

FORM ADV PART 2A: FIRM BROCHURE

ITEM 1. COVER PAGE

ITE Management L.P.

200 Park Avenue South, Suite 1511
New York, NY 10003
Tel. (646) 779-2019

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Important Disclosure:

This brochure dated March 2019 provides information about the qualifications and business practices of ITE Management L.P. and its affiliates (“ITE” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at 646-779-2019 or our Chief Compliance Officer at dlee@itemgmt.com. ITE Management L.P. is registered as an investment adviser with the United States Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration as an investment adviser does not imply that ITE Management L.P. or its employees possess a certain level of skill or training. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about ITE Management L.P. also is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2. MATERIAL CHANGES

This Brochure, dated March 2019, reflects the addition of two new funds, ITE Air Master Fund II L.P. (the “Air Fund”) and ITE Air Fund L.P. (the “Domestic Fund”) and are further discussed in Item 4 below. ITE’s regulatory AUM has increased from \$582,496,427 to \$1,021,190,507.

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ITEM 4. ADVISORY BUSINESS

- A. ITE Management L.P. is a Delaware limited liability company formed on May 29, 2007 (f/k/a JNF Management LLC and D Aaron Asset Management LLC). The Firm is an investment adviser located in New York, NY. The Firm's "Principals" are Jason Koenig, David Smilow and James Unger. Koenig and Smilow are considered ITE's principal owners for purposes of this disclosure document.
- B. The Firm serves as an investment adviser to pooled investment vehicles (each, a "Fund," collectively, the "Funds"), including ITE Institutional Rail Fund L.L.C., CCM Railcar Holdco L.P., ITE Rail Fund L.P. (collectively, the "Rail Funds"), ITE Air Master Fund II L.P. (the "Air Fund," a Cayman Island exempted limited partnership) and ITE Air Fund L.P. (the "Domestic Fund," a Delaware limited partnership, and collectively with Air Fund, the "Air Funds"), as well as any vehicles established for the purposes of pursuing alternative investments or side agreements with an individual investor (collectively, the "Clients"). The Funds are exempt from registration under the Investment Company Act of 1940, as amended (the "Investment Company Act"), pursuant to Section 3(c)(7) of the Investment Company Act.

The Firm provides discretionary investment management services to the Funds pursuant to the Funds' investment management agreements with ITE. The Firm manages the assets of the Funds in accordance with the applicable limited partnership agreement, offering memoranda and other such agreements (the "Offering Documents").

The Firm is affiliated with certain other entities that are or may become general partners (each a "General Partner" and collectively the "General Partners") to each of the Funds. Each of ITE's current Funds are controlled by those General Partners that ITE is affiliated with as of the date of this brochure.

The advisory services of ITE and of the General Partners are described in this brochure and in the Offering Documents. The General Partners are deemed to be registered under the Investment Advisers Act of 1940, as amended (the "Advisers Act") pursuant to the registration of ITE, in accordance with SEC guidance. The information set forth herein regarding the investment advisory services provided by ITE shall also apply with respect to the General Partners.

- C. The Firm does not tailor advisory services to the individual or particular needs of investors in the Funds. As a condition of subscription, Fund investors will accept the terms of advisory services as set forth in the Fund's Offering Documents. The Firm has broad investment authority with respect to the Funds and, as such, investors should consider whether the investment objectives of the Funds will be in line with their individual objectives and risk tolerance prior to investment. Should an individual investor require tailored advisory services, the Firm may establish a separate side agreement with an individual investor.
- D. The Firm does not participate in wrap fee programs.

- E. ITE Institutional Rail Fund L.L.C. (the “Institutional Fund”) has a wholly owned equity interest in Railcar Holdings PAS II, L.L.C. (“PAS II”). PAS II issues debt to Institutional Fund investors at market interest rates with market covenants. The debt is governed by a master facility agreement (the “Master Loan Agreement”) between the Institutional Fund and PAS II. The Firm serves as the administrator to PAS II. Under the administration agreement the Firm provides or coordinates legal, accounting, tax and other professional services as well as ensure PAS II performs all its obligations under the Master Loan Agreement.
- F. Currently, the Domestic Fund invests all its investible assets in the Air Fund. The Air Fund focuses on direct investments in the aerospace industry primarily in the acquisition of and investment in commercial aircraft, engines and other assets and or related platforms (including, without limitation, interests in master limited partnerships, corporate securities, debt securities and debt obligations, including those that provide equity upside, as well as options, residuals and other call rights) that are directly or indirectly related to the aerospace industry. The Air Fund and Domestic Fund commenced operations on July 17, 2018.
- G. As of the date of this brochure, ITE manages \$1,021,190,507 in assets on a discretionary basis.

ITEM 5. FEES AND COMPENSATION

- A. The Firm's fees and compensation may vary among the Funds. The specific terms of such arrangements are established by the Firm and set forth in each Fund's Offering Documents. The Firm charges a management fee for its management and other services (the "Management Fee"). The General Partner may, in its sole discretion, waive, reduce or calculate differently (but not increase in the aggregate) such fees for any limited partner without limitation, a limited partner that is an affiliate of the General Partner or the Firm, a member of the immediate family of such a person or a trust or other entity for the benefit of such a person.

The Firm accepts subscriptions by investors for interests in the Funds that meet the definition of a "qualified purchaser", as defined in the Investment Company Act of 1940, as amended (the "Investment Company Act"). Therefore, ITE is not required to disclose a fee schedule.

The Firm receives performance-based fees, as more fully described in Item 6.

- B. The Firm deducts Management Fees from the Funds' accounts quarterly in advance. Management fees are amortized monthly by the Firm over the fiscal quarter for which such Management Fee is paid.
- C. In addition to the Management Fees described above, the Funds are responsible for certain operating expenses as disclosed in the Offering Documents.

Such operating expenses include, without limitation: investment expenses, whether or not such investments are consummated (costs and expenses associated with the investigation of investment opportunities (whether or not consummated), negotiating, financing, sourcing, acquiring, holding, hedging, settling and disposing of its investments or proposed investments, including, without limitation, expenses relating to the maintenance and/or operation of the investments of the Funds charged by third party service providers); investment-related travel expenses (which are travel expenses incurred by the Investment Manager or the General Partner related to the purchase or sale of, due diligence regarding or management of, the Funds' investments, whether or not such investments are consummated); third-party professional fees (including, without limitation, expenses of consultants, investment bankers, attorneys, accountants and other experts) relating to investments; brokerage commissions, information-related expenses, clearing and settlement charges, custodial fees, interest expenses, appraisal fees and expenses and similar expenses; fees and expenses relating to software tools, programs or other technology utilized in managing the Funds (including, without limitation, third-party software licensing, implementation, data management and recovery services and custom development costs); research and market data; administrative expenses (including, without limitation, fees and expenses of the Fund's administrator; legal expenses; external accounting and valuation expenses (including, without limitation, the cost of accounting software packages); audit and tax preparation expenses; costs related to liability insurance, umbrella insurance, property insurance and excess or contingent insurance with respect to the Funds and/or any of their assets, and errors and omissions insurance for the General

Partner and the Investment Manager; costs of printing and mailing reports and notices; taxes; corporate licensing; regulatory expenses (including expenses related to preparing and making regulatory and compliance filings associated with the Funds and the Funds investment activities, such as filing fees and costs of software and systems relating to such filings); indemnification expenses; and extraordinary expenses.

The Funds will incur brokerage costs if applicable; however, due to the nature of the Firm's business, broker-dealers are not generally used. See Item 12 – Brokerage Practices.

- D. Management Fees are paid in advance on a quarterly basis. In the unlikely event that ITE does not provide services for a full period, or if accounts are terminated according to the terms set out in the Fund's Offering Documents before the end of the relevant fiscal quarter, a pro-rata portion of the Management Fee will be returned, based on the actual number of months remaining in the relevant fiscal quarter.
- E. With respect limited partners admitted to the ITE Rail Fund L.P. after January 1, 2018, management fees are charged (A) on each date such a limited partner makes a capital contribution to the ITE Rail Fund L.P., 1% of such capital contribution and (B) 0.3750% (1.5% per annum) with respect to Levered Interests of the beginning balance of each capital account of a limited partner (before taking into account the estimated accrued Incentive Allocation, if any, that has accrued as of the applicable calculation date or have been made during the applicable calculation period) for each fiscal quarter.
- F. The Firm receives compensation for its services as the administrator to PAS II. Under the administration agreement, PAS II agrees to pay the Firm a monthly administration fee in an amount equal to \$1,000.00.
- G. Neither ITE nor any of its supervised persons will accept compensation for the sale of securities or other investment products.
- H. Certain employees of ITE may be engaged by portfolio companies as consultants and be compensated by such company. Any such engagement is approved by the Fund's Limited Partner Advisory Committee.

