R)"). The objective of SFAS No. 141 (R) is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. To accomplish that, this Statement establishes principles and requirements for how the acquirer (1) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, (2) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase and (3) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) shall be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. In December 2007, the FASB also issued SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements". SFAS No. 160 amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements", to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. According to SFAS No. 160, "a noncontrolling interest, sometimes called a minority interest, is the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent". The objective of SFAS No. 160 is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company is evaluating the impact, if any, of the adoption of SFAS No. 141 (R) and SFAS No. 160.

Hierarchy of Generally Accepted Accounting Principles

In May 2008, the FASB issued SFAS No. 162, Hierarchy of Generally Accepted Accounting Principles ("SFAS No. 162"), which identifies the framework, or hierarchy for selecting accounting principles to be used in preparing financial statements presented in conformity with U.S. GAAP. SFAS No. 162 amends the existing U.S. GAAP hierarchy established and set forth in the American Institute of Certified Public Accountants ("AICPA") Statement of Auditing Standards No. 69. The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles ("SAS 69"). The framework serves as a guide in determining the appropriate accounting treatment to be used for a transaction or event. The Company does not expect SFAS No. 162 to have an impact on the Company's current accounting practices. The Standard will become effective 60 days following the SEC's approval of Public Company Accounting Oversight Board ("PCAOB") amendments to AU Section 411. The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles.

Useful Life of Intangible Assets

In April 2008, the FASB issued FSP No. FAS 142-3, Determination of the Useful Life of Intangible Assets (“FSP No. FAS 142-3”), which amends the factors considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142. FSP No. 142-3 requires a consistent approach between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of an asset under SFAS No. 141(R). The FSP also requires enhanced disclosures when an intangible asset’s expected future cash flows are affected by an entity’s intent and/or ability to renew or extend the arrangement. FSP No. 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008, January 1, 2009 for the Company, and is to be applied prospectively. Early adoption is prohibited. The Company is evaluating the impact, if any, of the adoption of FSP No. FAS 142-3.

ISLAND TIMBERLANDS LIMITED PARTNERSHIP

December 31, 2008

CONSOLIDATED FINANCIAL STATEMENTS

ISLAND TIMBERLANDS LIMITED PARTNERSHIP

December 31, 2008

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
Report of Independent Registered Chartered Accountants	F-63
Consolidated Statement of Operations	F-64
Consolidated Statement of Comprehensive Income and Accumulated Other Comprehensive Income	F-65
Consolidated Statement of Partners' Equity	F-66
Consolidated Balance Sheet	F-67
Consolidated Statement of Cash Flows	F-68
Notes to the Consolidated Financial Statements	F-69

ISLAND TIMBERLANDS LIMITED PARTNERSHIP

December 31, 2008

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

To the Partners of Island Timberlands Limited Partnership

We have audited the consolidated balance sheet of Island Timberlands Limited Partnership as at December 31, 2008 and the consolidated statements of operations, comprehensive income and accumulated other comprehensive income, partners' equity and cash flows for the year ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2008 and the results of its operations and its cash flows for the year ended in accordance with Canadian generally accepted accounting standards.

/s/ Deloitte & Touche LLP

Independent Registered Chartered Accountants

January 27, 2009

ISLAND TIMBERLANDS LIMITED PARTNERSHIP
CONSOLIDATED STATEMENT OF OPERATIONS

<u>US\$thousands</u>	Year ended December 31	
	2008	2007
Sales	\$184,266	\$212,775
Operating costs and expenses		
Manufacturing and production costs	128,290	139,576
Depreciation, depletion and amortization	18,437	20,263
Selling, general and administrative	8,944	9,001
	155,671	168,840
Operating income	28,595	43,935
Other expenses (income)		
Interest expense	26,979	26,451
Other expenses (income) <i>(Note 11)</i>	1,108	(3,859)
Gain on sale of assets <i>(Note 6)</i>	(5,631)	(7,432)
Return of investment <i>(Note 1)</i>	(223)	—
Management fee—performance bonus <i>(Note 4)</i>	(35,923)	8,298
	(13,690)	23,458
Net income for the year	42,285	20,477
Allocated as follows:		
Limited Partners interests	42,285	20,477
General Partner interest	—	—
	\$ 42,285	\$ 20,477

The accompanying notes are an integral part of these financial statements.

ISLAND TIMBERLANDS LIMITED PARTNERSHIP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND
ACCUMULATED OTHER COMPREHENSIVE INCOME

<u>US\$thousands</u>	<u>Year ended December 31</u>	
	<u>2008</u>	<u>2007</u>
Net income	\$42,285	\$20,477
Other comprehensive (loss) income		
Amortization of gain on fair values of derivatives designated as cash flow		
hedges	(77)	(107)
Effect of foreign currency translation of foreign operation	(30)	15
Other comprehensive loss	(107)	(92)
Comprehensive income	<u>\$42,178</u>	<u>\$20,385</u>
Accumulated other comprehensive income, beginning of year	5,376	5,468
Other comprehensive loss	(107)	(92)
Accumulated other comprehensive income, end of year	<u>\$ 5,269</u>	<u>\$ 5,376</u>

The accompanying notes are an integral part of these financial statements.

ISLAND TIMBERLANDS LIMITED PARTNERSHIP
CONSOLIDATED STATEMENT OF PARTNERS' EQUITY

<u>US\$thousands</u>	<u>Limited Partners</u>	<u>General Partner</u>	<u>Total</u>	
			<u>2008</u>	<u>2007</u>
Partners' equity, beginning of year	\$433,388	\$ 6	\$433,394	\$452,128
Contributions	—	—	—	—
Net income	42,285	—	42,285	20,477
Transitional adjustment	—	—	—	(23)
Equity Distribution (<i>Note 1</i>)	(223)	—	(223)	—
Distributions	(5,000)	—	(5,000)	(39,188)
	<u>470,450</u>	<u>6</u>	<u>470,456</u>	<u>433,394</u>
Accumulated other comprehensive income	5,269	—	5,269	5,376
Partners' equity, end of year	<u>\$475,719</u>	<u>\$ 6</u>	<u>\$475,725</u>	<u>\$438,770</u>

The accompanying notes are an integral part of these financial statements.

ISLAND TIMBERLANDS LIMITED PARTNERSHIP
CONSOLIDATED BALANCE SHEET

<u>US\$thousands</u>	<u>As at December 31</u>	
	2008	2007
Assets		
Current assets		
Cash	\$ 6,998	\$ 14,464
Accounts receivable	2,077	2,260
Inventories (Note 5)	26,984	28,882
Prepaid expenses	750	1,024
	36,809	46,630
Property, plant and equipment (Note 6)	106,797	107,781
Timberlands and logging roads (Note 7)	754,099	765,783
Long-term receivable (Note 4)	7,705	—
	\$905,410	\$920,194
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 16,718	\$ 22,796
Performance bonus—interest payable	1,073	1,283
Management fee—performance bonus (Note 4)	—	14,476
	17,791	38,555
Management fee—performance bonus payable (Note 4)	—	28,172
Other liabilities (Note 8)	4,020	7,142
	21,811	73,869
Long-term debt (Note 9)	410,000	410,000
Less: Deferred debt issue costs	(2,126)	(2,445)
	407,874	407,555
	429,685	481,424
Partners' equity (Note 10)	475,725	438,770
	\$905,410	\$920,194

Contingencies (Note 14)

Commitments (Note 16)

Approved on behalf of the Island Timberlands General Partner



Darshan Sihota

The accompanying notes are an integral part of these financial statements.

ISLAND TIMBERLANDS LIMITED PARTNERSHIP
CONSOLIDATED STATEMENT OF CASH FLOWS

<u>US\$thousands</u>	<u>Year ended December 31</u>	
	<u>2008</u>	<u>2007</u>
Operating activities		
Net income for the year	\$ 42,285	\$ 20,477
Items not involving cash		
Depreciation, depletion and amortization	18,437	20,263
Amortization of deferred debt issue costs	319	346
Return of investment (<i>Note 1</i>)	(223)	—
Gain on sale of assets	(5,631)	(7,432)
Change in non-cash operating items		
Accounts receivable	183	487
Inventories	1,898	(5,821)
Prepaid expenses	274	(84)
Accounts payable and accrued liabilities and performance bonus—interest payable ..	(6,288)	3,794
Management fee—performance bonus payable	(50,353)	2,648
Other liabilities	(3,229)	355
	<u>(2,328)</u>	<u>35,033</u>
Investing activities		
Acquisition of timberland assets purchase price adjustment	—	5,188
Additions to property, plant and equipment, and timberlands and logging roads	(7,702)	(8,769)
Proceeds from sale of property and equipment	7,564	14,529
	<u>(138)</u>	<u>10,948</u>
Financing activity		
Distributions to limited partners	(5,000)	(39,188)
(Decrease) increase in cash	(7,466)	6,793
Cash, beginning of year	14,464	7,671
Cash, end of year	<u>\$ 6,998</u>	<u>\$ 14,464</u>
Supplemental cash flow information:		
Interest paid	\$ 26,869	\$ 24,858

The accompanying notes are an integral part of these financial statements.

