

Before the

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SURFACE TRANSPORTATION BOARD

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Docket No. FD 36326

**BROOKFIELD ASSET MANAGEMENT, INC. AND DIP XX, LLC—
CONTROL EXEMPTION—GENESEE & WYOMING, INC., ET AL.**

REPLY COMMENTS



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September 5, 2019

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CONTROL EXEMPTION–GENESEE & WYOMING, INC., ET AL.

REPLY COMMENTS

Preliminary Statement

Samuel J. Nasca,^{1/} for and on behalf of SMART/Transportation Division, New York State Legislative Board (SMART/TD-NY), submits these reply comments in response to Surface Transportation Board (STB or Board), Decision dated and served July 22, 2019, 84 Fed. Reg. 36157 (July 26, 2019).

The STB's Decision is directed to the notice of exemption (NE), filed July 9, 2019, by Brookfield Asset Management, Inc. (Brookfield), and its affiliates, for

^{1/} New York State Legislative Director for SMART/TD, with offices at 35 Fuller Road, Albany, NY 12205.

control of Genesee & Wyoming, Inc.(GWI), and its 106 rail carriers subject to STB jurisdiction.^{2/}

Subsequent to its July 9, 2019 NE filing, Brookfield on August 16, 2019,^{3/} submitted a 17-page “Comments of Applicants,” with supplemental information, (Supp.NE), coupled with a request the agency allow the transaction to become effective no later than September 15, 2019.

SMART/TD-NY did not submit initial comments (due August 21) inasmuch as the Brookfield NE, filed July 9, was merely pro forma, without meaningful content, until supplemented August 16 (Supp.NE), and not made public until August 19, too late for SMART/TD-NY to formulate, and file, initial comments prior to the August 21 due date for comments, supra, n.3.

ARGUMENT

The Board should reject the Brookfield July 9, 2019 class notice of exemption (NE); if not rejected, the exemption should be revoked. The NE is improper, and

^{2/}Brookfield, headquartered in Toronto, Canada, in its July 1, 2019 merger announcement, claimed a higher GWI ownership of 120 short line railroads, predominately in North America, but with operations in Europe and Australia.

^{3/} The August 16 Brookfield filing was not made public, or placed on the STB’s website, until August 19, 2019. The STB’s July 22 Decision directed public comments due August 21, 2019. 84 Fed. Reg. at 36157, col. 3. (July 26, 2019).

should be found inapplicable, and the notice of exemption be rejected or the exemption revoked, especially owing to the nature and magnitude of the transportation involved, and for other reasons as well. Brookfield might refile any proposed control as a petition for exemption under 49 U.S.C. 10502, or as an application under 49 U.S.C. 11323-24, but is unlikely to prevail under either course.

There are a number of issues, many of which have not been adequately developed in the NE, or in Brookfield's August 16 subsequent comments (Supp.NE).

Moreover, a regulatory completion date of September 15 would be preposterous.

1. Role of GIC. The July 9, 2019 Brookfield NE gives scant attention to GIC. Yet GIC is important to the proposed control transaction. GIC is heralded as the primary joint participant. See: Genesee & Wyoming Inc. To be Acquired by Brookfield Infra- structure and GIC in \$8.4 Billion Transaction, infra, Exhibit A; GIC and Brookfield Infrastructure to Acquire Genesee & Wyoming, infra, Exhibit B.^{4/}

^{4/} GIC is a sovereign wealth fund established by the Government of Singapore to manage Singapore's foreign reserves. Sidley Austin,LLP is serving as legal advisor to GIC in the transaction. Exhibit A, p. 2.

The participation of GIC, which acts to serve the Government of Singapore, requires that GIC be an applicant, along with Brookfield, a Canadian -based entity.

2. Interest of Brookfield in Brazil. The Brookfield investments are extensive in South America. Brookfield runs more than 10,000km of rail tracks. See: The Economist, August 31, at 58, infra, Exhibit C.^{5/} The U.S. agricultural community and elements in Brazil have been seen as competitors for the sale of soybeans in the Chinese markets.