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

The fact that a portion of ITE's compensation is directly computed on the basis of profits generated by the sale or disposition of the Fund's assets may create an incentive for the Firm to make investments more speculative than would be the case in absence of such compensation. However, ITE is committed to acting at all times in the best interest of the Funds. To this end, ITE has implemented internal controls to address the potential conflicts associated with performance-based fees, as more fully described in the Funds' operating documents.

As of the date of this brochure, the Firm has not established a co-investment vehicle. Should the Firm establish a co-investment vehicle, such vehicle may be subject to fees and allocations which may differ among co-investors and may also differ from the fees and allocations borne by the Funds.

Rail Funds

Each of the General Partners receives performance-based compensation or an "incentive allocation" (as described below) from the Rail Funds, as specified in the Offering Documents or investment management agreements of each Fund.

Generally, at the end of each fiscal year, the General Partners will receive a performance-based allocation to the respective General Partners' capital account of a portion of the net capital appreciation (if any) allocated to each investor's capital account for such fiscal year after increasing net capital appreciation for distributions made pursuant to an income distribution election during such fiscal year and any investor-related taxes paid or accrued by the Rail Funds and reducing net capital appreciation by an amount equal to the applicable management fee debited from such capital account, subject to attaining a hurdle rate described below.

If, at the end of a fiscal year, the Rail Funds have generated net capital appreciation (after increasing for distributions made pursuant to an income distribution election and any investor-related taxes paid or accrued by the Rail Funds during the applicable fiscal year and deducting the management fee debited from such capital account) in the aggregate for such fiscal year, then such net capital appreciation will be reallocated at such time in accordance with the following paragraph and as follows: (i) first, 100% to such investor's capital account until the balance in such investor's capital account's corresponding an additional "loss recovery account" (as defined in the Offering Documents) is equal to zero; (ii) second, 100% to such investor's capital account until such investor's capital account has been allocated the hurdle amount for such fiscal year or shorter period, as applicable; (iii) third, 50% to the General Partner's capital account and 50% to such investor's capital account until the aggregate amount allocated to the General Partner's capital account pursuant to this clause (iii) for such fiscal year or shorter period, as applicable, on account of such investor's capital account equals (A) with respect to the ITE Rail Fund L.P. Levered Class, 20% of the sum of the amounts allocated pursuant to clause (ii) and this clause (iii) for such fiscal year or shorter period, (B) with respect to the ITE Institutional Rail Fund L.L.C., 10% of the sum of the amounts allocated pursuant to clause (ii) and this clause (iii)

for such fiscal year or shorter period and (C) with respect to the CCM Railcar Holdco L.P. 7.5% of the sum of the amounts allocated pursuant to clause (ii) and this clause (iii) for such fiscal year or shorter period, as applicable (the “catch-up”, and together with the amounts allocated to the General Partner’s capital account in clause (iv) below, the “Incentive Allocation”); and (iv) thereafter, (A) with respect to ITE Rail Fund L.P. Levered Class, 20% to the General Partner’s capital account and 80% to such investor’s capital account, (B) with respect to the ITE Institutional Rail Fund L.L.C., 10% to the General Partner’s capital accounts and 90% to such investor’s capital account and (C) with respect to the CCM Railcar Holdco L.P., 7.5% to the General Partner’s capital accounts and 92.5% to such investor’s capital account.

In the sole discretion of the Firm, the incentive allocation may be waived, reduced or calculated differently (but not increased in the aggregate) with respect to the capital account(s) of any investor, including, without limitation, an investor that is a member, partner, affiliate or employee of the Firm, a member of the immediate family of such a person or a trust or other entity for the benefit of such a person.

All incentive allocations vest over a two-year period and are subject to clawback provisions as defined in and set forth in each Rail Funds’ limited partnership agreements. The General Partner may, in its sole discretion, waive, reduce or calculate differently (but not increase in the aggregate) such fees for any limited partner without limitation.

Air Funds

The General Partner is entitled to receive performance-based compensation of 20% of the realized profits. Since the assets yield current income before they are sold, the General Partner will first only receive 10% of the Distributable Cash (cash received by the Air Fund, net of expenses, reserves and amounts held back for tax reasons or any other permitted purpose) attributable to a limited partner until the point in time when such limited partner has received a complete return of capital plus its preferred return. After that, there will be a 50/50 catchup so that the General Partner “catches up” and receives 20% of the total profits. After the catchup, distributions will be split between the General Partner and such limited partner 80/20.

Apportionments of Distributable Cash will be made in the first instance at the Air Fund level to the General Partner and the Domestic Fund pro rata based on the Air Fund’s ownership interest. The amount apportioned to the General Partner will be distributed in its entirety to the General Partner. Distributable Cash apportioned to each limited partner will then be distributed from the Air Fund to the General Partner and the Domestic Fund on behalf of such limited partner in the following amounts and order of priority:

- (a) 90/10 Split: First, 90% to the Domestic Fund on behalf of such limited partner and 10% to the General Partner until the Domestic Fund has received distributions from the Air Fund in respect of such limited partner in an amount equal to 100% of such limited partner’s capital contributions;

(b) 5% Preferred Return: Second, 90% to the Domestic Fund on behalf of such limited partner and 10% to the General Partner until the Domestic Fund has received cumulative distributions from the Air Fund in respect of such limited partner pursuant to this clause (b) and clauses (c) and (d) below in an amount equal to a 5% annual compounded internal rate of return on such limited partner's capital contributions (the distributions to the General Partner described in clause (a) and this clause (b) being referred to collectively as "Income Carried Interest Distribution");

(c) General Partner Catch-up: Third, 50% to the General Partner and 50% to the Domestic Fund on behalf of such limited partner until the cumulative distributions to the General Partner with respect to such limited partner equals 20% of the total amounts distributed to (i) the Domestic Fund with respect to such limited partner pursuant to the immediately preceding clause (b) and this clause (c) and (ii) the General Partner pursuant to clauses (a) and (b) above and this clause (c); and

(d) 80/20 Split: Thereafter, 80% to the Domestic Fund on behalf of such limited partner and 20% to the General Partner (the distributions to the General Partner described in clause (c) and this clause (d) being referred to collectively as "Profit Carried Interest Distribution", and together with Income Carried Interest Distribution, "Carried Interest Distribution").

In the sole discretion of the Firm, the Carried Interest Distributions may be waived, reduced or calculated differently (but not increased in the aggregate) with respect to any limited partner, including, without limitation, a limited partner that is a member, partner, affiliate or employee of the General Partner or the Investment Manager, a member of the immediate family of such a person or a trust or other entity for the benefit of such a person.

Carried Interest Distributions are subject to clawback provisions as defined in and set forth in the Air Fund's limited partnership agreement.

ITEM 7. TYPES OF CLIENTS

As further described in Item 4 of this brochure, ITE provides investment advisory services to pooled investment vehicles which generally operate as exempt investment companies under the Investment Company Act. The Funds are typically limited to individuals and entities that meet the criteria of “qualified purchasers”, as defined in the Investment Company Act.

Prospective investors should refer to the Offering Documents of the Funds for information on minimum investment requirements. Typically, ITE will require a minimum investment, although ITE maintains discretion to individually waive, increase or reduce the minimum investment required.

The Firm may, from time to time, offer one or more investors and/or other third-party investors the opportunity to co-invest with the Funds in particular investments. The Firm is not obligated to arrange co-investment opportunities, and no investor will be obligated to participate in such an opportunity. As of the date of this brochure, ITE has not established any co-investment vehicles, nor has it arranged any co-investment opportunities. Certain Funds invest in assets through a joint venture vehicle with a third-party rail car operator and may enter into other such joint ventures in the future.

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

- A. The descriptions set forth in this brochure of specific advisory services that the Firm offers to clients, and investment strategies pursued, and investments made by the Firm on behalf of its clients, should not be understood to limit in any way its investment activities. The Firm may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this brochure, that the Firm considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies the Firm pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

General Risk of Loss. An investment in the Funds will involve significant risk. No guarantee or representation is made that the Fund's investment programs, including, without limitation, the Fund's investment objectives, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time. No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past investment results of the investments made by the investment professionals of the Firm are not necessarily indicative of their future performance.

- B. *Listed below are some of the risks that will be associated with a Fund's investment. The following explanation of certain risks is not exhaustive, but rather highlights some of the more significant risks involved in a Fund's investment strategies. Please note, not all risks are applicable to each Fund; there are important differences in how these risks may affect each Fund. For a complete explanation of the relevant investment strategies and their associated risks specific to each Fund, investors should review the relevant Offering Documents or investment management agreement, which may contain additional explanations of strategies, risks and other related details not discussed below.*

General Risks

Dependence Upon the General Partner, the Investment Manager and the Principals. The Funds success will depend on the management of the General Partner and the Investment Manager. The Principals' reputations and relationships with lessees, lessors, manufacturers, buyers and financiers are a critical element to the success of the Funds business. The Funds depend on the diligence, skill and network of business contacts of the management team. The Funds believe that their future success will depend, to a significant extent, upon the continued service of the Principals. If any one of the Principals should cease to participate in the Funds business, the Funds ability to select attractive investments and manage their portfolio could be severely impaired.