ISLAND TIMBERLANDS LIMITED PARTNERSHIP

US\$ THOUSANDS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

1. Primary business activity

Island Timberlands Limited Partnership (“Island” or the “Partnership”) was formed pursuant to the limited partnership agreement made as of March 23, 2005 and as amended and restated as of May 27, 2005 for the purpose of carrying on the business of investment in, and management, operation, and disposition of timberlands in British Columbia, Canada and such other locales as may be approved in accordance with this Agreement.

Island’s assets consist primarily of timberlands, land, logging roads and equipment, and a 50% interest in Strathcona Helicopters Ltd. (“Strathcona”). All of the transferred assets are located in the coastal region of British Columbia, Canada. The Partnership’s principal business is growing and harvesting timber, and selling logs to worldwide markets. Island’s secondary business interest is real estate development and sales.

Island’s interest in Strathcona is expected to be fully dissolved in 2009 as a result of the winding up of this company which began in 2008. The decision by the Strathcona board was the result of Island and Western Forest Products Ltd. (“Western”) being able to access equivalent services more cost effectively elsewhere in the marketplace. Strathcona paid out a dividend of \$987 to its investors during 2008, which resulted in a net return of equity in the amount of \$223.

2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) which in these circumstances conform, in all material respects, with United States generally accepted accounting principles (“US GAAP”), except as described in Note 18.

(a) Basis of presentation

The consolidated financial statements include the accounts of the Partnership and its interest in Strathcona through use of the proportionate consolidation method until the winding up of Strathcona is completed. Management expects that the wind-up will be completed in 2009. Intercompany transactions and balances have been eliminated.

The functional currency of Island is the U.S. dollar.

All currency amounts in these consolidated financial statements are in United States dollars (“U.S. dollars”) unless otherwise stated.

(b) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the period-end exchange rates. Non-monetary assets and liabilities are translated at exchange rates in effect when the assets are acquired or liabilities are incurred. Revenue and expense items denominated in foreign currencies are translated at average rates of exchange prevailing during the period. Exchange gains and losses arising from translation are included in operations.

(c) Measurement uncertainties

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and

liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. On an ongoing basis management reviews its estimates based on currently available information. Actual results could differ from those estimates. Significant estimates used in the preparation of these consolidated financial statements include, among other things, but not limited to, the recoverability of accounts receivable, the estimated net realizable value of inventories, the expected economic lives of and the estimated future operating results and net cash flows from the timberlands and property, plant and equipment, the anticipated costs and timing of asset retirement obligations, and the valuation calculations which form the basis of Management Fee—Performance Bonus obligations (Note 4) to Brookfield Timberlands Management (“BTM”).

Asset retirement obligations are recognized in the period in which they arise and are stated as the fair value of estimated future costs. These estimates require extensive judgement about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices.

(d) Accounts receivable

Accounts receivable are stated net of an allowance for doubtful accounts.

(e) Inventories

Logs and boomsticks are valued at the lower of average cost and net realizable value in accordance with the Canadian Institute of Chartered Accountants (“CICA”) Handbook, Section 3031. See Note 3(a). Materials and supplies are valued at the lower of average cost and replacement cost.

Island continues to value log inventories at the lower of cost and net realizable value which is based on pooling logs as an aggregate product. The cost basis for produced logs is a weighted twelve month rolling average, one month in arrears, and adjusted as required for extraordinary events such as a market closure. Purchased logs are valued on a vendor specific basis at the lower of acquired cost and the net realizable value.

(f) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Plant and equipment are depreciated on a straight-line basis at rates that reflect the economic lives of the assets based on the following annual rates:

Buildings	3% – 5%
Plant and equipment	10% – 20%

Property, plant and equipment includes land that has been designated as having a higher value to non-timberland owners (“HBU land”). HBU land is not depreciated. Betterments to HBU land are capitalized and included as part of the special project or parcel of land until it is sold.

The Partnership reviews for the impairment of property, plant, and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from the expected undiscounted future cash flows from its use and eventual disposition. The amount of any impairment loss is determined as the excess of the carrying value of the asset over its fair value.

(g) Timberlands and logging roads

Timberlands and logging roads are carried at cost less accumulated depletion and amortization. Site preparation and planting costs are capitalized as reforestation. Reforestation is transferred to a merchantable timber classification after 30 years.

Depletion of the timberlands is based on the volume of timber estimated to be available over the harvest cycle.

Amortization of logging roads occurs as timber is harvested and is based upon rates determined with reference to the volume of the timber estimated to be removed using these roads.

Timberlands and logging roads are tested for impairment in value whenever events or changes in circumstances indicate their carrying value may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate. The amount of any impairment loss is determined as the excess of the carrying value of the asset over its fair value.

(h) Asset retirement obligations

Obligations associated with the retirement of tangible long-lived assets are recorded as liabilities when those obligations are incurred, with the amount of the liabilities initially measured at fair value. These obligations are capitalized to the book value of the related long-lived assets and are depreciated over the useful life of the asset. The obligation is accreted over time to the estimated amount ultimately payable, through charges to operations.

(i) Deferred debt issue costs

Debt issue costs related to long-term debt are deferred and amortized over the respective terms of the debt to maturity.

(j) Revenue recognition

Revenue is derived primarily from the sale of logs and related products. The Partnership recognizes sales to external customers when significant risks and rewards of ownership are transferred, which is generally when the product is shipped and title passes, and collectibility is reasonably assured.

(k) Shipping and handling costs

Island classifies shipping and handling costs in cost of products sold in the consolidated statement of operations.

(l) Income taxes

The partners are individually liable for any taxes related to their respective shares of the Partnership's taxable income. Accordingly, no provision for income taxes is required, except for the Partnership's share of the provision for income taxes of Strathcona.

(m) Future accounting changes

Convergence with International Financial Reporting Standards

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being converged with International Financial Reporting Standards ("IFRS") over a transitional period currently expected to be complete by 2011. As the International Accounting Standards Board has projects underway that should result in new pronouncements and since this Canadian convergence initiative is very much in its infancy as of the date of these consolidated financial statements, the Partnership is continuing to assess the impact of the ultimate adoption of IFRS on the Partnership.

Capital disclosures, Section 1535

CICA Handbook Section 1535, Capital Disclosures, requires additional disclosures with respect to the Partnership's management of capital. Adoption of the CICA recommendations had no impact on the Partnership's financial statements. The Partnership is expected to adopt this new standard effective January 1, 2009.

3. Changes in accounting policies

(a) Inventories, Section 3031

Effective January 1, 2008, the Partnership adopted, on a prospective basis, the recommendations of the CICA Handbook Section 3031, Inventories. This section provides an expanded definition of cost and requires that inventory be measured at the lower of cost and net realizable value. Additionally, there are increased guidelines on the grouping of inventories along with disclosure requirements regarding accounting policies, carrying values, and the treatment of any inventory write downs.

Under the new standard, logs from harvesting operations are valued at the lower of 12 month moving average cost and net realizable value on a product basis. Since the costs of each product are not separately identifiable, they are allocated between the products based on the relative sales value of each product. Purchased logs are measured at the lower of actual cost and net realizable value. Boomsticks are valued at net realizable value to reflect degradation that occurs from use.

The adoption of this standard did not have a significant impact on the financial statements of the Partnership.

(b) Financial Instruments, Section 3862 and 3863

As new financial instruments standards will be included in the proposed GAAP standards for private enterprises currently under development by the CICA, it has been decided by the CICA that private enterprises will not be required to apply the CICA Handbook Sections 3862 and 3863 which would have otherwise applied to the financial statements of the Partnership for the year ended December 31, 2008. The Partnership has elected to use this exemption but will continue to apply the requirements of CICA Sections 1530, 3855 and 3865.

(c) Assessing Going Concern, Section 1400

In June 2007, Section 1400 of the CICA Handbook was amended to require management to assess and disclose an entity's ability to continue as a going concern. This section applies for interim and annual periods beginning on or after January 1, 2008. Island adopted this Section on January 1, 2008.

The North American forest products industry is currently experiencing a very challenging economic environment. Demand for most products has weakened substantially, especially in domestic and US markets. Island has forecasted financial results and cash flows for 2009 using the Partnership's best estimates of market and operating conditions. These forecasts indicate that the Partnership will be able to maintain current liquidity. The Partnership expects to continue to meet all of its debt covenants and remains well positioned for a market turnaround. The Partnership sees no immediate impediments to its ability to continue as a viable going concern.

4. Management fee—performance bonus

Pursuant to the terms of the Management Agreement (the "Agreement") between Island and BTM, management fees are payable to BTM as compensation for the services provided by BTM on behalf of Island. These fees are comprised of a base management fee which is payable quarterly, and a performance fee which becomes payable annually upon the achievement of specified performance thresholds.

The performance bonus is calculated annually based on cash distributed by the business combined with independent valuation reports. The final calculation of the annual amount owing with respect to the performance fee is subject to a clawback calculation for every five year period starting in 2011 and every fifth year thereafter. In accordance with the terms of this clawback clause, if Island has paid BTM annual performance fees which are in excess of the amount that would have been paid if the performance fee had been calculated for each five year period, rather than annually, the excess amount will be repaid by BTM to Island.