Transportation carriers in the U.S. can be competitors with transportation carriers in Brazil for the movement of soybeans. In transportation parlance this is known as market competition. We mention soybeans, not to exclude other commodities., because the U.S.soybeans market in China is of considerable importance to the U.S. economy and to U.S.foreign policy discussion.^{6/} The GWI's 106 U.S. carriers operate in 40 U.S. states. (NE, at 4). Cf. Exhibit A, p.2.

3. Interest of SMART/TD-NY. U.S. rail carrier employees have an interest in their employer's transportation business, apart from the minimum employee

^{5/}We understand the 10,000km mileage lies in Brazil, through VLI.

^{6/} See, for example: Foreign Affairs, Sept.-Oct. 2019: Brown, CP. & D.A.Irwin: Trump's Assault on the Global Trading System, and Why Decoupling From China Will Change Everything, at 132.

protective benefits mandated by Congress and imposed by STB in the agency's unification decisions. Employment job loss, and job transfer, create irreparable injuries which are not, and frequently cannot, be satisfied by minimum and limited period conditions.

A number of the GWI carriers operate in or through New York State, and are represented by SMART/TD in collective bargaining. Those GWI carriers not so represented by SMART/TD are nevertheless important for SMART/TD employees as such carriers interchange traffic with other GWI-represented carriers, or with other carriers outside the GWI family. Accordingly, SMART/TD employees stand to be adversely affected by Brookfield management decisions revising the structure of GWI or taking actions which may divert business to other units of the Brookfield organization.

4. The NE should be rejected or the exemption revoked. Brookfield waited until late Friday August 16, 2019(Supp.NE), to justify its initial NE, technically earlier filed on July 9, 2019, but absent material content. The effect of the Brookfield action was to cut-off protestant initial comments in response to the STB's July 22, 2019 scheduling order, inasmuch as Brookfield's August 16 filing of its case was unknown until Monday, August 19, whereas the STB's due date for the public's initial comments had been set for August 21, 2019.

A. Request for Decision-September 15, 2019. Brookfield, as part of its 17-page NE justification(Supp.NE), filed August 16 2019, requested STB issue its decision on the transaction no later than 10 days after the September 5, 2019 closure for reply comments established by the STB's July 22 procedural decision. Brookfield asserts an effective STB decision after September 15, if favorable to Brookfield, would require applicants to change the timing and structure of their work plan for implementing the acquisition. (Supp.NE, 1,3, 11-12, 14).

The STB need not act on the Brookfield request. It is highly speculative that Brookfield will prevail on the merits. Moreover, it is Brookfield which has delayed resolution of the decisional process by failing to submit its case on July 9, waiting until August 16, 2019 to complete filing the required information.

B. Lack of Public Benefits & Not Within 49 USC §1180.2(d)(2). Brookfield asserts the proposed transaction offers substantial benefits to the public and to the GWI carriers and their stakeholders. (NE Supp. 3-4). However, Brookfield relies solely on its business reputation as owner and operator of infrastructure in the U.S. and in other jurisdictions.(NESupp.. 3-4). Of critical importance is the absence of any showing of public benefits, and the public interest, heretofore deemed

necessary considerations in Board decisions involving unification proposals.^{7/}

Brookfield's proposal does not satisfy the requirement of 49 CFR §1180.2(d)(2). The proposed transaction goes far beyond including only carriers subject to STB jurisdiction. GWI has carriers in four Canadian provinces; GWI also has carriers in Australia and in the United Kingdom, Exhibit A, at 1-2.

The Brookfield NE does not embrace what may be other "applicant carriers, or "all other carriers" as outlined in the Board's definition. 49 CFR §1180.3.

C. Reference to Staggers Act and Class Exemptions are Irrelevant.

Brookfield goes to great length to urge automatic approval of its massive world-wide proposed transaction by its ad hominem urging of deregulation under the 1980 Staggers Act and the former Interstate Commerce Commission (ICC) promulgation of class exemptions. (NESupp., 5-8).

The complete response, contrary to Brookfield, is that the Board should apply the terms of its regulations, without reference to Brookfield's deregulation mania. The Brookfield proposed transaction was never contemplated to warrant automatic agency approval.