Limited Partners should be aware that they will have no right to participate in the management of the Funds, the General Partner or the Investment Manager, and they will have no opportunity to select or evaluate any of the Fund's investments or strategies. Accordingly, Limited Partners should not invest in the Funds unless they are willing to entrust all aspects of the management of the Funds and their investments to the discretion of the General Partner and the Investment Manager.

Effect of Substantial Losses. If, due to extraordinary market conditions or other reasons, the Funds and other private investment funds managed by the Investment Manager were to incur substantial losses, the revenues of the Investment Manager may decline substantially. Such losses may hamper the Investment Manager's ability to (i) retain employees, (ii) provide the same level of service to the Funds as it has in the past, and (iii) continue operations.

In-Kind Distributions. Under certain circumstances a withdrawing investor may receive distributions in kind in lieu of, or in combination with, cash. Such distributions may include loans, interests in one or more liquidating vehicle holding investments owned by the Funds, or participations therein. To the extent a withdrawing investor is distributed interests in special purpose vehicles, such withdrawing investor will continue to be at risk with respect to the Funds' business. The value of the investments distributed in kind may increase or decrease before they are sold either by the withdrawing investor, if received directly, or by ITE or its affiliates, if held through a special purpose vehicle. In either case, the withdrawing investor will incur transaction costs in connection with the sale of any such investments and, in the case of interests in a liquidating vehicle, will bear a proportionate share of the operating and other expenses borne by such vehicle. Instruments distributed in kind will not be readily marketable. The risk of loss and delay in liquidating these vehicles will be borne by the investor, with the result that such investor may ultimately receive less cash than it would have received on the date of withdrawal if it had been paid in cash. Furthermore, to the extent that a withdrawing investor receives interests in special purpose vehicles, such withdrawing investor will generally have no voting rights or any control over when and at what price the investments in which such vehicles have an interest are sold.

Valuation of Assets and Liabilities. The Funds' assets and liabilities are valued in accordance with the Firm's valuation policy. The valuation of any asset or liability involves inherent uncertainty. The value of an investment determined in accordance with the valuation policy may differ materially from the value that could have been realized in an actual sale or transfer for a variety of reasons, including the timing of the transaction and liquidity in the market. Uncertainties as to the valuation of portfolio positions could have an impact on the net asset value of the Funds if the judgments of the Principals regarding the appropriate valuation should prove to be incorrect.

Cybersecurity Risk. As part of its business, the Firm processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Funds and personally identifiable information of the investors. Similarly, service providers of the Firm or the Funds, especially the administrator, may process, store and transmit such information. The Firm has procedures and systems in place to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute

security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to the Firm may be susceptible to compromise, leading to a breach of the Firm's network. The Firm's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services provided by the Firm to the investors may also be susceptible to compromise. Breach of the Firm's information systems may cause information relating to the transactions of the Funds and personally identifiable information of the investors to be lost or improperly accessed, used or disclosed.

The service providers of the Firm and the Funds is subject to the same electronic information security threats as the Firm. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the Funds and personally identifiable information of the Investors may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of the Firm's or the Funds' proprietary information may cause the Firm or the Funds to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the Funds and the investors' investments therein.

ASC 820—Fair Value Measurements and Disclosures; Potential GAAP vs. Valuation Policy Reporting Difference. The Funds' assets and liabilities are valued in accordance with the Firm's valuation policy. However, for purposes of preparing the Funds' annual audited financial statements, which are prepared in accordance with GAAP, certain of the Funds' assets and liabilities may be valued in a manner that, while consistent with GAAP, is different from the manner in which such assets are valued pursuant to the valuation policy.

Specifically, for purposes of GAAP-compliant financial reporting, the Funds are required to follow a specific framework for measuring the fair value of its assets and liabilities, and is required to provide certain additional disclosures regarding the use of fair value measurements in its audited financial statements. Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, formerly known as FAS 157 ("ASC 820"), defines and establishes a framework for measuring fair value under GAAP and expands financial statement disclosure requirements relating to fair value measurements. Other valuation-related requirements are contained in other provisions of GAAP, and sections of the codification. Additional FASB ASCs and updates and additional provisions of GAAP that may be adopted in the future may also impose additional, or different, specific requirements as to the valuation of assets and liabilities for purposes of GAAP-compliant financial reporting.

Accordingly, to the extent that GAAP would require any of the Funds' assets or liabilities to be valued in a manner that differs from the valuation policy, such assets or liabilities will be valued (x) in accordance with GAAP, solely for purposes of preparing the Funds' GAAP-compliant annual audited financial statements, and (y) in accordance with the valuation policy (without regard to any GAAP requirements relating to the determination of fair value) for all other purposes, including, without limitation, for purposes of allocating gains and losses among the investors, which, as described in the Offering Documents, is relevant to, among other things, the determination of net asset value of a capital account, the calculation of the Management Fee and the Incentive Allocation, and the amounts payable by the Funds in respect of a withdrawal by or distribution to an investor.

Generally, accounting rules (including ASC 820) applicable to investment funds and various assets in which they invest are evolving. Such changes may adversely affect the Funds. For example, the evolution of rules governing the determination of the fair market value of assets to the extent such rules become more stringent would tend to increase the cost and/or reduce the availability of third-party determinations of fair market value. This may in turn increase the costs associated with selling assets or affect their liquidity due to inability to obtain a third-party determination of fair market value.

ASC 740—Accounting Changes; Effect on Net Asset Value. Pursuant to FASB ASC 740, formerly known as FIN 48 (“ASC 740”), which provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in financial statements, the Funds are required to determine whether a tax position, based on its technical merits, meets a more-likely-than-not recognition threshold that the position will be sustained upon examination. As a result of such a determination, the Funds may be required to recognize a contingent tax liability in its net asset value calculation if the related tax position meets the recognition criterion in ASC 740 and, conversely, may be required to unrecognize a contingent tax liability in its net asset value calculation if the related tax position does not meet the recognition criterion in ASC 740. In addition, the net asset value of the Funds may be adjusted if an uncertain tax position is settled. Since ASC 740 has only recently been adopted, the Funds may be required to recognize in its financial statements contingent liabilities that under prior custom and practice in the industry would not have been recognized. Such contingent liabilities may also relate to time periods that predate an investor's investment in the Funds. Recognition and measurement of each tax position, including any tax position for which there is a lack of authority and audit experience, is determined by the Principals, in its sole discretion, based on discussions with the Firm, tax advisers and the auditor and based on the facts and circumstances known at the time. There can be no assurance that any such determination will not change over time. Adjustments made to the net asset value of the Funds in connection with the recognition or unrecognition of contingent tax liabilities may have a material positive or negative effect on certain investors and prospective investors, depending on the circumstances.

Counterparty Risk. The Funds expect to establish relationships to obtain financing, derivative intermediation and prime brokerage services that permit the Funds to trade in certain markets or asset classes over time. However, there can be no assurance that the Funds will be able to establish or maintain such relationships. An inability to establish or maintain such relationships could limit the Funds' investing activities, create losses,

preclude the Funds from engaging in certain transactions or prevent the Funds from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships could have a significant impact on the Funds' business due to the Funds' reliance on such counterparties.

The Funds may affect transactions in the "over-the-counter" or "OTC" derivatives markets. The stability and liquidity of OTC derivatives transactions depends in large part on the creditworthiness of the parties to the transactions. In the OTC markets, the Funds enter into a contract directly with dealer counterparties which may expose the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms because of a solvency or liquidity problem with the counterparty. Delays in settlement may also result from disputes over the terms of the contract (whether or not bona fide). In addition, the Funds may have a concentrated risk in a particular counterparty, which may mean that if such counterparty were to become insolvent or have a liquidity problem, losses would be greater than if the Funds had entered into contracts with multiple counterparties. Certain OTC derivative contracts require that the Funds post collateral.

If there is a default by a counterparty, the Funds under most normal circumstances will have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of the Funds being less than if the Funds had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. In such case, the recovery of the Funds' investments from such counterparty or the payment of claims therefore may be significantly delayed and the Funds may recover substantially less than the full value of the investments entrusted to such counterparty. In addition, there are a number of proposed rules that, if they were to go into effect, may impact the laws that apply to insolvency proceeding and may impact whether the Funds may terminate its agreement with an insolvent counterparty.

Collateral that the Funds post to counterparties that is not segregated with a third party custodian may not have the benefit of customer-protected "segregation" of such funds. In the event that a counterparty were to become insolvent, the funds may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return.