In May 2007, the 2006 performance fee payable to BTM was finalized at \$39.5 million. This fee is payable in installments over a 7 year-period, bearing interest at a rate of 6.02%. The performance fee payment in the year ended December 31, 2008 for the second instalment of the 2006 performance fee was \$5.7 million (2007–\$5.7 million for the first instalment of the 2006 performance fee) along with a performance fee interest payment of \$2.0 million during the year.

During 2007 an additional performance fee payable was calculated. It was finalized and fully paid during 2008 in the amount of \$8.8 million.

During the year ended December 31, 2008, as a result of a change in management's estimates in the fee payable based on cash distributions and independent business valuations a total of \$35.9 million was recorded as an accrued clawback. The clawback provision has resulted in an estimated long-term receivable of \$7.7 million at December 31, 2008. The final clawback will be calculated as at December 31, 2010 and will be payable in 2011.

The obligation is considered subordinate to the Senior Bonds, and accordingly has not been included in calculating compliance with the covenants of the Trust Indenture. As long as the Partnership remains in compliance with the covenants stated in the Trust Indenture, payments may be made on the management fee payable.

5. Inventories

<u>US\$thousands</u>	<u>2008</u>	<u>2007</u>
Logs and boomsticks	\$25,642	\$26,842
Materials and supplies	1,342	2,040
	<u>\$26,984</u>	<u>\$28,882</u>

6. Property, plant and equipment

<u>US\$thousands</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>	
			<u>2008</u>	<u>2007</u>
HBU and other land	\$103,852	\$ —	\$103,852	\$104,410
Buildings	1,176	465	711	873
Plant and equipment	4,599	2,365	2,234	2,498
	<u>\$109,627</u>	<u>\$2,830</u>	<u>\$106,797</u>	<u>\$107,781</u>

In the year ended December 31, 2008, Island sold HBU and other land for net proceeds of \$5,983 (2007–\$14,446), realizing a gain on sale of \$4,112 (2007–\$7,349). Island also sold buildings and equipment for net proceeds of \$1,581 (2007–\$83) and realized a gain on sale of \$1,519 (2007–\$83).

7. Timberlands and logging roads

<i>US\$thousands</i>	Cost	Accumulated depletion and amortization	Net book value	
			2008	2007
Timberlands	\$790,343	\$53,368	\$736,975	\$751,645
Reforestation	14,016	—	14,016	10,088
Logging roads	19,621	16,513	3,108	4,050
	<u>\$823,980</u>	<u>\$69,881</u>	<u>\$754,099</u>	<u>\$765,783</u>

8. Other liabilities

<i>US\$thousands</i>	2008	2007
Restructuring liabilities	\$3,636	\$6,744
Asset retirement obligations	384	398
	<u>\$4,020</u>	<u>\$7,142</u>

Pursuant to the timberland acquisition from Weyerhaeuser Company Limited (“WYL”), Island was obligated to reimburse Cascadia Forest Products Ltd. (“Cascadia”) (now Western, a company under common control of one of the limited partners) for certain restructuring and severance costs related to closure activities. That obligation was settled in 2008 with a final payment of \$0.3 million.

At the time of acquisition, Island also assumed responsibility for certain property subdivisions and environmental obligations that could potentially arise pursuant to the subdivision process. In 2008, a revision was made to the estimated future cost resulting in a decrease of \$1.6 million in the provision which has been included in other non-operating income (Note 11).

9. Debt

<i>US\$thousands</i>	2008	2007
U.S. secured bonds repayable on August 30, 2015, interest at 5.58%	\$100,000	\$100,000
U.S. secured bonds repayable on August 30, 2025, interest at 6.17%	210,000	210,000
U.S. secured bonds repayable on August 30, 2030, interest at 6.27%	100,000	100,000
	<u>\$410,000</u>	<u>\$410,000</u>

The bonds are payable to Island Timberlands Finance Corp. (“IT Finance”), an entity under common control. The bonds are secured by a fixed and floating charge over the Partnership assets and covenants exist that restrict the Partnership’s ability to create additional encumbrances and incur further debt. A debt service reserve account equal to six months’ interest has been guaranteed by issuing two secured irrevocable letters of credit aggregating \$12,382. The fair value of the long-term debt at December 31, 2008 has been estimated by management at \$417,987 (2007—\$384,893).

During 2008, the Partnership completed a \$10 million increase in the demand secured operating credit facility from \$20 million to \$30 million. There were no borrowings on the facility at December 31, 2008. At December 31, 2008, the Partnership had four letters of credit totaling \$12.5 million outstanding.

10. Partners' equity

	<u>Number of units authorized and issued</u>	<u>Participation %</u>
Limited Partners interests	53,168,984	99.999
General Partner interest	1	0.001

11. Other non-operating expenses/(income)

<u>US\$thousands</u>	<u>2008</u>	<u>2007</u>
Interest income	\$ (298)	\$ (733)
Foreign exchange	2,458	(2,702)
Remediation costs	208	—
Severance	287	(181)
Changes in estimated restructuring liabilities	(1,647)	—
Other	100	(243)
	<u>\$ 1,108</u>	<u>\$(3,859)</u>

12. Related party transactions

In addition to the related party transactions disclosed elsewhere, the Partnership had the following transactions with related parties which have been recorded at the exchange amounts agreed to by the parties:

(a) Island engages in various transactions with Western. Reference to transactions with Western include those with Cascadia, which was effectively purchased by Western in 2006. During the year, each entity purchased and sold logs, as well as boom gear, to each other. These transactions were recorded at the exchange amount determined with reference to current market pricing. As well, certain overhead and administrative fees were charged between Island and Western for services that are provided from one entity to the other. During the year, Island billed \$21,376 (2007—\$16,041) to Western and recognized billings from Western in the amount of \$1,618 (2007—\$8,644).

(b) Pursuant to the WYL asset purchase agreement, the Partnership provided a limited guarantee in favour of WYL of the obligations of Western under the WYL asset purchase agreement (the “Island Guarantee”). Western has agreed to indemnify the Partnership in respect of any liability that it incurs under the Island Guarantee. As security for the indemnity, Western has assumed responsibility for a debenture, originally issued by Cascadia, in the amount of \$100,000 in favour of the Partnership, which charges all of Western’s purchased Cascadia real property and grants a security interest over all such present and after-acquired personal property. The debenture places certain restrictions on Western of the type typically found in grants of security of this nature, including restrictions on the ability to make distributions to its shareholders without the consent of the Partnership.

(c) Island engaged BTM for management services pursuant to the Agreement. During the year, Island was billed \$2,392 (2007—\$2,316) for these services. The 2008 billings exclude any performance bonus related charges identified in Note 4.

(d) Under a loan agreement with IT Finance, Island incurred interest payments in the amount of \$24,807 (2007—\$24,807).

(e) Under an agreement with Brookfield, on the sale of Cascadia in 2006, Island received an amount equivalent to the excess of the sale proceeds over \$100,000 plus carrying costs from May 26, 2005. Along with the estimate of \$4,649 recorded at December 31, 2006, an additional excess amount of \$539 was recorded in

2007 as a reduction of the purchase price paid by Island for the acquisition of the timberland assets. The full amount of \$5,188 was received by Island during 2007.

(f) Island holds a 50% interest in Strathcona. During the year, Island utilized Strathcona for helicopter transport services totalling \$239 (2007–\$1,079).

(g) Island engaged a Brookfield affiliate, Carma Developers LP (“Carma”), to assist in advancing various HBU development opportunities. During the year, Island was billed \$845 (2007–\$501) by Carma for their direct services plus the costs of external consultants engaged by Carma on Island’s behalf. All costs were capitalized to HBU and other land.

(h) The following receivable (payable) balances with entities under common control are outstanding at the end of the year:

<u>US\$thousands</u>	<u>2008</u>	<u>2007</u>
Western	\$ (15)	\$ 6
Carma	(83)	(27)
Brookfield	6,632	(43,931)
IT Finance	(8,269)	(8,260)
Strathcona	—	(256)
	<u>\$ (1,735)</u>	<u>\$(52,468)</u>

13. Employee benefit plans

Island maintains a defined contribution employee pension plan for salaried employees and contributes to an industry plan for hourly employees. Pension expense for the year was \$757 (2007–\$701).

14. Contingencies

Island is subject to legal claims in the ordinary course of its business. Although there can be no assurance as to the disposition of these matters, it is the opinion of Island’s management, based upon the information currently available, that the expected outcome of these matters, individually or in aggregate, will not have a material adverse effect on the results of operations or financial condition of the Partnership.

15. Segment information

Island manages its business as a single operating segment (Note 1). All of the operations and assets are located in British Columbia.