D. Serious competitive issues are apparent. The Brookfield proposed

^{7/}Moreover, Brookfield NESupp. is silent on the required weighing process. 49 USC §11324(d)(2).

transaction raises competitive questions. These issues are particularly important to the current status of international trade which, in turn, affects U.S. economic interests, and the welfare of railroad employees. It is noted that the STB currently is without its two-member Board statutory replacement.

Rail carrier employees are not privy to all of the surrounding facts of the current multiple-international trade uncertainties, but they are feeling the effects.

CONCLUSION

The Board should reject the notice of exemption; if not rejected, the exemption should be revoked. The stay entered July 22, 2019 should be continued pending final decision.

Respectfully submitted,



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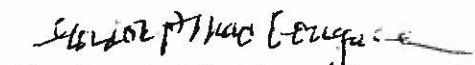
September 5, 2019

Attorney for Samuel J. Nasca

Certificate of Service

I hereby certify I have served a copy of the foregoing upon all parties of record by first class mail postage-prepaid.

Washington DC


Gordon P. MacDougall

Genesee & Wyoming Inc. to be Acquired by Brookfield Infrastructure and GIC in \$8.4 Billion Transaction

EXHIBIT A

July 01, 2019

- *Genesee & Wyoming Inc. stockholders to receive \$112 in cash per share of common stock*
- *The price represents a premium of 39.5% to G&W's unaffected per share price on March 8, 2019, the day prior to initial media speculation of a potential transaction*
- *Brookfield Infrastructure and GIC will be acquiring a North American rail business with significant scale*
- *The transaction has received the unanimous approval of G&W's Board of Directors and is subject to approval by G&W's stockholders*

BROOKFIELD, NEWS, July 01, 2019 (GLOBE NEWSWIRE) -- Genesee & Wyoming Inc. (NYSE:GWR) ("G&W"), together with Brookfield Infrastructure (NYSE: BIP; TSX: BIP.UN), GIC and Brookfield Infrastructure's institutional partners (together referred to as the "Consortium"), are announcing an agreement pursuant to which affiliates of Brookfield Infrastructure and GIC will acquire G&W in a transaction valued at approximately \$8.4 billion including debt (the "Transaction"). The Transaction will result in G&W becoming a privately held company. Under the new ownership, G&W will continue to focus on world class safety and outstanding service, while pursuing the company's strategic goals.

G&W owns a portfolio of 120 short line railroads, predominantly in North America, with operations in Europe and Australia. Through its subsidiaries worldwide, the business provides essential transportation infrastructure services over more than 26,000 kilometers of track, providing access to its well-diversified customer base.

"We believe this transaction is an excellent outcome for all G&W stakeholders," said Jack Hellmann, G&W Chairman and Chief Executive Officer. "For our current stockholders, the sale price realizes significant value and represents a 39.5% premium to our March 8th share price. And for long-term investors who have owned our shares for the past two decades, the sale price represents a return of more than 5,400%."

"For our customers, employees, and Class I partners, the long-term investment horizon of Brookfield Infrastructure and GIC as seasoned infrastructure investors is perfectly aligned with the long lives of G&W railroad assets, which are integral to the local economies that we serve in North America and around the world," Hellmann continued. "They are also fully supportive of our business plan, which will continue to be focused on safety, customer service, and growing our footprint to provide more opportunity for our people. We also expect this transaction will allow us to further enhance our business as we benefit from Brookfield Infrastructure/GIC's expertise in real estate and technology, as well as relationships with their rail-centric/complementary portfolio companies."

"This is a rare opportunity to acquire a large-scale transport infrastructure business in North America," said Sam Pollock, Chief Executive Officer of Brookfield Infrastructure. "G&W will be a significant addition to our global rail platform and will expand our presence in this sector to four continents. G&W provides critical transportation services to more than 3,000 customers, and its cash flows have proven to be highly resilient over many years. Brookfield Infrastructure is well suited to work with the company to continue to improve

base. We look forward to partnering with G&W's management and Brookfield Infrastructure to support the future growth of the company."