In addition, the Funds may use counterparties located in jurisdictions outside the United States. Such local counterparties usually are subject to laws and regulations in non-U.S. jurisdictions that are designed to protect customers in the event of their insolvency. However, the practical effect of these laws and their application to the Funds' assets are subject to substantial limitations and uncertainties. Because of the range of possible factual scenarios involving the insolvency of a counterparty and the potentially large number of entities and jurisdictions that may be involved, it is impossible to generalize about the effect of such an insolvency on the Funds and its assets. Investors should assume that the insolvency of any such counterparty would result in significant

delays in recovering the Funds' investments from or the payment of claims therefor by such counterparty and a loss to the Funds, which could be material.

Competition; Availability of Investments. Certain markets in which the Funds may invest are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that the Firm will be able to identify or successfully pursue attractive investment opportunities in such environments.

Co-Investments with Third Parties. The Funds may co-invest with third parties through joint ventures or other entities. Third-party involvement with an investment may negatively impact the returns of such investment if, for example, the third-party co-venturer has financial difficulties, has economic or business interests or goals that are inconsistent with those of the Funds or is in a position to take (or block) action in a manner contrary to the Funds' investment objectives. In circumstances where such third parties involve a management group, such third parties may enter into compensation arrangements relating to such investments, including incentive compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments.

General Economic and Market Conditions. The success of the Funds' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Funds' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of the Funds' investments. Volatility or illiquidity could impair the Funds' profitability or result in losses. The Funds may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

Risks of Investments in Physical Assets. The Funds will invest in hard assets such as rail cars, aircraft and related assets. These investments are subject to risks that include, among others, destruction, loss, terrorist attacks, industry-specific regulation (e.g., pollution control regulation), operating failures and labor relations. In addition, the regulation of such assets is extensive and variable, and the Funds' investments in such assets could be wholly illiquid for long periods of time. Prices of physical assets are affected by factors such as global supply and demand, investors' expectations with respect to the rate of inflation, currency exchange rates, interest rates, investment and trading activities of hedge funds and commodity funds, and global or regional political, economic or financial events and situations. Markets can be volatile at times, and there may be sharp fluctuations in prices even during periods of rising prices.

Infrastructure Risks. Infrastructure assets may be subject to a variety of risks, not all of which can be foreseen or quantified, including: (i) the burdens of ownership of infrastructure; (ii) local, national and international political and economic conditions; (iii) the supply and demand for services from and access to infrastructure; (iv) the financial condition of users and suppliers of infrastructure assets; (v) changes in interest rates and the availability of funds which may render the purchase, sale or refinancing of infrastructure assets difficult or impracticable; (vi) changes in environmental laws and

regulations, planning laws and other governmental rules; (vii) changes in energy prices; (viii) changes in fiscal and monetary policies; (ix) under-insured or uninsurable losses, such as force majeure acts and terrorist events and (x) other factors which are beyond the reasonable control of the Funds. Many of the foregoing factors could cause fluctuations in usage, expenses and revenues, causing the value of investments to decline and a material adverse effect on the Funds' investments. In acquiring or attempting to acquire infrastructure investments, the Funds may need to participate in competitive bidding and may incur significant expenses in doing so. Many infrastructure investments are subject to substantial governmental regulation that could negatively impact the investment.

Hazardous Materials. One or more of the Funds' rail car or aircraft investments may transport hazardous materials. An accidental release of hazardous materials could result in significant loss of life and extensive property damage. The associated costs could have an adverse effect on the Funds' operating results, financial condition or liquidity.

Labor Unions. Many railroad and airline employees and rail car/aircraft manufacturer employees are union-represented and work under collective bargaining agreements with various labor organizations. If these union-represented employees were to engage in a strike, work stoppage or other slowdown, or other employees were to become unionized or their terms and conditions in future labor agreements were renegotiated, one or more of the Funds' rail car or airline investments could experience significant disruption, which could impact the flow of new product.

Governmental and Industry Regulations of Rail Car and Aircraft Operations. The Funds' rail car and aircraft operations are subject to federal, state, administrative and industry laws and regulations. The Funds could incur significant costs, fines and penalties as a result of any allegations or findings to the effect that the Funds has violated or are strictly liable under these laws or regulations.

Catastrophic Loss. The operation of any rail car or aircraft carries with it an inherent risk of catastrophe, mechanical failure, collision, and property loss. In the course of the Funds' operations, spills or other environmental mishaps, cargo loss or damage, business interruption due to political developments, as well as labor disputes, strikes and adverse weather conditions, could result in a loss of revenues or increased liabilities and costs. Collisions, cargo leaks or explosions, environmental mishaps, or other accidents can cause serious bodily injury, death, and extensive property damage, particularly when such accidents occur in heavily populated areas. Additionally, the Funds' operations may be affected from time to time by natural disasters such as earthquakes, volcanoes, floods, hurricanes or other storms. The occurrence of a major natural disaster could have a material adverse effect on our operations and financial condition. The Funds maintain umbrella insurance that is consistent with industry practice against the accident-related risks involved in the conduct of our business and business interruption due to natural disaster. However, this insurance is subject to a number of limitations on coverage, depending on the nature of the risk insured against. This insurance may not be sufficient to cover certain damages and may not continue to be available at commercially reasonable rates. In addition, the Funds are subject to the risk that one or more of its insurers may become insolvent and would be unable to pay a claim that may be made in the future. Even with insurance, if any

catastrophic interruption of service occurs, a railroad or airline may not be able to restore service without a significant interruption to operations which could have an adverse effect on the use of the rail cars or aircraft.

In addition, adverse events directly and indirectly attributable to the Funds, including such things as derailments, accidents, discharge of toxic or hazardous materials, or other like occurrences in the industry, may result in increases in the Funds' insurance premiums and could result in limitations to the coverage under the Funds' existing policies.

Lack of Insurance on Cash and Other Liquid Assets. The cash and other liquid assets of the Funds are not insured by any government or private insurer except to the extent portions of their portfolio may be deposited in bank accounts insured by the United States Federal Deposit Insurance Corporation and such deposits are subject to such insurance coverage (which, in any event, is limited in amount). Therefore, in the event of the insolvency of a depository or custodian, the Funds may be unable to recover all of their funds.

Leasing Risks. The Funds' investments may include various types of leases, including, without limitation, rail car and airplane leases. If a lessee goes bankrupt, its bankruptcy trustee may repudiate a lease and return the equipment or other property to the lessor. Other risks may arise out of the lessor-lessee relationship, including, without limitation, the lessee's failure to properly maintain the asset that is the subject of the lease.

Long-Term Investments. The success of the Funds' long-term investment strategies depend upon the Firm's ability to identify and purchase investments that are undervalued and hold such investments so as to maximize value on a long-term basis. In pursuing any long-term strategy, the Funds may forego value in the short-term or temporary investments in order to be able to avail the Funds of additional and/or longer-term opportunities in the future. Consequently, the Funds may not capture maximum available value in the short-term. Since the Funds may only make a limited number of investments and since many of the investments may involve a high degree of risk, poor performance by a few of the investments could severely affect the total return to investors.

Investment Expenses. The investment expenses associated with the Funds contemplated investment program (including, but not limited to, interest expense incurred in connection with the Funds borrowings, as well as the costs of negotiating and documenting individual loan documents and leases), as well as other Funds fees, may, in the aggregate, constitute a high percentage relative to other investment entities. Investment costs associated with financing and leasing, particularly in international or multi-jurisdictional transactions, may be particularly high, since each separate transaction is likely to require individual and negotiated transaction documentation. The Funds will bear these costs regardless of its profitability.

Risks Related to Leverage and Borrowing.

Leverage for Investment Purposes. The use of leverage with respect to the Funds and special purpose vehicles (an “SPV”) will allow the Funds and SPVs to make additional investments, thereby increasing their exposure to assets, such that their total assets may be greater than their capital. However, leverage will also magnify the volatility of changes in the value of the Funds’ and the SPVs’ portfolios. The effect of the use of leverage by the Funds and the SPVs in a market that moves adversely to their investments could result in substantial losses to the Funds and the SPVs, which would be greater than if the Funds and the SPVs were not leveraged.

While leverage presents opportunities for increasing the Funds’ total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment by the Funds or an SPV would be magnified to the extent an investment is leveraged. The cumulative effect of the use of leverage by the Funds and the SPVs in a market that moves adversely to such Funds’ and the SPVs’ investments could result in a substantial loss which would be greater than if the Funds and the SPVs were not leveraged.

Borrowing for Cash Management and other Purposes. The Funds also have the authority to borrow for cash management and other purposes, such as to satisfy withdrawal requests. The rates at and terms on which the Funds can borrow will affect the operating results of the Funds.