<u>US\$thousands</u>	<u>2008</u>	<u>2007</u>
Sales by location of customer		
Canada	\$ 67,416	\$ 73,365
United States	33,587	72,152
Asia	83,263	67,258
	<u>184,266</u>	<u>212,775</u>
Sales by product line		
Logs	184,299	212,280
Other	(33)	495
	<u>\$184,266</u>	<u>\$212,775</u>

16. Commitments

At December 31, 2008, the Partnership was committed to payments under operating leases for equipment and office premises through to 2013. Annual future minimum payments over the term of these commitments are as follows:

<u>US\$thousands</u>	
2009	\$2,871
2010	1,635
2011	912
2012	482
2013	<u>87</u>
	<u>\$5,987</u>

17. Financial instruments

(a) Fair values

The Partnership’s financial instruments consists of cash, accounts receivable, accounts payable and long-term debt. The carrying values of accounts receivable and accounts payable approximate their fair values due to the short term to maturity of these instruments. The estimated fair value of the long-term debt is disclosed in Note 9.

(b) Credit risk

Island is exposed to credit risk on accounts receivable, which are primarily from certain customers granted payment terms. To manage its credit risk, Island regularly reviews credit limits and account balances. With most customers, possession, title, and risk pass after receipt of payment which further reduces credit risk.

(c) Foreign exchange risk

The majority of the Partnership’s operational costs and expenses are incurred in Canadian dollars. Therefore, an increase in the value of the Canadian dollar relative to the US dollar increases the expense in US dollar terms.

18. Differences between Canadian and United States generally accepted accounting principles

The Partnership’s consolidated financial statements have been prepared in accordance with Canadian GAAP, which differs in some respects from US GAAP. There are no material measurement differences that would affect these financial statements had they been prepared in accordance with US GAAP. The following are the significant differences in accounting principles as they pertain to the consolidated financial statements.

(a) Joint ventures

The Partnership accounts for its investments in Strathcona using the proportionate consolidation method. Under US GAAP, this investment would be accounted for using the equity method. This difference does not affect net income (loss).

The following summarizes the Partnership's proportionate interest in Strathcona including intercompany revenue and expenses.

<u>US\$thousands</u>	<u>2008</u>	<u>2007</u>
Income (loss)		
Revenues	\$ (33)	\$ 496
Expenses	<u>398</u>	<u>497</u>
Net income (loss)	<u>(431)</u>	<u>(1)</u>
Cash flows (used in) provided by		
Operating activities	(911)	22
Investing activities	1,404	(22)
Financing activities	\$ (493)	\$ —

(b) *Consolidated cash flows*

Under US GAAP, the consolidated cash flows would not be significantly different from the presentation under Canadian GAAP, except that the interest in Strathcona would be shown as an equity investment and not proportionately consolidated.

(c) *Presentation of consolidated financial statements*

Under US GAAP, certain presentation adjustments would be required. Within the statement of operations, the following items include other expense (income), gain on sale of assets and management fee—performance bonus would be presented as an operating item. These adjustments have no impact on partners' equity or net income.

(d) *Recent accounting pronouncements—US GAAP*

The Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115 (“SFAS 159”). This statement gives entities the option to measure certain financial assets and liabilities at fair value, with changes in fair value recorded in earnings. SFAS 159 is effective for fiscal year beginning January 1, 2008. The adoption of SFAS 159 did not have a material impact on its financial condition or results of operations.

Non-Controlling Interest in Consolidated Financial Statements

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, Non-Controlling Interest in Consolidated Financial Statements (“SFAS 160”), a revised standard on accounting for non-controlling interests and transactions with non-controlling interest holders in consolidated financial statements. This statement specifies that non-controlling interests are to be treated as a separate component of equity, not as a liability or other item outside of equity. Because non-controlling interests are an element of equity, increases and decreases in the parent's ownership interest that leave control intact are accounted for as capital transactions rather than as step acquisitions or generating dilution gains or losses. The carrying amount of the non-controlling interests is adjusted to reflect the changes in ownership interests, and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attributable to the controlling interests.

This standard requires net income and comprehensive income to be displayed for both the controlling and the non-controlling interests. Additional required disclosures and reconciliations include a separate schedule that shows the effects of any transactions with the non-controlling interests on the equity attributable to the controlling interests.

The Statement is effective for periods beginning on or after January 1, 2009. SFAS 160 will be applied prospectively to all non-controlling interests, including any that arose before the effective date. Island does not expect the adoption of SFAS 160 to materially affect its consolidated financial statements.

LONGVIEW TIMBER HOLDINGS, CORP.

December 31, 2008 and 2007
US\$ THOUSANDS

LONGVIEW TIMBER HOLDINGS, CORP.

December 31, 2008 and 2007

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
Independent Auditors' Report	F-82
Consolidated Financial Statements	
Consolidated Balance Sheet	F-83
Consolidated Statement of Operations	F-84
Consolidated Statement of Cash Flows	F-85
Consolidated Statement of Shareholders' Equity	F-86
Notes to the Consolidated Financial Statements	F-87

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Longview Timber Holdings, Corp. Longview, Washington

We have audited the accompanying consolidated balance sheets of Longview Timber Holdings, Corp. and subsidiaries (the "Company") (a subsidiary of Brookfield Asset Management) as of December 31, 2008 and 2007, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year ended December 31, 2008, and the period April 20, 2007 to December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the year ended December 31, 2008, and the period April 20, 2007 to December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

March 5, 2009

LONGVIEW TIMBER HOLDINGS, CORP.
CONSOLIDATED BALANCE SHEET

<u>US\$ THOUSANDS</u>	<u>As at December 31</u>	
	2008	2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 23,682	\$ 45,948
Accounts and notes receivable, net	5,296	4,991
Deferred tax assets (Note 8)	1,303	1,717
Inventories (Note 2)	6,582	8,900
Prepaid expenses and other current assets (Note 3)	2,331	3,581
Total current assets	39,194	65,137
Property, plant and equipment, net (Note 4)	3,446	3,430
Timber, timberlands and logging roads, net (Note 5)	1,923,849	1,855,162
Investment (Note 6)	705	705
Deferred debt issuance costs (Note 7)	12,734	2,896
Total assets	\$1,979,928	\$1,927,330
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,462	\$ 2,414
Accounts payable—related party (Note 13)	2,212	715
Other tax payable	765	517
Other accrued liabilities (Note 9)	12,197	3,290
Other accrued liabilities—related party (Note 13)	1,801	11,664
Swap liabilities (Note 14)	—	32,124
Bridge loan (Note 10)	—	1,200,000
Total current liabilities	20,437	1,250,724
Long-term debt (Note 11)	1,070,000	—
Long-term debt—related party (Note 13)	220,575	200,000
Minority interests (Note 15)	10,679	8,176
Total liabilities	1,321,691	1,458,900
Shareholders' equity (Note 16)	658,237	468,430
Total liabilities and shareholders' equity	\$1,979,928	\$1,927,330

The accompanying notes are an integral part of these financial statements.

LONGVIEW TIMBER HOLDINGS, CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS

<u>US\$ THOUSANDS</u>	<u>For the year ended December 31, 2008</u>	<u>For the Period from April 20, 2007 to December 31, 2007</u>
Net sales	\$ 174,225	\$121,224
Cost of products sold	(91,934)	(60,976)
Depletion, depreciation, and amortization	(99,380)	(67,609)
Gross loss	(17,089)	(7,361)
Selling, administrative and general expenses	(22,766)	(15,182)
Operating loss	(39,855)	(22,543)
Interest income	763	3,078
Interest expense	(80,935)	(76,987)
Other income (expense) net	6,451	1,318
Loss on sale of assets	(797)	—
Loss on sale of higher and better use lands	(1,398)	—
Total interest and other expense	(75,916)	(72,591)
Loss from continuing operations before income taxes	(115,771)	(95,134)
Provision for taxes (Note 8):		
Current	(1,444)	(34)
Deferred	(414)	(189)
	(1,858)	(223)
Loss from continuing operations	(117,629)	(95,357)
Discontinued operation (Note 18):		
Income from operation (net of taxes of \$346)	—	538
Loss on sale of assets	—	(884)
Net loss	<u>\$(117,629)</u>	<u>\$ (95,703)</u>

The accompanying notes are an integral part of these financial statements.