Transaction Details

Pursuant to the agreement, each issued and outstanding share of G&W will be converted into the right to receive \$112 per share in cash. The Transaction price of \$112 per share of G&W common stock represents a 39.5% premium to the unaffected per share price of \$80.28 on March 8, 2019, the day prior to initial media speculation of a potential transaction.

The Transaction is expected to close by year end or early 2020 and is subject to customary closing conditions, including approval by G&W stockholders holding 66 2/3% of the outstanding common stock, required regulatory approvals that include approval by the Committee on Foreign Investment in the United States, the U.S. Surface Transportation Board, and certain competition and antitrust approvals.

Due to the pending sale, G&W will cease reporting monthly carloads and will not hold a conference call for its second quarter 2019 financial results. G&W expects to file its second quarter 2019 10-Q by close of business on August 9, 2019.

Funding

Brookfield Infrastructure's investment will be approximately \$500 million of equity. The remainder of the business will be owned by Brookfield Infrastructure's institutional partners and GIC. Brookfield Infrastructure's investment will be funded from existing liquidity which totaled approximately \$1.9 billion at June 30, 2019.

Advisors

Citigroup Global Markets Inc. is serving as financial advisor to the Consortium. White & Case LLP is serving as lead legal advisor to the Consortium, along with McCarthy Tétrault LLP, Gilbert + Tobin and Steptoe & Johnson LLP who are also serving as legal advisors to the Consortium. Torys LLP is serving as legal advisor to Brookfield Infrastructure and Sidley Austin LLP is serving as legal advisor to GIC. Financing for the Consortium will be led by a syndicate of banks including Credit Suisse, Wells Fargo Securities, LLC, Citigroup Global Markets Inc. and RBC Capital Markets.

BofA Merrill Lynch and Morgan Stanley & Co LLC served as financial advisors to G&W. Simpson Thacher & Bartlett LLP, as well as Addleshaw Goodard LLP, Allens, Clark Hill PLC, Macfarlanes LLP and Stikeman Elliott LLP served as legal advisors to G&W. In addition, Wachtell, Lipton, Rosen & Katz served as counsel to G&W's board of directors.

- ends -

Genesee & Wyoming Inc. (G&W) owns or leases 120 freight railroads organized in eight locally managed operating regions with approximately 8,000 employees serving 3,000 customers.

- G&W's six North American regions serve 41 U.S. states and four Canadian provinces and include 114 short line and regional freight railroads with more than 13,000 track-miles.
- G&W's Australia Region serves New South Wales, the Northern Territory and South Australia and operates the 1,400-mile Tarcoola-to-Darwin rail line. The Australia Region is 51.1% owned by G&W and 48.9% owned by a consortium of funds and clients managed by Macquarie Infrastructure and Real Assets.
- G&W's UK/Europe Region includes the U.K.'s largest rail maritime intermodal operator and second-largest freight rail provider, as well as regional rail services in Continental Europe.

G&W subsidiaries and joint ventures also provide rail service at more than 40 major ports, rail ferry services

Brookfield Infrastructure Partners is a leading global infrastructure company that owns and operates high quality, long-life assets in the utilities, transport, energy and data infrastructure sectors across North and South America, Asia Pacific and Europe. We are focused on assets that generate stable cash flows and require minimal maintenance capital expenditures. Brookfield Infrastructure Partners is listed on the New York and Toronto stock exchanges. Further information is available at www.brookfieldinfrastructure.com.

Brookfield Infrastructure is the flagship listed infrastructure company of Brookfield Asset Management, a leading global alternative asset manager with over \$365 billion of assets under management. For more information, go to www.brookfield.com

GIC is a leading global investment firm established in 1981 to manage Singapore's foreign reserves. As a disciplined long-term value investor, GIC is uniquely positioned for investments across a wide range of asset classes, including equities, fixed income, private equity, real estate and infrastructure. In infrastructure, GIC's primary strategy is to invest directly in operating assets with a high degree of cash flow visibility and which provide a hedge against inflation. GIC has investments in over 40 countries. Headquartered in Singapore, GIC employs over 1,500 people across 10 offices in key financial cities worldwide. For more information on GIC, please visit www.gic.com.sg or LinkedIn.