Collateral. The instruments and borrowings utilized by the Funds and the SPVs to leverage investments may be collateralized by all or a portion of the Funds’ and the SPVs’ portfolios. Accordingly, the Funds and/or the SPVs may pledge the investments in order to borrow or otherwise obtain leverage for investment or other purposes. Should the investments pledged to brokers to secure the Funds’ and/or the SPVs’ margin accounts decline in value, the Funds and/or the SPVs could be subject to a “margin call”, pursuant to which the Funds and/or the SPVs must either deposit additional funds or investments with the broker or suffer mandatory liquidation of the pledged investments to compensate for the decline in value. The banks and dealers that provide financing to the Funds and/or the SPVs can apply essentially discretionary margin, “haircut”, financing and collateral valuation policies. Changes by counterparties in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. Lenders that provide other types of asset-based or secured financing to the Funds and/or the SPVs may have similar rights. There can be no assurance that the Funds and/or the SPVs will be able to secure or maintain adequate financing.

Costs. Borrowings will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on the Funds’ and/or the SPVs’ portfolios.

Diversification and Concentration. The Firm is expected to select investments that are concentrated in rail cars, airplanes, and other hard assets. This limited diversification may result in the concentration of risk, which, in turn, could expose the Funds to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such investments.

Hedging Transactions. The Funds may utilize investments for risk management purposes in order to: (i) protect against possible changes in the market value of the Funds' investment portfolio resulting from fluctuations in the markets and changes in interest rates; (ii) protect the Funds' unrealized gains in the value of its investment portfolio; (iii) facilitate the sale of any investments; (iv) enhance or preserve returns, spreads or gains on any investment in the Funds' portfolios; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of the Funds' investments; (vii) protect against any increase in the price of any investments the Funds anticipate purchasing at a later date; or (viii) act for any other reason that the Firm deems appropriate. The Funds will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally. The Firm may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While the Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if it had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

Discretion of the Firm; New Strategies and Techniques. While the Firm will generally seek to employ the representative investment strategies and techniques discussed herein, the Firm (subject to the policies and control of the General Partners) has considerable discretion in the types of investments the Funds may invest and has the right to modify the investment strategies and techniques of the Funds without the consent of the investors. New investment strategies and techniques may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings which could result in unsuccessful trades and, ultimately, losses to the Funds. In addition, any new investment strategy or technique developed by the Funds may be more speculative than earlier investment strategies and techniques and may involve material and as-yet-unanticipated risks that could increase the risk of an investment in the Funds.

Master Limited Partnerships. An investment in a master limited partnership (an "MLP") unit involves risks that differ from those associated with investments in similar equity securities, such as common stock of a corporation. Holders of MLP units usually have the rights typically afforded to limited partners in a limited partnership, and as such have limited control and voting rights on matters affecting the partnership. In addition, there is the risk that an MLP could be, contrary to its intention, taxed as a corporation, resulting in decreased returns from such MLP. Further, conflicts of interest may exist between common unit holders, subordinated unit holders and the general partner of the MLP, including those arising from incentive distribution payments.

Convertible Securities. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Funds is called for redemption, the Funds will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Funds' ability to achieve its investment objective.

Commodities.

Factors affecting Commodities Prices. The values of commodities which underlie the commodity futures contracts and other types of financial instruments are generally affected by, among other factors, the cost of producing commodities, changes in consumer demand for commodities, the hedging and trading strategies of producers and consumers of commodities, speculative trading in commodities by commodity pools and other market participants, disruptions in commodity supply, weather and climate conditions, changes in interest rates, rates of inflation, currency devaluations and revaluations, embargoes, tariffs, regulatory developments, governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies, political and other global events and global economic factors. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in certain markets and this intervention may cause these markets to move rapidly. The Funds and the Investment Manager have no control over the factors that affect the price of commodities. Accordingly, the value of the Fund's investments could change substantially and in a rapid and unpredictable manner.

Cash Commodities. Contracts governing the purchase and sale of specific physical commodities (known as "cash commodities") for immediate or deferred delivery may differ from each other with respect to terms such as quantity, grade, mode of shipment, terms of payment, penalties and risk of loss. There is no limit on daily price movements of cash commodities and banks, brokerage firms, and dealers in cash commodities are not required to continue to make markets in any commodity. Lastly, the CFTC does not comprehensively regulate cash transactions, which are subject to the risk of the foregoing entities' failure, inability or refusal to perform with respect to such contract.

Currencies. A principal risk in trading currencies is the rapid fluctuation in the market prices of currency contracts. Prices of currency contracts traded by the Funds are affected generally by relative interest rates, which in turn are influenced by a wide variety of complex and difficult to predict factors such as money supply and demand, balance of payments, inflation levels, fiscal policy, and political and economic events. In addition, governments from time to time intervene, directly and by regulation, in these markets, with the specific effect, or intention, of influencing prices which may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

Debt Securities. Debt securities of all types of issuers may have speculative characteristics, regardless of whether they are rated. The issuers of such instruments (including sovereign issuers) may face significant on-going uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal in accordance with the terms of the obligations.

Interest Rate Risk. Changes in interest rates can affect the value of the Funds' investments in fixed-income instruments. Increases in interest rates may cause the value of the Funds' debt investments to decline. The Funds may experience increased interest rate risk to the extent it invests, if at all, in lower-rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero-coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments.

Future Funding Obligations. The Funds may from time to time incur funding obligations that may arise in the future in connection with an investment. For example, the Firm may cause the Funds to purchase from a lender a revolving credit facility that has not yet been fully drawn. If the borrower subsequently draws down on the facility, the Funds' would be obligated to fund the amounts due. If the Funds are unable to pay its obligations when due, the Funds could face significant penalties that could materially adversely affect its returns. The Funds may also enter into agreements pursuant to which it agrees to assume responsibility for default risk presented by a third party, and may, on the other hand, enter into agreements through which third parties offer default protection to the Funds.

High-Yield. Bonds or other fixed-income securities that are "higher yielding" (including non-investment grade) debt securities are generally not exchange traded and, as a result, these securities trade in the over-the-counter marketplace, which is less transparent and has wider bid/ask spreads than the exchange-traded marketplace. High-yield securities face on-going uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the issuer's inability to meet timely interest and principal payments. High-yield securities are generally more volatile and may or may not be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured by substantially all of the issuer's assets. High-yield securities may also not be protected by financial covenants or limitations on additional indebtedness. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities may be highly leveraged and may not have available to them more traditional methods of financing. In addition, the Funds may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments.

The Funds may invest in obligations of issuers that are generally trading at significantly higher yields than had been historically typical of the applicable issuer's obligations. Such investments may include debt obligations that have a heightened probability of being in covenant or payment default in the future or that are currently in default and are generally considered speculative. The repayment of defaulted obligations is subject to significant

uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments. Typically such workout or bankruptcy proceedings result only in partial recovery of cash payments or an exchange of the defaulted security for other debt or equity securities of the issuer or its affiliates, which may in turn be illiquid or speculative.

Corporate Debt. Bonds, notes and debentures issued by corporations may pay fixed, variable or floating rates of interest, and may include zero-coupon obligations. Corporate debt instruments may be subject to credit ratings downgrades. Other instruments may have the lowest quality ratings or may be unrated. In addition, the Funds may be paid interest in kind in connection with its investments in corporate debt and related financial instruments (e.g., the principal owed to the Funds in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, the Funds may experience substantial losses.

Mezzanine Debt. Mezzanine debt is typically junior to the obligations of a company to senior creditors, trade creditors and employees. The ability of the Funds to influence a company's affairs, especially during periods of financial distress or following an insolvency, will be substantially less than that of senior creditors. Mezzanine debt instruments are often issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. Default rates for mezzanine debt instruments have historically been higher than for investment-grade instruments. In the event of the insolvency of a portfolio company of the Funds or similar event, the Funds' debt investment therein will be subject to fraudulent conveyance, subordination and preference laws.

Stressed Debt. Stressed issuers are issuers that are not yet deemed distressed or bankrupt and whose debt securities are trading at a discount to par, but not yet at distressed levels. An example would be an issuer that is in technical default of its credit agreement, or undergoing strategic or operational changes, which results in market pricing uncertainty. The market prices of stressed and distressed instruments are highly volatile, and the spread between the bid and the ask prices of such instruments is often unusually wide.

Equitable Subordination. Under common law principles that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called "equitable subordination"). If the Funds engage in such conduct, the Funds may be subject to claims from creditors of an obligor that debt held by the Funds should be equitably subordinated.

Equity Securities Generally. The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, the Funds may suffer losses if it invests in equity instruments of issuers whose performance diverges from the Firm's expectations or if equity markets generally move in a single direction and the Funds have not hedged against such a general move. The Funds also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Liquidity Risks; Illiquidity of Investments. The Funds will invest a significant amount of their capital in securities or other assets for which no, or only a limited, market exists or that are subject to legal or other restrictions on transfer. The market prices, if any, for such assets tend to be volatile, and may fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic or international economic or political events, developments or trends in any particular industry, and the financing condition of the obligors on the Funds' assets. Accordingly, the Funds may not be able to sell assets when the Funds desire to do so or to realize what the General Partner perceives to be the fair value of their assets in the event of a sale. The sale of illiquid assets and restricted securities often requires more time and the incurrence of significant selling expense by the Funds. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. In addition, in times of extreme market disruption, there may be no market at all for one or more of the asset classes held by the Funds, potentially resulting in the inability of the Funds to dispose of their assets for an indefinite period of time.