LONGVIEW TIMBER HOLDINGS, CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

<u>US\$ THOUSANDS</u>	<u>For the year ended December 31, 2008</u>	<u>For the Period from April 20, 2007 to December 31, 2007</u>
Cash provided by (used in) operating activities:		
Net loss	\$ (117,629)	\$ (95,703)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Depletion, depreciation and amortization	99,380	67,609
Amortization of deferred debt issuance costs	1,425	—
Loss on sale of assets	797	—
Loss on sale of higher and better use lands	1,398	—
Loss on sale of assets from discontinued operation	—	884
Loss on derivative valuation	3,231	10,883
Deferred income taxes	414	535
Minority interest in net loss	(957)	(827)
Termination of interest rate swap agreements	(53,447)	—
Changes in:		
Accounts and notes receivable—net	(304)	(4,991)
Inventories	876	(2,410)
Prepaid expenses and other current assets	808	73
Other non-current assets	(559)	(1,826)
Accounts payable and other accrued liabilities	9,743	8,876
Other accrued liabilities—related party	(3,577)	21,078
Other tax payable	247	(2,542)
Cash provided by (used for) operating activities	<u>(58,154)</u>	<u>1,639</u>
Cash provided by (used in) investing activities:		
Acquisition, net of cash acquired of \$78	—	(2,226,499)
Disposal of Manufacturing Operations, net of cash transferred of \$5	—	293,318
Additions to capital assets	(175,303)	(2,387)
Proceeds from the sale of fixed assets—net of selling costs	7,120	—
Cash used for investing activities	<u>(168,183)</u>	<u>(1,935,568)</u>
Cash provided by (used in) financing activities:		
Proceeds from Bridge loan	—	1,350,000
Repayment of Bridge loan	(1,200,000)	(150,000)
Proceeds from long-term debt	1,070,000	—
Repayment of short-term borrowings	—	(14,500)
Proceeds from long-term debt—related party	15,787	200,000
Proceeds from bridge loans—related party	256,475	—
Repayment of bridge loans—related party	(256,475)	—
Additions to deferred debt issuance costs	(10,704)	—
Issuance of common stock	330,172	835,978
Issuance of preferred stock	—	85
Minority interest	3,460	9,003
Dividends	(4,644)	(250,689)
Cash provided by financing activities	<u>204,071</u>	<u>1,979,877</u>
Change in cash and cash equivalents		
Cash and cash equivalents, beginning of period	(22,266)	45,948
Cash and cash equivalents, end of period	45,948	—
	<u>\$ 23,682</u>	<u>\$ 45,948</u>
Supplemental disclosures:		
Cash paid for interest	\$ 71,938	\$ 51,837
Cash paid for taxes	1,500	—
Supplemental disclosure of noncash investing and financing activities:		
Shareholder interest capitalized into principal	\$ 3,788	\$ —
Shareholder loan PIK fee capitalized into principal	\$ 1,000	\$ —

The accompanying notes are an integral part of these financial statements.

LONGVIEW TIMBER HOLDINGS, CORP.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<u>US\$ THOUSANDS</u>	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>				
Balance at April 20, 2007	—	\$—	—	\$—	\$ —	\$ —	\$ —	\$ —
Issuance of common stock			7,765,850	78	835,900			835,978
Issuance of preferred stock	125	125				(40)		85
Change in fair value of derivative instruments							(21,241)	(21,241)
Net loss						(95,703)		(95,703)
Comprehensive loss								(116,944)
Dividends						(250,689)		(250,689)
Balance at December 31, 2007	125	125	7,765,850	78	835,900	(346,423)	(21,241)	468,430
Issuance of common stock			3,254,326	33	330,139			330,172
Change in fair value of derivative instruments							(18,092)	(18,092)
Net loss						(117,629)		(117,629)
Comprehensive loss								(135,721)
Dividends						(4,644)		(4,644)
Balance at December 31, 2008	<u>125</u>	<u>\$125</u>	<u>11,020,176</u>	<u>\$111</u>	<u>\$1,166,039</u>	<u>\$(468,705)</u>	<u>\$(39,333)</u>	<u>\$ 658,237</u>

The accompanying notes are an integral part of these financial statements.

LONGVIEW TIMBER HOLDINGS, CORP.

US\$ THOUSANDS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Accounting Policies

Nature of business

General

Longview Timber Holdings, Corp. (“Timber”) is a real estate investment trust (“REIT”) engaged in the ownership and management of timberlands in Oregon and Washington, which principally produce logs for sale. All of the facilities are located in the United States (“U.S.”). Timber owns and manages approximately 655,000 acres of valuable timberlands in the Pacific Northwest composed primarily of softwoods.

A REIT is a company that derives most of its income from investments in real estate, which includes timberlands. A corporation that qualifies as a REIT generally will not be subject to corporate taxes on income and gains from investments in real estate to the extent that it distributes such income and gains to its shareholders. The principal REIT qualifying investment consists of timberlands. As a REIT, Timber will be required to pay federal corporate income tax on earnings from non-real estate investments, and on earnings from real estate investments that are not distributed to its shareholders.

Background

On February 2, 2007, Brookfield Asset Management Inc. (“Brookfield”) and Longview Fibre Company entered into an Agreement and Plan of Merger whereby Brookfield would acquire all of Longview Fibre Company’s outstanding common shares for \$24.75 per share in cash and would assume all existing debt (the “Acquisition”). The shareholders approved the Acquisition and the sale was closed on April 20, 2007. With the closing of this transaction, Brookfield newly established Timber, Longview Timber Holdings LLC, and Longview Timber LP, to own the Timber Operations and the Manufacturing Operations of Longview Fibre Company. Longview Timberlands LLC and Longview Timber, Corp. were additionally established as subsidiaries of Longview Fibre Company on May 31, 2007.

On November 4, 2008, Timber purchased approximately 67,600 acres in Washington from Mid-Valley Resources Inc., a subsidiary of Hampton Affiliates (“Hampton Purchase”), a large timber company, for \$163 million.

Ownership Structure

Following the close of the Acquisition by Brookfield, the following ownership structure was formed:

<u>Company</u>	<u>Ownership</u>
Longview Timber Holdings, Corp. (Timber)	—Longview Timber Holdings, Corp. owns 100% of Longview Timber Holdings LLC
Longview Timber Holdings LLC	—Longview Timber Holdings LLC owns 99% of Longview Timber LLC —Remaining 1% is owned by a Brookfield subsidiary
Longview Timber LLC	—Longview Timber LLC owns 100% of Longview Fibre Company—Longview REIT —Longview Timber LLC owns 1% of Longview Timberlands LLC
Longview Fibre Company	—Longview Fibre Company owns 99% of Longview Timberlands LLC —Longview Fibre Company owns 100% of Longview Timber, Corp—a taxable subsidiary

Longview Timberlands LLC owns and manages substantially all of the timberlands and properties. Longview Timber, Corp. owns various harvesting assets and conducts timber brokerage activities.

Purchase Price Allocation of the Acquisition

Brookfield acquired the stock and outstanding debt of Longview Fibre Company on April 20, 2007 for \$2,252 million. The purchase was financed with \$1,350 million of bridge financing, \$200 million of long-term debt from a related party, and \$702 million of cash. The total purchase price was allocated between the Timber Operations and the Manufacturing Operations based upon the respective fair values of each operation, as follows:

<u>US\$ MILLIONS</u>	<u>April 20, 2007</u>
Timber Operations	\$1,958
Manufacturing Operations	294
Total	<u>\$2,252</u>

Subsequent to the Acquisition, the Manufacturing Operations were sold to a related party for total proceeds of \$253 million, including \$92 million of debt (see Note 18). Additionally and immediately after the Acquisition, the Manufacturing Operations sold eight converting facilities located in the central and eastern United States to a third party for net proceeds of \$48 million.

The purchase price of the Timber Operations was allocated based upon fair values to the following classes of assets and liabilities:

<u>US\$ MILLION</u>	<u>April 20, 2007</u>
Current assets	\$ 23
Capital assets	1,938
Other non-current assets	10
Current liabilities	(10)
Other non-current liabilities	(3)
Total	<u>\$1,958</u>

Basis of presentation

The consolidated financial statements presented herein are those of Timber and its subsidiaries, and are derived from the records of such entities after the elimination of intercompany balances and transactions. For fiscal year 2007, the reporting period was April 20, 2007 to December 31, 2007. For fiscal year 2008, January 1, 2008 to December 31, 2008 reflects the reporting year for Timber and its subsidiaries. Reference to Timber also includes, as applicable, reference directly or indirectly to any of its subsidiaries.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments purchased with maturities of three months or less at date of acquisition.

Accounts and Notes Receivable and Allowance for Doubtful Accounts

Accounts and notes receivable are comprised mainly of trade accounts receivable primarily from the sale of products on credit. Credit is extended to customers based on an evaluation of their financial condition. The adequacy of the allowance for doubtful accounts is based on historical experience and past due status, in addition to management's evaluation of material customer accounts including ability to pay, bankruptcy, payment history, and other factors.

Bad debt expense associated with uncollectible accounts was \$32 thousand and \$61 thousand for the year ended December 31, 2008 and the period April 20, 2007 to December 31, 2007, respectively.

Inventories

Inventories are stated at the lower of cost or market. If actual demand or market conditions are less favorable than those projected by management, inventory write-downs may be required. Cost is determined on a first-in, first-out basis except for supplies, which are stated using the average cost method.

Timber, Timberlands and Logging Roads. Timber depletion and Logging Roads amortization

Timber, timberlands and logging roads are stated at cost, net of accumulated depletion and amortization. Timber, upon reaching the age of 35 years, is considered merchantable and available for harvesting, with all timber younger than 35 years of age being classified as premerchantable. Timber is tracked on a county-by-county basis whereby capital costs and estimated recoverable timber volumes are accumulated in the county in which the related timber is located. Expenditures for reforestation, including costs such as site preparation, tree planting, fertilization and herbicide application for the two years after planting, are capitalized and depleted as timber is harvested. After two years of age, plantation maintenance and tree farm management costs, consisting of recurring items necessary to the ownership and administration of the timber and timberlands, are recorded as a current period expense.

Provision for depletion of merchantable timber represents a charge per unit of production (“depletion rate”) applied to actual harvest volumes. A single depletion rate is applied to all merchantable timber regardless of its age, species or quality in any particular case. A separate depletion rate will be determined for the timberlands acquired in the Hampton Purchase. The depletion rates are validated to a computer growth index model that tracks the timber volumes through the growth cycle and is based upon actual growth rates from permanent timber growth plots throughout the Pacific Northwest. The depletion rates will be adjusted periodically for timber maturity, estimated growth, and actual harvest volumes and when there is a significant acquisition or disposition.