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“predict” and similar expressions. G&W and Brookfield Infrastructure caution readers of this communication that such “forward looking statements,” including without limitation, those relating to G&W’s and Brookfield Infrastructure’s respective future business prospects, revenue, working capital, liquidity, capital needs, interest costs and income, wherever they occur in this communication or in other statements attributable to G&W or Brookfield Infrastructure, as applicable, are necessarily estimates reflecting the judgment of G&W’s or Brookfield Infrastructure’s, as applicable, senior management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the “forward looking statements.”

Factors that could cause G&W’s or Brookfield Infrastructure’s actual results to differ materially from those expressed or implied in such forward-looking statements include, but are not limited to, the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement; the inability to complete the proposed merger due to the failure to obtain stockholder approval for the proposed merger or the failure to satisfy other conditions to completion of the proposed merger, including that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of the transaction; risks related to disruption of management’s attention from G&W’s ongoing business operations due to the transaction; the effect of the announcement of the proposed merger on G&W’s relationships with its customers, operating results and business generally; the risk that the proposed merger will not be consummated in a timely manner; exceeding the expected costs of the merger; risks related to the operation of G&W’s railroads; severe weather conditions and other natural occurrences, which could result in shutdowns, derailments, railroad network and port congestion or other substantial disruption of operations; customer demand and changes in G&W’s operations or loss of important customers; exposure to the credit risk of customers and counterparties; changes in commodity prices; consummation and integration of acquisitions; economic, political and industry conditions, including employee strikes or work stoppages; retention and contract continuation; legislative and regulatory developments, including changes in environmental and other laws and regulations to which G&W or its customers are subject; increased competition in relevant markets; funding needs and financing sources, including G&W’s ability to obtain government funding for capital projects; international complexities of operations, currency fluctuations, finance, tax and decentralized management; challenges of managing rapid growth, including retention and development of senior leadership; unpredictability of fuel costs; susceptibility to and outcome of various legal claims, lawsuits and arbitrations; increase in, or volatility associated with, expenses related to estimated claims, self-insured retention amounts and insurance coverage limits; consummation of new business opportunities; decrease in revenues and/or increase in costs and expenses; susceptibility to the risks of doing business in foreign countries; uncertainties arising from a referendum in which voters in the United Kingdom (U.K.) approved an exit from the European Union (E.U.), commonly referred to as Brexit; G&W’s ability to integrate acquired businesses successfully or to realize the expected synergies associated with acquisitions; risks associated with G&W’s substantial indebtedness; failure to maintain satisfactory working relationships with partners in Australia; failure to maintain an effective system of internal control over financial reporting as well as disclosure controls and procedures and other risks.

For a more detailed discussion of these factors, see the information under the caption “Risk Factors” in G&W’s most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in G&W’s most recent Annual Report on Form 10-K filed on February 26, 2019, and under the caption “Risk Factors” in Brookfield Infrastructure’s most recent Annual Report on Form 20-F filed with the Securities and Exchange Commission and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Brookfield Infrastructure’s most recent Annual Report on Form 20-F filed on February 28, 2019.

G&W’s and Brookfield Infrastructure’s forward-looking statements speak only as of the date of this communication or as of the date they are made. Each of G&W and Brookfield Infrastructure disclaims any intent or obligation to update any “forward looking statement” made in this communication to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time, unless required to do so by applicable laws. The inclusion of any statement in this communication does

and GIC. In connection with the proposed merger transaction, G&W will file with the SEC and furnish to G&W's stockholders a proxy statement and other relevant documents. This filing does not constitute a solicitation of any vote or approval. Stockholders are urged to read the proxy statement when it becomes available and any other documents to be filed with the SEC in connection with the proposed merger or incorporated by reference in the proxy statement because they will contain important information about the proposed merger.

Investors will be able to obtain free of charge the proxy statement and other documents filed with the SEC at the SEC's website at <http://www.sec.gov>. In addition, the proxy statement and G&W's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through G&W's website at www.gwrr.com, and Brookfield Infrastructure's annual reports on Form 20-F, reports on Form 6-K and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through Brookfield Infrastructure's website at <https://bip.brookfield.com/>, in each case, as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC.