Private Equity Investments.

Risk of Early Stage Companies. Investments in the private equity of companies at an early stage of development involves a high degree of business and financial risk. Early-stage companies with little or no operating history may require substantial additional capital to support expansion or to achieve or maintain a competitive position, may produce substantial variations in operating results from period to period or may operate at a loss. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, better marketing and service capabilities and a larger number of qualified management and technical personnel. Such risks may adversely affect the performance of such investments and result in substantial losses.

Control Issues. Although the Investment Manager may seek protective provisions, including, possibly, board representation, in connection with certain of its private equity investments, to the extent the Funds take minority positions in companies in which they invest, the Investment Manager may not be in a position to exercise control over the management of such companies, and, accordingly, may have a limited ability to protect its position in such companies.

Highly-Leveraged Companies. Investments in private equity of highly-leveraged companies involve a high degree of risk. The use of leverage may increase the exposure of such companies to adverse economic factors such as downturns in the economy or deterioration in the conditions of such companies or their respective industries. In the event any such company cannot generate adequate cash flow to meet debt service, the Funds may suffer a partial or total loss of capital invested in the company, which, depending on the size of the Funds' investments, could adversely affect the return on the capital of the Funds.

Derivative Instruments. Certain swaps, options and other derivative instruments may be subject to various types of risks, including but not limited to market risk, liquidity risk, credit risk, legal risk and operations risk. Derivative instruments traded over-the-counter may not have an authoritative source of valuation and the models used to value such derivatives are subject to change. Special risks may apply in the future that are not presently contemplated. The regulatory and tax environment for derivative instruments in which the Funds may participate is evolving, and changes in the regulation or taxation of such investments may have a material adverse effect on the Funds.

Derivatives Regulation. Since the introduction of the Dodd-Frank Act in 2010, the CFTC has promulgated many final rules related to derivatives and such regulations may negatively affect the Funds. Parties that act as dealers in swaps, for example, are subject to extensive business conduct standards, additional “know your counterparty” obligations, recordkeeping, reporting, portfolio reconciliation, documentation standards and capital requirements and, when regulations are finalized, will become subject to margin requirements. Similar rules related to security-based swaps will soon be published.

Requirements such as these will raise the costs of entering into derivative transactions, and these increased costs will likely be passed on to the Funds. The new rules also add additional operational and technological burdens on the Funds. Currently, with respect to swaps, the Funds must engage in portfolio reconciliation, recordkeeping, reporting and other transaction level obligations, which increase the compliance burdens and costs to the Funds. These compliance obligations require certain training of employees and technology, and there are operational risks as the Funds implement procedures to comply with many of these additional obligations. Certain swap transactions have become (or will become) subject to anonymous “real time reporting”, meaning that transactions entered into by the Funds will become visible to the market in ways that may harm the Funds’ ability to enter into additional transactions at comparable prices or could enable competitors to “front run” or replicate the Funds’ strategies. In addition, certain swap transactions have become (or will become) subject to mandatory trading on regulated trading venues such as swap execution facilities (“SEFs”), which will require the Funds to subject themselves to regulation by these venues and subject the Funds to the jurisdiction of the CFTC. It is not clear whether these trading venues will benefit or impede liquidity, or how they will fare in times of market stress. Trading on these trading venues may increase the pricing discrepancy between assets and their hedges as products may not be able to be executed simultaneously, therefore increasing basis risk. It may also become relatively expensive for the Funds to obtain tailored swap products to hedge particular risks in its portfolio due to higher collateral requirements on bilateral transactions as a result of the new regulations. The SEC still is at a nascent stage for

implementing rules related to security-based swaps. It is possible that security-based swaps will be subject to different rules and regulations than swaps. Since the division of “swaps” (regulated by the CFTC) and “security-based swaps” (regulated by the SEC) is a regulatory distinction rather than a product distinction, substantively similar products may have significantly different regulatory treatment. This may mean that the operational complexities of trading various derivative instruments is increased. Overall, new regulations may also render certain strategies in which the Funds might otherwise engage impossible or so costly that they will no longer be economical to implement. The impact of the Dodd-Frank Act or comparable regulations in other jurisdictions on the Funds is uncertain, and it is unclear how the over-the-counter derivatives markets will adapt to this new regulatory regime or any additional regulation in the future.

Swaps. Swap agreements and options on swap agreements may increase or decrease the holder’s exposure to, for example, equity securities, long-term or short-term interest rates, non-U.S. currency and are known by a variety of names. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Funds’ portfolios. Moreover, the Funds will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Funds to post or maintain required collateral. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Funds’ ability to terminate swap transactions or to realize amounts to be received under such transactions.

Call Options. The seller (writer) of a call option which is covered (i.e., the writer holds the underlying investment) assumes the risk of a decline in the market price of the underlying investment below the purchase price of the underlying investment less the premium received, and gives up the opportunity for gain on the underlying investment above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying investment above the exercise price of the option. The investments necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing investments to cover the exercise of an uncovered call option can cause the price of the investments to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

Put Options. The seller (writer) of a put option which is covered (i.e., the writer has a short position in the underlying investment) assumes the risk of an increase in the market price of the underlying investment above the sales price (in establishing the short position) of the underlying investment plus the premium received, and gives up the opportunity for gain on the underlying investment if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying investment below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Index or Index Options. The value of an index or index option fluctuates with changes in the market values of the assets included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular asset, whether the Funds will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the assets generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular assets.

Index Futures. The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, participants may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by the Funds also is subject to the Firm's ability to correctly predict movements in the direction of the market.

Credit Default Swaps. Credit default swaps can be used to implement the Firm's view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, the Funds may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the Funds to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The Funds may also buy credit default protection with respect to a referenced entity if, in the Firm's judgment, there is a high likelihood of credit deterioration. In such instance, the Funds will pay a premium regardless of whether there is a credit event.

Futures Contracts. The value of futures contracts depends upon the price of the investments, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which the Funds' positions trade or of its clearing houses or counterparties. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Funds from promptly liquidating unfavorable positions and subject the Funds to substantial losses or prevent it from entering into desired trades. Also, low margin or

premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Forward Contracts. The Funds may enter into forward contracts and options thereon, including non-deliverable forwards, which are currently not traded through clearinghouses, although this is expected to change. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. The imposition of credit controls or price risk limitations by governmental authorities may limit such forward trading to less than that which the Investment Manager would otherwise recommend, to the possible detriment of the Funds. In their forward trading, the Funds will be subject to the risk of the failure of, or the inability or refusal to perform with respect to their forward contracts by, the principals with which the Funds trade. Fund assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. The Investment Manager may order trades for the Funds in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject the Funds to the risk of loss.

Contracts for Differences. Contracts for differences ("CFDs") are privately negotiated contracts between two parties, buyer and seller, stipulating that the seller will pay to or receive from the buyer the difference between the nominal value of the underlying instrument at the opening of the contract and that instrument's value at the end of the contract. The underlying instrument may be a single security, stock basket or index. A CFD can be set up to take either a short or long position on the underlying instrument. The buyer and seller are both required to post margin, which is adjusted daily. The buyer will also pay to the seller a financing rate on the notional amount of the capital employed by the seller less the margin deposit. As is the case with trading any financial instrument, there is the risk of loss associated with trading a CFD. There may be liquidity risk if the underlying instrument

Non-U.S. Futures Transactions. Foreign futures transactions involve executing and clearing trades on a foreign exchange. This is the case even if the foreign exchange is formally "linked" to a domestic exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No domestic organization regulates the activities of a foreign exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of the foreign exchange or the laws of the foreign country. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, the Funds may not be afforded certain of the protections which apply to domestic transactions, including the right to

use domestic alternative dispute resolution procedures. In particular, funds received from customers to margin foreign futures transactions may not be provided the same protections as funds received to margin futures transactions on domestic exchanges. In addition, the price of any foreign futures or option contract and, therefore, the potential profit and loss resulting therefrom, may be affected by any fluctuation in the foreign exchange rate between the time the order is placed and the time the foreign futures contract is liquidated or the time the foreign option contract is liquidated or exercised.

Failure to Enter into Offsetting Trade. To the extent the Funds invest in a futures contract or option long, unless an offsetting trade is made, the Funds would be required to take physical delivery of the commodity underlying the future or option. To the extent the Firm fails to enter into such offsetting trade prior to the expiration of the contract, the Funds may suffer a loss since neither the Funds nor the Firm has the operational capacity to accept physical delivery of commodities.