Direct costs associated with the building of primary and major secondary access logging roads are capitalized and amortized on the straight-line basis over estimated useful lives ranging from 3 to 15 years. Bridges are amortized over an estimated useful life of 35 years. Costs incurred for logging roads that serve short-term harvest needs are expensed as incurred. Costs for road base construction of mainline roads, such as clearing and grading, are not amortized and remain a capitalized cost until disposition as they provide permanent value to the timberlands.

Gains or losses on timberland exchanges are recognized in earnings when the exchange has commercial substance, in accordance with the Statement of Financial Accounting Standards (“SFAS”) No. 153, “Exchanges of Nonmonetary Assets, an amendment of APB No. 29.” An exchange is considered to have commercial substance when future cash flows are expected to change significantly as a result of the exchange.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are recorded at cost, net of accumulated depreciation. Plant and equipment include those additions and improvements that add to production capacity or extend useful life. Cost includes interest capitalized during the construction period on all significant asset acquisitions. Impairment is reviewed annually, or whenever events or circumstances indicate that the carrying value of an asset or group of assets may not be recovered pursuant to SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”. Impairment evaluates whether or not the undiscounted future cash flows generated by an asset will exceed its carrying value. If estimated future cash flows indicate the carrying value of an asset or group of assets may not be recoverable, impairment exists, and the asset’s net book value is written down to its estimated fair value. When properties are sold or otherwise disposed of, the cost and the related accumulated depreciation are removed from the respective accounts, and the resulting profit or loss is recorded in income. The costs of maintenance and repairs are charged to income when incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives of assets range is 40 years for buildings and from 4 to 10 years for machinery and equipment.

Revenue recognition

Revenues are recognized from sales to customers when title and risk of loss pass to the customer and when the sales price is fixed or determinable. For substantially all sales, ownership transfers upon receipt by customers of logs (“FOB-destination”) or upon shipment to customers of logs (“FOB-shipping point”).

Recent accounting pronouncements and developments

In July 2006, the Financial Accounting Standards Board (“FASB”) issued FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109” (“FIN 48”). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS No. 109, “Accounting for Income Taxes”. FIN 48 provides that a tax benefit from an uncertain tax position may be recognized when it is more-likely-than-not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent periods. This interpretation also provides guidance on measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006 and the adoption of FIN 48 did not have a material effect on these financial statements. If applicable, Timber recognizes interest and penalties to unrecognized tax benefits within the income tax expense line in the accompanying consolidated statement of operations. Accrued interest and penalties are included within the related tax liability line in the consolidated balance sheet.

In September 2006, FASB issued SFAS No. 157, “Fair Value Measurements” (“SFAS No. 157”). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 does not impose fair value measurements on items not already accounted for at fair value; rather, it applies, with certain exceptions, to other accounting pronouncements that either require or permit fair value measurements. Under SFAS No. 157, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market. The standard clarifies that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In February 2008, the FASB issued FSP No. 157 2, “Effective Date of FASB Statement No. 157”, which delays the effective date of SFAS No. 157 for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis, until fiscal years beginning after November 15, 2008. These non-financial items include assets and liabilities such as non-financial assets and liabilities assumed in a business combination, reporting units measured at fair value in a goodwill impairment test and AROs initially measured at fair value. In October 2008, the FASB issued FSP No. 157 3, “Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active” (“FSP FAS 157 3”), which clarifies the application of SFAS No. 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. FSP FAS 157 3 was effective upon issuance, including prior periods for which financial statements had not been issued. Timber adopted the provisions of SFAS No. 157 for assets and liabilities recognized at fair value on a recurring basis effective January 1, 2008, and the adoption of SFAS No. 157 did not have a material impact on Timber’s consolidated financial statements.

In December 2007, the FASB issued SFAS 160, “Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51” (“SFAS 160”). SFAS 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests (“NCI”) and classified as a

component of equity. This new consolidation method will change the accounting for transactions with minority interest holders. SFAS 160 is effective for fiscal years beginning after December 15, 2008 and, as such, Timber will adopt this standard in fiscal 2009 and has not yet determined the impact, if any, of SFAS 160 on the consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), “Business Combinations” (“SFAS No. 141(R)”). SFAS No. 141(R) applies to all transactions or other events in which an entity obtains control of one or more businesses. SFAS No. 141(R) establishes how the acquirer of a business should recognize, measure and disclose in its financial statements the identifiable assets and goodwill acquired, the liabilities assumed and any noncontrolling interest in the acquired business. SFAS No. 141(R) is applied prospectively for all business combinations with an acquisition date on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, with early application prohibited. SFAS No. 141(R) will not have an impact on Timber’s historical consolidated financial statements and will be applied to business combinations completed, if any, on or after January 1, 2009.

In March 2008, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 161, “Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133” (“SFAS No. 161”). SFAS No. 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand how and why an entity uses derivative instruments and their effects on an entity’s financial position, financial performance and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008 with early application encouraged. Timber is currently evaluating the impact of adopting SFAS No. 161 on its disclosures included within the notes to consolidated financial statements.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

2. Inventories

Inventories consisted of the following:

<u>US\$ THOUSANDS</u>	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Logs	\$1,787	\$3,446
Seed, cones, seedling budcaps	365	898
Rock and gravel	1,411	1,686
Nursery bed stock	2,773	2,585
Supplies	246	285
Total inventories	<u>\$6,582</u>	<u>\$8,900</u>

3. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

<u>US\$ THOUSANDS</u>	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Insurance	\$ 98	\$ 106
US Forest Service timber deposits	32	1,000
Timber—land deals	625	2,295
Timber deed—Hampton Purchase	1,058	—
Planting	457	—
Other	61	180
Total prepaid expenses and other current assets	<u>\$2,331</u>	<u>\$3,581</u>

Prepaid timber for land deals represents payments that have been made for fees and other costs associated with the purchase and sale of timberland. When payments associated with the purchase or sale of land are made, they are recorded in the prepaid timber—land deals account until the purchase or sale is finalized.

Prepaid timber deed—Hampton Purchase represents \$1.5 million of timber cutting rights recorded at acquisition. At December 31, 2008 timber cutting rights recorded was \$1.1 million, net of depletion.

4. Property, Plant and Equipment, net

Property, plant and equipment consisted of the following:

<u>US\$ THOUSANDS</u>	<u>December 31, 2008</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$1,440	\$ —	\$1,440
Buildings	73	(3)	70
Equipment	2,421	(485)	1,936
Total property, plant and equipment, net	<u>\$3,934</u>	<u>\$(488)</u>	<u>\$3,446</u>

<u>US\$ THOUSANDS</u>	<u>December 31, 2007</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$1,440	\$ —	\$1,440
Buildings	80	(1)	79
Equipment	1,981	(70)	1,911
Total property, plant and equipment, net	<u>\$3,501</u>	<u>\$ (71)</u>	<u>\$3,430</u>

During the year ended December 31, 2008, Timber sold equipment for net proceeds of \$94 thousand realizing a gain on sale of \$22 thousand. During the period ended December 31, 2007, there were no disposals.

5. Timber, Timberlands and Logging Roads, net

Timber, timberlands and logging roads consisted of the following:

<u>US\$ THOUSANDS</u>	<u>December 31, 2008</u>		
	<u>Cost</u>	<u>Accumulated Depletion And Amortization</u>	<u>Net Book Value</u>
Timber	\$1,744,405	\$(165,546)	\$1,578,859
Timberlands	176,130	—	176,130
Hampton Purchase	161,307	—	161,307
Logging roads	7,980	(427)	7,553
Total timber, timberlands and logging roads, net	<u>\$2,089,822</u>	<u>\$(165,973)</u>	<u>\$1,923,849</u>

<u>US\$ THOUSANDS</u>	<u>December 31, 2007</u>		
	<u>Cost</u>	<u>Accumulated Depletion And Amortization</u>	<u>Net Book Value</u>
Timber	\$1,739,165	\$(67,352)	\$1,671,813
Timberlands	176,639	—	176,639
Logging roads	6,896	(186)	6,710
Total timber, timberlands and logging roads, net	<u>\$1,922,700</u>	<u>\$(67,538)</u>	<u>\$1,855,162</u>

During the year ended December 31, 2008, Timber sold timber and timberlands (including higher and better use lands) for net proceeds of \$7 million realizing a loss on sale of \$2 million. During the period ended December 31, 2007, there were no disposals.

Timber acquired approximately 67,600 acres from Mid-Valley Resources Inc., a subsidiary of Hampton Affiliates on November 4, 2008 for \$163 million. The purchase was financed with \$70 million of long-term debt, \$16 million of long-term debt from a related party, and \$77 million of cash. Timber is in the process of calculating a separate depletion rate for the acquired merchantable timber. Of the purchase price of \$163 million, \$1.5 million was recorded as a prepaid timber deed in current assets and the remaining was recorded in long-term capital assets.