The directors, executive officers and certain other members of management and employees of G&W may be deemed "participants" in the solicitation of proxies from stockholders of G&W in favor of the proposed merger. Information regarding the persons who may, under the rules of the SEC, be considered participants in the solicitation of the stockholders of G&W in connection with the proposed merger will be set forth in the proxy statement and the other relevant documents to be filed with the SEC. You can find information about the Company's executive officers and directors in its Annual Report on Form 10-K for the fiscal year ended December 31, 2018 and in its definitive proxy statement filed with the SEC on Schedule 14A on April 8, 2019.

Brookfield Infrastructure Partners LP

Source: Brookfield Infrastructure Partners LP

EXHIBIT B



GIC and Brookfield Infrastructure to acquire Genesee & Wyoming



Singapore, 1 July 2019 –
Genesee & Wyoming Inc.
(NYSE:GWR) ("G&W"),
together with Brookfield
Infrastructure (NYSE: BIP;
TSX: BIP.UN), GIC and
Brookfield Infrastructure's
institutional partners
(together referred to as the
"Consortium"), are announcing

an agreement pursuant to which affiliates of Brookfield Infrastructure and GIC will acquire G&W in a transaction valued at approximately \$8.4 billion including debt (the "Transaction"). The Transaction will result in G&W becoming a privately held company. Under the new ownership, G&W will continue to focus on world class safety and outstanding service, while pursuing the company's strategic goals.

G&W owns a portfolio of 120 short line railroads, predominantly in North America, with operations in Europe and Australia. Through its subsidiaries worldwide, the business provides transportation infrastructure services over more than 26,000 kilometers of track, providing access to its well-diversified customer base.

“We believe this transaction is an excellent outcome for all G&W stakeholders,” said Jack Hellmann, G&W Chairman and Chief Executive Officer. “For our current stockholders, the sale price realizes significant value and represents a 39.5% premium to our March 8th share price. And for long-term investors who have owned our shares for the past two decades, the sale price represents a return of more than 5,400%.”

“For our customers, employees, and Class I partners, the long-term investment horizon of Brookfield Infrastructure and GIC as seasoned infrastructure investors is perfectly aligned with the long lives of G&W railroad assets, which are integral to the local economies that we serve in North America and around the world,” Hellmann continued. “They are also fully supportive of our business plan, which will continue to be focused on safety, customer service, and growing our footprint to provide more opportunity for our people. We also expect this transaction will allow us to further enhance our business as we benefit from Brookfield Infrastructure/GIC’s expertise in real estate and technology, as well as relationships with their rail-centric/complementary portfolio companies.”

 “This is a rare opportunity to acquire a large-scale transport infrastructure business in North America,” said Sam Pollock, Chief Executive Officer of Brookfield Infrastructure. “G&W will be a significant addition to our global rail platform and will expand our presence in this sector to four continents. G&W provides critical transportation services to more than 3,000 customers, and its cash flows have proven to be highly resilient over many years. Brookfield Infrastructure is well suited to work with the company to continue to improve the business, given our significant experience owning and operating rail, ports and other large scale, transportation infrastructure businesses.”

Ang Eng Seng, Chief Investment Officer for Infrastructure at GIC, said, “As a long-term investor, GIC is confident G&W will continue to generate steady profitability, given its diversified operations and customer base. We look forward to partnering with G&W’s management and Brookfield Infrastructure to support the future growth of the company.”

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Brookfield Asset Management

Tower grab

NEW YORK

How a dowdy Canadian firm grew to take on Wall Street's private-equity titans

ON THE 67TH floor of One Manhattan West, a new glass tower in the island's drab south-west, construction managers survey the skyline. They are about to sign off on a feat of engineering. The 303-metre skyscraper is the tallest part of a \$5bn office, retail and residential project covering an area the size of 100 football fields. Resting on a huge concrete slab covering active rail tracks, the weight is carried by a column sitting on the sturdiest parts. The first tenants are due to move in within weeks.

One Manhattan West is the culmination of a decades-long bet by Brookfield Asset Management. The Canadian firm bought the land in 1996 as part of its swoop on Olympia and York, a bankrupt builder. The towers are an apt metaphor for its success in alternative asset management, investing in the likes of property, infrastructure and private equity. With \$388bn under management (debt included), it rivals Wall Street giants like Blackstone and Carlyle. Insiders reckon it can grow further.