Exotic Options. Exotic options are typically, but not always, traded over-the-counter. OTC contracts may not trade in a liquid market and pricing may be opaque. The illiquidity of these markets can be exacerbated in times of market stress. The Funds may incur substantial costs entering into and exiting positions that could have a material impact on performance. Exotic options may be subject to a higher degree of pricing risk as demonstrated by instances in which different counterparties in the market employ different valuation and pricing methodologies to the same exotic option. Because exotic options can often be highly customized, there is lower visibility with respect to the pricing and valuation of these instruments. Exotic options may be subject to high levels of price volatility. For example, in the case of barrier options, as the price of the asset underlying the option trades closer to a barrier level, the delta of the option (i.e., the ratio of the change in the price of the underlying asset to the corresponding change in the price of the option) and the gamma of the option (i.e., the rate of change of the delta with respect to the underlying asset's price) may become very high. Exotic options may be subject to higher levels of model risk than commonly traded options because standard models are not able to adequately capture or predict the risks associated with the exotic options. Exotic options may be "path dependent". This means that their terminal value (at exercise or expiration) depends upon the value of the underlying asset, not only at the time of exercise or expiration, but also at prior points in time. In this sense, the option's terminal value depends upon the "path" taken by the underlying asset over the life of the option. For example, a barrier option's value at expiration depends upon both the value of the underlying asset at expiration and whether the past value of the underlying asset ever satisfied a barrier condition. In contrast, a vanilla option (e.g., a call option) is not path dependent. Its value at exercise or expiration depends on the value of the underlying asset only at that point in time. The additional features incorporated by exotic options require additional judgments regarding the likelihood of certain conditions being satisfied, any one of which can result in loss if made incorrectly. An OTC option may be closed out only with the counterparty, although either party may engage in an offsetting transaction that puts that party in the same economic position as if it had closed out the option with the counterparty; however, the exposure to counterparty risk may differ. OTC options generally involve greater credit and counterparty risk than exchange-traded options.

Air Funds Risks

Limited or No Operating History. Although the Investment Manager is an existing entity, each of the Domestic Fund, the Air Fund, and the General Partner are newly formed entities and have no operating history (or limited operating history) upon which prospective investors may evaluate their future performance and prospects, including their ability to acquire aircraft on favorable terms or to enter into profitable aircraft leases. Any prior performance of the Investment Manager is not indicative of future results it may achieve with respect to the Air Funds.

The Air Funds involve the typical risks associated with a newly formed company without existing investments or any track record of prior investment performance. The Air Funds cannot assure prospective investors that they will be able to implement the Air Funds' business objectives or that any of their objectives will be achieved. The results of the Air Funds' operations will depend on several factors, including the availability of opportunities for the acquisition, disposition and leasing of aircraft and engines, the Air Funds' ability to capitalize on any such opportunities, the creditworthiness of the Air Funds' counterparties, the level of volatility of interest rates and commodities, the availability of adequate short- and long-term financing, conditions in the financial markets and other economic conditions, particularly as these conditions impact airlines and manufacturers of aircraft and aircraft parts.

Limited Liquidity. An investment in the Air Fund has limited liquidity because limited partners will generally have only limited rights to transfer their interests. Limited partners must be prepared to bear the financial risks of an investment in the Funds for an indefinite period of time.

Nature of Investment; Illiquidity of Interests. An investment in a Domestic Fund requires a long-term commitment and there is no certainty of a return on an investment or even a return of any invested capital. An interest in a Domestic Fund represents a highly illiquid investment and should only be acquired by an investor able to commit its funds for the period of time equal to the term of the Air Fund. The Air Funds' investment portfolio will consist primarily of illiquid investments for which there is no readily available secondary market. The holding period for such investments may therefore be long and valuations may be difficult to determine. Since the Air Fund will make investments in various aviation-related assets (including, but not limited to, commercial aircraft and engines that are either under operating lease, available for operating lease, or available for resale) and since the Air Funds' investments generally may involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to the limited partners. There can be no assurance that the Air Funds will achieve their investment objectives or that investors will receive a return of capital.

Unless compelled to do so in accordance with the Partnership Agreement, limited partners will not be permitted to withdraw from the Domestic Funds. No market for interests is expected to exist, and limited partners will not be able to transfer or encumber their interests without the consent of the General Partner, which generally may be granted or withheld in its sole and absolute discretion, and without satisfying certain other conditions.

Concentration of Investments. The Investment Manager's investment program contemplates a focused investment portfolio on aviation-related assets (including, but not limited to, commercial aircraft and engines that are either under operating lease, available for operating lease, or available for resale) which, in light of investment considerations, market risks and other factors, it believes will provide a favorable opportunity for attractive risk-adjusted returns in the value of the Air Funds' assets. The fund documents do not limit the amount of the Air Funds' assets that may be invested in a single aircraft or engine, and the Investment Manager does not subject the portfolio to any formal policies regarding diversification. The concentration of the Air Funds' portfolio in any manner described above would subject the Air Funds to a greater degree of risk with respect to the failure of one or more of their investments.

Limited Partner Default. A limited partner that defaults in any required payment in respect of its commitment may incur significant economic losses as a result of its default. A defaulting limited partner may be subject to a reduced capital account balance and forfeiture of all or any portion of future allocations and distributions as well as certain other adverse consequences set forth in the Partnership Agreement. Furthermore, if contributions from non-defaulting limited partners are inadequate to cover the defaulted contribution, the Air Funds may not be able to meet their obligations to make investments that they have agreed to make which could subject the Air Funds to loss.

Rail Funds Risks

Liability of the Rail Funds and Special Purpose Vehicles. The Firm generally intends to make investments through multiple SPVs. Creditors (except with respect to tax creditors, such as the Internal Revenue Service) of one SPV generally may not enforce a claim against the assets of another SPV, unless a Rail Fund guarantees the obligations of such subsidiary to such creditor; provided, however, that cross-class liability may still exist in such arrangements.

Effect of Substantial Withdrawals. Substantial withdrawals could be triggered by a number of events, including, without limitation, unsatisfactory performance, events in the markets, a key person event or other significant change in personnel or management of the Firm, removal or replacement of the Firm as the investment manager of the Rail Funds, legal or regulatory issues that investors perceive to have a bearing on the Rail Funds or the Firm, or other events. Actions taken to meet substantial withdrawal requests from the Rail Funds (as well as similar actions taken simultaneously by investors of any other accounts) could result in prices of investments held by the Rail Funds decreasing and in Rail Funds expenses increasing (e.g., transaction costs and the costs of terminating agreements). The overall value of the Rail Funds also may decrease because the liquidation value of certain assets may be materially less than their cost or mark-to-market value. The Rail Funds may be forced to sell more positions, which may cause an imbalance in the portfolio that could have a material adverse effect on the remaining investors. In addition, if investors withdraw a significant amount of their capital account balances, such action may impair the Principals' ability to obtain the minimum target rating on the loans, which could have a material adverse effect on the Rail Funds and the investors. Substantial withdrawals could also significantly restrict the Rail Funds' ability to obtain financing or transact with derivatives counterparties needed for its investment strategies, which would have a further material adverse effect on the Rail Funds' performance. The Rail Funds and the Firm

generally will not disclose to investors the amount of pending withdrawals or withdrawal requests and are under no obligation to make any such disclosure.

Risks of Investments in Rail Cars Generally. The Rail Funds will acquire interests in the rail cars and related assets. The highly cyclical nature of the competitive rail car industry and restricted credit markets may result in lower revenues during economic downturns. The fluctuating cost of raw materials and components used to manufacture railcars, which are often only available from a limited number of suppliers, may also adversely affect the Rail Funds' rail car investments.

Limited Liquidity. An investment in the Rail Funds has limited liquidity because investors will generally have only limited rights to withdraw capital from the Rail Funds or transfer their shares, and the Rail Funds have the right to suspend withdrawals. Investors must be prepared to bear the financial risks of an investment in a Rail Fund for an indefinite period of time.

Borrowings. The Rail Funds may enter into credit facilities that are secured by the investors' capital commitments. In the event that a Rail Fund defaults under the credit agreement, the lenders would have the ability to call capital from the investors to repay outstanding borrowings thereunder.

Ratings Risks. The Principals will seek to obtain ratings on the loans from ratings agencies that are independent from the Principals. There is no guarantee that the Principals will obtain the minimum target ratings or be able to maintain any particular ratings. A ratings agency may downgrade the ratings of any of the loans at any time and/or require an SPV to repay loans to retain current ratings. Any such event could result in investors holding a higher percentage of equity in the ITE Institutional Rail Fund L.L.C. (and less loans), which could have a negative effect on the investors' capital requirements and balance sheets.

- C. The Firm does not recommend primarily a particular type of security.