6. Investment

Investment of \$705 thousand represents Timber's interest in IFA Nurseries Inc., a company which provides various reforestation goods and services. Timber accounts for its investment in IFA Nurseries, Inc., on the cost method.

7. Deferred Debt Issuance Costs

Debt issuance costs of \$12.7 million, net of amortization, as of December 31, 2008 relates to the 2008 long-term debt financing and the loan commitment fee paid in 2007. Deferred debt issuance costs, net of amortization, of \$2.9 million as of December 31, 2007 relates to the loan commitment fee paid in 2007. Deferred debt issuance costs are deferred and amortized over the respective terms to maturity.

Amortization expense for the year ended December 31, 2008 and for the period from April 20, 2007 to December 31, 2007 was \$1.4 million and \$0.1 million, respectively.

8. Income Taxes

For the year ended December 31, 2008, the provision for income taxes has been computed based on Timber's reporting as a REIT for federal income tax purposes. As a REIT, Timber is not subject to corporate income taxes on REIT qualifying income and gains from investments in real estate if it distributes such income

and gains to our shareholders. Timber's non-REIT activities, including the harvesting and sale of logs, are subject to corporate income taxes. The tax years 2005 through 2008 are subject to examination by the tax authorities. With few exceptions, Timber is no longer subject to US federal, state, local examinations by tax authorities for years before 2005.

The provision (benefit) for income taxes consisted of the following:

<u>US\$ THOUSANDS</u>	<u>For the Year ended December 31, 2008</u>	<u>For the Period April 20, 2007 to December 31, 2007</u>
Current:		
Federal	\$1,444	\$—
State	<u>—</u>	<u>34</u>
Total current tax	<u>1,444</u>	<u>34</u>
Deferred:		
Federal	414	566
State	<u>—</u>	<u>(31)</u>
Total deferred tax	<u>414</u>	<u>535</u>
Total provision for income taxes	<u>\$1,858</u>	<u>\$569</u>

An analysis of the income tax provision (benefit) follows:

<u>US\$ THOUSANDS</u>	<u>For the Year ended December 31, 2008</u>	<u>For the Period April 20, 2007 to December 31, 2008</u>
Expected federal income tax provision (benefit) at statutory rate	\$(40,520)	\$(33,297)
REIT losses not subject to income taxes	42,378	33,769
Deferred tax expense from non REIT activities	<u>—</u>	<u>97</u>
Total provision for income taxes	<u>\$ 1,858</u>	<u>\$ 569</u>

The tax effect of temporary differences giving rise to deferred tax assets is as follows:

<u>US\$ THOUSANDS</u>	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Deferred tax assets:		
REIT net operating loss carry-forward from prior years	\$ 907	\$1,321
Non-REIT current year net operating loss carry-forward	<u>396</u>	<u>396</u>
Total deferred tax assets	<u>\$1,303</u>	<u>\$1,717</u>

Timber has recorded a deferred tax asset of \$1.3 million reflecting the benefit of loss carry-forwards. Timber expects to utilize the benefit of these losses in 2009.

9. Other Accrued Liabilities

Other accrued liabilities consisted of the following:

<u>US\$ THOUSANDS</u>	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Workers' payroll and benefit liability	\$ 571	\$ 856
Accrued interest payable—long-term debt	11,626	—
Accrued interest payable—bridge loan	<u>—</u>	<u>2,434</u>
Total other accrued liabilities	<u>\$12,197</u>	<u>\$3,290</u>

10. Bridge Loan

The Bridge Loan was with three lenders—Merrill Lynch USA, Royal Bank of Canada and The Bank of Nova Scotia. The Bridge Loan was repaid on April 3, 2008, with the proceeds of the long-term debt financing. The related interest expense recorded was \$14.0 million and \$54.3 million during the year ended December 31, 2008 and for the period from April 20, 2007 to December 31, 2007, respectively.

11. Long-Term Debt

On April 3, 2008 the Bridge Loan was refinanced with a combination of long-term debt of \$1.0 billion and a short-term related party bridge loan. The long-term debt is provided by Metropolitan Life Insurance Company and a syndicate of lenders. On November 4, 2008 the Hampton Purchase was partially financed with additional long-term debt of \$70 million provided by Metropolitan Life Insurance Company and a syndicate of lenders. The long-term debt is collateralized with the timber, timberlands, and logging roads.

The long-term debt consists of four fixed interest rate tranches ranging from 4.73% to 6.31%. There are also two variable interest rate tranches ranging from 5.03% to 5.92% at December 31, 2008. The long-term debt matures as follows: \$453.3 million on April 3, 2013; \$308.3 million on April 3, 2015; and \$308.3 million on April 3, 2018. Timber intends to refinance the long-term debt as it matures with similar long term debt facilities. The related interest expense recorded was \$39.1 million during the year ended December 31, 2008.

Timber's long-term debt agreements contain customary covenants and default provisions, including a covenant not to exceed a specified debt-to-value ratio of 0.60. It also includes a restriction on distributions if the cash coverage ratio is less than 1.25 on a rolling eight quarter basis. As of December 31, 2008 Timber did not meet the cash coverage ratio minimum and therefore only permitted cash distributions will be allowed until such time that Timber's cash coverage ratio is at least 1.25 on a rolling eight quarter basis. As of December 31, 2008, Timber was in compliance with the covenants of its long-term debt agreements.

12. Employee Benefit Plans

Timber has no participation in any retiree medical plans or health care insurance plans. Timber has a defined contribution pension program for its salaried employees and a limited term supplemental defined contribution pension program for some of its employees. Timber also has a matching 401k program. Each of these programs is current. The amount contributed was \$597 thousand and \$343 thousand during the year ended December 31, 2008 and for the period from April 20, 2007 to December 31, 2007, respectively.

13. Related Parties

The Accounts Payable—related amount of \$2.2 million is with Longview GP LLC ("LVGP"), a US company indirectly owned by Brookfield. Pursuant to the terms of an April 2, 2008, Management Agreement ("Special Distribution Agreement") between Longview Timber LLC and LVGP, a special distribution is payable to LVGP as compensation for services provided by LVGP to Longview Timber LLC and its subsidiaries. The amount is calculated based on 1.00% per annum of the sum of all effective Capital Contributions to Longview Timberlands, LLC. The Special Distribution Agreement replaced the original management fee arrangement between Longview Timberlands, LLC and Brookfield Timberlands Management LP ("BTM"), a Brookfield subsidiary. The special distribution is payable semi-annually. The amount paid to LVGP during 2008 was \$5.4 million. The balance payable is recorded in the amount of \$2.2 million as of December 31, 2008 as a current liability in accounts payable—related party.

Pursuant to the terms of a Management Agreement between Longview Timberlands LLC, a subsidiary of Timber, and BTM, management fees were payable to BTM as compensation for services provided by BTM to Longview Timberlands LLC. The fee was calculated annually using independent timberlands appraisal reports and was paid quarterly to BTM. The fee paid to BTM was \$2.7 million and \$6.0 million during the year ended December 31, 2008 and for the period from April 20, 2007 to December 31, 2007, respectively. This Agreement concluded on April 2, 2008 and was replaced with the Special Distribution Agreement.

The Accounts Payable—related party amount at December 31, 2007 of \$715 thousand was with Longview Fibre Paper and Packaging Inc. (“PPI”). Pulp logs sold to PPI was \$18.9 million and \$3.6 million during the year ended December 31, 2008 and for the period from April 20, 2007 to December 31, 2007, respectively. There was a Service Agreement between Timber and PPI for various administrative services. The amount paid was \$18 thousand and \$56 thousand during the year ended December 31, 2008 and for the period from April 20, 2007 to December 31, 2007, respectively. The Service Agreement effectively concluded in June, 2008.

Long-term debt—related party at December 31, 2008 reflects debt held formerly held by Brascan US Corporation now held by a lending syndicate consisting of Brookfield Global Timber Fund I, LP, BGTF 1 (Norma), LLC, and Brookfield Infrastructure Corporation (“BIC”). On November 3, 2008, the lending syndicate and Timber agreed to defer payment of accrued interest on the long-term debt—related party from August 20, 2008 until an undetermined future date. A 1% fee based on the principal balance as of August 20, 2008 and a 50 bps increase in the spread was given as consideration for the deferral. The intent is to repay the deferred interest at a future date. The long-term debt—related party reflects \$215.8 million long-term debt; \$3.8 million interest payable; and \$1 million payment in kind fee. The current interest rate calculation is LIBOR plus 3.5%. The long-term debt —related party is scheduled to mature April 20, 2010 at which time the intent is to refinance the obligation with a similar long term debt facility. The related interest expense recorded was \$15.0 million and \$11.7 million during the year ended December 31, 2008 and for the period from April 20, 2007 to December 31, 2007, respectively. The balance payable is recorded in the amount of \$1.8 million and \$11.7 million as of December 31, 2008 and December 31, 2007, respectively, as a current liability in other accrued liabilities—related party account.

On April 3, 2008 Brookfield US Corporation and Trilon Bancorp (Europe) Zrt provided \$247.5 million in short term bridge financing for the purpose of refinancing the Bridge Loan. An additional \$8.9 million was drawn between August and September 2008. The principal balance and all accrued interest was fully repaid in a series of transactions between October and November 2008. The related interest expense recorded was \$7.3 million during the year ended December 31, 2008.