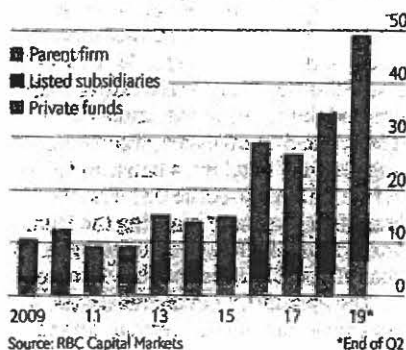
Most buy-out giants were founded in recent decades by investment bankers. Brookfield, by contrast, started with São Paulo's tramway and power lines in 1899 and spent most of its history operating infrastructure and property projects in the Americas. By 1990 it was a conglomerate of "somewhat disparate assets", says Neil Downey of RBC Capital Markets, a bank, spanning beer, baseball, forests, mines and more. After it struggled during the recession of the early 1990s a team of executives that included Bruce Flatt, now the boss, narrowed the focus.

A decade later Brookfield started to invest third-party money. In the mid-2000s it began to raise private funds for property, infrastructure, private equity and renewables. It then listed its public funds on the New York Stock Exchange (it is listed in Amsterdam, New York and Toronto). The strategy took time to reap rewards. "Going into the financial crisis, it was a strong company. But it was relatively small," says David Hodes of Hodes Weill, a firm that helps funds find investors. Some investors were confused by its complex structure, with the parent firm, listed vehicles and private funds all hunting for deals.

But the crisis proved a boon. After several peers collapsed under debt built up during the boom years, Brookfield could draw on private and public capital to pick up the pieces. Experienced at turnarounds, it

Stacked high.

Brookfield; available liquid assets, \$bn



snapped up at a discount projects others thought too troubled. It was also lucky with timing, Mr Flatt says. As central banks' bond-buying sprees hammered returns on the safest assets, the sorts of tangible, cash-generating projects that Brookfield runs became popular with cautious investors like insurers and pension funds.

Investing other people's money is now its biggest business. It earns fees on \$164bn of third-party capital, four times as much as it invests from its balance-sheet. Sohrab Movahedi of BMO, a bank, reckons that will rise to \$276bn by 2021. More than 700 institutions back its private funds. Its investments span more than 30 countries and punctuate skylines in financial capitals including London, Sydney and Toronto. The retail space it owns would fill two New York

Midtowns. It runs 37 ports and more than 10,000km of rail tracks. Its renewables plants produce twice as much clean energy as green-minded Denmark.

Another recession could provide another boost. It has ample liquidity (see chart). Completion of its \$4.7bn acquisition of Oaktree Capital, a credit-investment firm, is imminent. That will cement its position as a one-stop shop for alternative assets, at a time when investors are seeking to consolidate their holdings. When growth fades it will be able to seek high rewards by buying the debt of ailing businesses, Oaktree's speciality. "When people panic they sell things too cheap," says Howard Marks, Oaktree's co-founder. "And when the environment settles down, prices tend to recover. It's a good way to make a living."

Could Brookfield be getting greedy? Like other buy-out firms, it is raising record amounts, leading some to worry that capital is coming in too fast to be spent without mistakes. And though Mr Flatt argues that Brookfield's size means it can gobble up assets that many rivals would find indigestible, there is the matter of eventually exiting these mega-projects, says Lincoln Webb of British Columbia Investment Management Corporation, a client of Brookfield's infrastructure franchise. Just as few can buy mega-projects, there might be limited takers when it comes to sell, should that coincide with poor conditions for initial public offerings.

Yet by private-equity standards Brookfield's funds have long durations, and the largest are nowhere near maturity. Its access to public equity also means it can be patient, as it was for the years it held the disused plot that is now home to One Manhattan West. And institutional investors in its funds with long-term liabilities may be keen to team up for the cash-yielding assets it will want to divest. As economic clouds gather, Brookfield's horizons look enviably clear. ■



I can see clearly now