14. Accounting for Derivative Instruments and Hedging Activities

Timber used fixed interest rate swap agreements (“swaps”) to manage changes in cash flow as a result of changes in interest rate movements on certain of the variable rate debt under the Bridge loan. Timber has designated these swaps as cash flow hedges. To receive hedge accounting treatment, all of the swaps were formally documented at the inception of each hedge and the hedges must be highly effective at swap inception and at least quarterly in offsetting changes to future cash flows on hedged transactions. If the swaps are highly effective, the change in fair value, net of income taxes, is recorded in other comprehensive income or loss, except for any ineffectiveness portion of the fair value change, which is recognized in earnings. If the swaps were not to be highly effective, then Timber would record the change in fair value in earnings.

Timber terminated the swaps in connection with the re-financing of the Bridge Loan. \$53.5 million was paid to the counterparties. The loss on termination is reported in the Consolidated Statement of Cash Flows in the same category as the nature of the item being hedged, in accordance with SFAS 104 “Statement of Cash Flows—Net Reporting of Certain Cash Receipts and Cash Payments and Classification of Cash Flows from Hedging Transactions, an Amendment to FASB Statement No. 95.”

The accumulated other comprehensive loss recorded was \$21.3 million and \$21.2 million during the year ended December 31, 2008 and for the period from April 20, 2007 to December 31, 2007, respectively. The expense recorded was \$3.2 million and \$10.9 million during the year ended December 31, 2008 and for the period from April 20, 2007 to December 31, 2007, respectively. During the year ended December 31, 2008 and the period ended December 31, 2007 Longview Timber LLC recognized zero and \$32.1 million, respectively, in other liabilities.

15. Minority Interests

Minority interests represent the interests of Longview GP, LLC in the equity of Longview Timber LLC. Longview GP, LLC is a US company indirectly owned by Brookfield. Longview GP, LLC's equity ownership in the net assets of Timber was \$10.7 million which is recorded as minority interest in non-current liabilities. The minority interest in the net loss which is recorded in other income-expense was \$1.0 million and \$0.8 million during the year ended December 31, 2008 and for the period from April 20, 2007 to December 31, 2007, respectively.

16. Shareholders' Equity

Preferred stock

Timber is authorized to issue 125 shares of non-voting preferred stock with a par value of \$1 thousand. On May 10, 2007, Timber issued 125 shares of preferred stock to 125 individual stockholders, each stockholder receiving one share. Preferred stock has a par value of \$1 thousand per share, with liquidation preference of the same amount. The dividend rate for preferred shares is 12.5%. The shares are callable with a premium of 20% through December 31, 2009. The premium reduces 5% per annum such that there will be no premium after December 31, 2012.

Longview Fibre Company, a subsidiary of Timber, is authorized to issue 125 shares of non-voting preferred stock with a par value of \$1,000. On May 10, 2007, Longview Fibre Company issued 125 shares of preferred stock to 125 individual stockholders, each stockholder receiving one share. Preferred stock has a par value of \$1 thousand per share, with liquidation preference of the same amount. The dividend rate for preferred shares is 12.5%. The shares are callable with a premium of 20% through December 31, 2009. The premium reduces 5% per annum such that there will be no premium after December 31, 2012. These shares are included in minority interests, net of issuance costs.

Common stock

Timber is authorized to issue 15,000,000 shares of common stock with a par value of \$0.01.

Timber issued 11,020,176 shares of common stock during the year ended December 31, 2008 and the period ended December 31, 2007 as follows:

<u>US\$ THOUSANDS (EXCEPT SHARE AMOUNTS)</u> <u>Date</u>	<u>Description</u>	<u>Contribution</u>
September 30, 2008	8,174 Common shares	\$ 880
October 14, 2008	330,425 Common shares	35,579
October 28, 2008	2,109,512 Common shares	212,500
November 3, 2008	806,215 Common shares	81,213
Total		<u>\$330,172</u>

<u>US\$ THOUSANDS (EXCEPT SHARE AMOUNTS)</u> <u>Date</u>	<u>Description</u>	<u>Contribution</u>
April 20, 2007	6,924,280 Common shares	\$692,428
May 31, 2007	70 Common shares	59,400
October 31, 2007	841,500 Common shares	84,150
Total		<u>\$835,978</u>

Timber's Common Stock is owned 66.5% by Brookfield Global Timber Fund I, LP, a US company in which Brookfield has indirect ownership; 10.5% by Brookfield PIV LLC, a US company in which Brookfield has indirect ownership; and 23% by Brookfield Infrastructure Corporation ("BIC") which is 40% owned by Brookfield.

Dividends

Timber distributed dividends amounting to \$4.6 million and \$250.7 million during the year ended December 31, 2008 and for the period from April 20, 2007 to December 31, 2007, respectively.

17. Commitments and Contingencies

Legal matters and litigation

Timber is subject to legal proceedings and claims that arise in the ordinary course of the business. Although there can be no assurance as to the disposition of these matters and the proceedings, it is the opinion of Timber's management, based upon the information available at this time, that the expected outcome of these matters, individually or in aggregate, will not have a materially adverse effect on the ongoing results of operations, the financial condition of the business, or cash flows.

18. Discontinued Operation

On May 31, 2007, Longview Fibre Company, a subsidiary of Timber, completed the sale of all assets and liabilities (Timber Harvest Assets and Manufacturing Operations) of PPI, a subsidiary of Longview Fibre Company, to Brascan (US) Corporation, a subsidiary of Brookfield, for total proceeds of \$253 million, including \$92 million of the intercompany debt. Subsequently, Longview Timber, Corp and Longview Timberlands LLC, newly-established subsidiaries of Longview Fibre Company, re-acquired the Timber Harvest Assets from PPI in exchange for \$13 million of cash which is equal to the fair market value of the Timber Harvest Assets. This transaction resulted in Longview Fibre Company selling the Manufacturing Operations of PPI for \$240 million, including \$92 million of intercompany debt.

Details of assets and liabilities sold, net as a result of restructuring transactions are as follows:

<u>US\$ THOUSANDS</u>		<u>As of May 31, 2007</u>
Assets:		
Current assets	\$264,030	
Capital assets	46,598	
Other assets	143,710	\$454,338
Less Liabilities:		
Current liabilities	100,627	
Long-term liabilities	205,711	306,338
Total		\$148,000

The results of operations for the Manufacturing Operations from April 20, 2007 to May 31, 2007 and a loss on sale of assets were reported within discontinued operations in the accompanying consolidated statement of operations. The Consolidated Statement of Cash Flows does not separately report the cash flows of the discontinued operations. Details of revenue and loss from discontinued operations are as follows:

<u>US\$ THOUSANDS</u>	<u>For the Period</u> <u>April 20, 2007 to May 31, 2007</u>
Net sales	\$75,756
Income from operations (net of taxes of \$346)	538
Loss on sale of assets	(884)
Net	\$ (346)

CERTIFICATION

I, Samuel Pollock, certify that:

1. I have reviewed this Annual Report on Form 20-F of Brookfield Infrastructure Partners L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the Annual Report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 24, 2009

/s/ Samuel Pollock

Name: Samuel Pollock

Title: CEO, Brookfield Infrastructure Group Corporation

CERTIFICATION

I, John Stinebaugh, certify that:

1. I have reviewed this Annual Report on Form 20-F of Brookfield Infrastructure Partners L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the Annual Report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 24, 2009

/s/ John Stinebaugh

Name: John Stinebaugh

Title: CFO, Brookfield Infrastructure Group Corporation

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, who is carrying out the functions of chief executive officer for Brookfield Infrastructure Partners L.P. (the "Partnership") pursuant to a Master Services Agreement, dated December 4, 2007, among Brookfield Asset Management Inc., the Partnership, Brookfield Infrastructure L.P., Brookfield Infrastructure Holdings (Canada) Inc., Brookfield Asset Management Barbados Inc. and others, hereby certifies, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge on the date hereof, (i) the annual report of the Partnership on Form 20-F for the fiscal year ended December 31, 2008 (the "Annual Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (ii) the information contained in such Annual Report fairly presents in all material respects the financial condition and results of operations of the Partnership.

Dated: April 24, 2009

/s/ Samuel Pollock

Samuel Pollock
CEO, Brookfield Infrastructure Group Corporation

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, who is carrying out the functions of chief financial officer for Brookfield Infrastructure Partners L.P. (the "Partnership") pursuant to a Master Services Agreement, dated December 4, 2007, among Brookfield Asset Management Inc., the Partnership, Brookfield Infrastructure L.P., Brookfield Infrastructure Holdings (Canada) Inc., Brookfield Asset Management Barbados Inc. and others, hereby certifies, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge on the date hereof, (i) the annual report of the Partnership on Form 20-F for the fiscal year ended December 31, 2008 (the "Annual Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (ii) the information contained in such Annual Report fairly presents in all material respects the financial condition and results of operations of the Partnership.

Dated: April 24, 2009

/s/ John Stinebaugh

John Stinebaugh
CFO, Brookfield Infrastructure Group Corporation