ITEM 9. DISCIPLINARY INFORMATION

Neither ITE nor any of its management persons have been involved in any legal or disciplinary events that are material to a client, investor, prospective client or prospective investor's evaluation of the Firm's advisory business or the integrity of its management.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

- A. Neither ITE nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither ITE nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.
- C. ITE and its affiliates will be subject, and the Funds will be exposed, to a number of actual and potential conflicts of interest. Any such conflict of interest could have a materially adverse effect on the Funds and the investors' investments therein. However, the existence of an actual or potential conflict of interest does not mean that it will be acted upon to the detriment of the Funds. When a conflict of interest arises, ITE will endeavor to ensure that the conflict is addressed fairly and in an equitable manner that is consistent with its fiduciary duties to the Funds. ITE has instituted policies and procedures that are reasonably designed to identify and mitigate actual and potential conflicts of interest.

Prospective investors should understand that the relationships among the Funds, ITE and its affiliates are complex and dynamic. The Principals and ITE employees serve as board members, directors and officers of, and may provide advice to, publicly traded companies and private companies. Investors should be aware that that certain conflicts of interest may arise as a result of such positions, including but not limited to receipt of material non-public information by such persons regarding these companies that could preclude ITE from effecting transactions in the securities of such companies.

While acting in such a capacity, ITE's Principals or employees may also face incidences where the interests of the public or private company are directly or indirectly at odds with those of the Firm. The Firm seeks to ensure that any resultant situation involving a material conflict of interest will be handled in a fair and equitable manner and in accordance with applicable law.

As of the date of this filing, one of the Firm's Principals is associated with a foreign investment adviser and its affiliates. ITE considers any potential conflict of interest to be immaterial in relation to its investors and the Funds, as there is no overlap in the business of ITE and the business of the foreign investment adviser and its affiliates.

- D. ITE does not recommend or select other investment advisers for its Funds.

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

- A. The Firm has adopted a written Code of Ethics (the “Code”), which describes ITE’s fiduciary duties and responsibilities to the Funds, requires that ITE’s employees act in the best interests of the Funds to the exclusion of contrary interests, act in good faith and in an ethical manner, mitigate conflicts of interest with the Funds to the extent reasonably possible, and identify and manage conflicts of interest to the extent that they arise. ITE’s employees are also required to comply with applicable provisions of the federal securities laws and make prompt reports to ITE or other appropriate party of any actual or suspected violations of such laws by ITE or its employees.

In addition, the Code sets forth policies and procedures with respect to the personal securities trading activities of ITE’s employees pursuant to Rule 204A-1 of the Advisers Act. The Code requires, among other things, employees to report to the Firm all personal trading accounts over which they maintain investment discretion, and to disclose to the Firm all those accounts, if any, that are managed by a third party financial adviser. Employees are required to report all “reportable securities” transactions in such personal trading accounts and provide a summary of securities holdings initially upon hire and on an annual basis thereafter. “Reportable securities” means any securities, including exchange-traded funds and closed-end mutual funds but excluding: (1) direct obligations of the Government of the United States; (2) bankers’ acceptances, bank certificates of deposit, commercial paper and high-quality short-term debt instruments, including repurchase agreements; (3) shares issued by money market funds; (4) shares issued by open-end registered investment companies (e.g., open-end mutual funds), other than funds advised or underwritten by ITE or an affiliate; or (5) shares issued by unit investment trusts that are invested exclusively in one or more open-end registered investment companies, none of which are advised or underwritten by ITE or an affiliate.

The Code also addresses outside activities of employees, conflicts of interest, policies and procedures concerning the prevention of insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and the pre-clearance and reporting of political contributions.

- B. The Firm may determine that it may be in the best interests of the Funds to transfer an investment from one Fund account to another (each such transfer, a “Cross Trade”) for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance the portfolios of the Fund accounts, or to reduce transaction costs that may arise in an open market transaction. If ITE engages in a Cross Trade, ITE will determine that the trade is in the best interests of both of the Funds involved and take the necessary protective steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those accounts.

A cross transaction between two Funds may occur as an “internal cross”, where ITE instructs the Funds’ administrator to book the transaction at the price determined in accordance with ITE’s valuation policies and controls. If ITE effects an “internal cross”, ITE will not receive any fee in connection with the completion of the transaction. Cross

Trades present an inherent conflict of interest because ITE represents the interest of the buyer and seller in the same transaction. As a result, the Funds involved in such Cross Trades bear the risk that the price obtained from a Cross Trade may be less favorable than if the trade had been executed in the open market. ITE has in place controls to mitigate and address any conflicts that may arise from Cross Trades.

- C. In general, neither ITE nor any of its related persons will invest in the same securities that ITE or its related persons recommend to the Funds. Should the Firm consider changing its investment practices, it will adopt policies to address the inherent conflicts that will arise.
- D. In general, neither ITE nor any of its related persons may recommend securities to the Funds, or buy or sell securities for any Fund accounts, at or about the same time that ITE or any of its related persons buys or sells the same securities for the Firm's own account or any of its related persons' accounts.

ITEM 12. BROKERAGE PRACTICES

- A. The Firm is responsible for the purchase and sale of any securities for the Funds and the negotiation of any commissions paid on such transactions. To the extent ITE engages in securities transactions, ITE will select brokers on the basis of best execution, taking into consideration various factors, including commission rates, reliability, financial responsibility, strength of the broker and the ability of the broker to efficiently execute transactions, the broker's facilities, and the broker's provision or payment of the costs of brokerage and research services that are of benefit to the Funds.
 - 1. ITE does not currently utilize client commission dollars to purchase research or other brokerage services (i.e. soft dollars). If used at all, the Firm will only use soft dollars to pay for research, products and services that fall within the safe harbor as provided under Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended.
 - 2. If ITE engages in securities transactions, the Firm will not consider whether ITE or any of ITE's related persons receives client referrals from a broker-dealer or third party when selecting or recommending a broker-dealer.
 - 3. ITE does not engage in directed brokerage at this time.
- B. To the extent ITE engages in securities transactions, the Firm may aggregate purchase or sale orders on behalf of the Funds if, in ITE's judgement, such aggregation is likely to result in an overall economic benefit to the Funds based on an evaluation that the Funds will benefit by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors.

ITEM 13. REVIEW OF ACCOUNTS

- A. The Funds' portfolios are monitored and reviewed on a quarterly basis by the valuation committee of the Firm. The valuation committee is comprised of two of the Firm's managing members and the Chief Financial Officer, as selected by the Principals.
- B. More frequent reviews of the Funds' portfolios may occur on a monthly basis, but only at the request of investors.
- C. Audited financial statements will be provided to investors in the Funds within 120 days of the end of a Fund's fiscal year as required by Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). In addition, the Firm periodically issues an investor letter to all investors in the Funds.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

- A. The Firm does not receive an economic benefit from anyone, other than the Funds, for providing investment advice or other advisory services to the Funds.
- B. From time to time ITE uses an unaffiliated third-party placement agent for investor referrals.

ITEM 15. CUSTODY

Under the Custody Rule, an adviser has custody if it acts in any capacity that gives the adviser legal ownership of, or access to, client funds or securities. ITE is deemed to have custody of the assets of the Fund, because it or one of its affiliates (the General Partner of the Fund) either (i) acts as General Partner of the Fund, with the authority to dispose of funds and securities in the Fund's accounts or (ii) is deemed to have custody because of its ability to withdraw its fees directly from the Fund. Therefore, ITE is subject to the Custody Rule.

ITE will adhere to the applicable Custody Rule provisions with respect to Fund assets in publically traded and private securities. The Firm's CCO will be responsible for arranging for annual independent audits of the Fund by a major accounting firm within 120 days of the Fund's fiscal year end and for obtaining audited financial statements prepared in accordance with Generally Accepted Accounting Principles. ITE will arrange for the delivery of such audited financial statements to investors of the Fund generally within 120 days of the Fund's fiscal year end.

ITEM 16. INVESTMENT DISCRETION

ITE generally accepts discretionary authority to manage assets and securities on behalf of its Funds. In such instances, ITE accepts discretion through the investment management agreement with the applicable Fund.

ITEM 17. VOTING CLIENT SECURITIES

A. In the event that the Firm is presented with an opportunity to vote a proxy, the Firm will generally vote in line with company management. The Firm may take into account all relevant factors, as determined by the Firm in its discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant Fund and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

However, under circumstances when the Firm believes that company management's proposal will not maximize value for the Funds, the Firm will generally vote against company management. In such cases where the Firm votes against company management will document in a memorandum:

- The reason for such decision;
- The Firm's decision in the vote;
- The result of such vote; and
- Provide, upon investor or Client request, the documentation and rationale for voting such proxy.

In limited circumstances, the Firm may refrain from voting proxies where the Firm decides that voting would be inappropriate, taking into consideration the cost of voting the proxies and the anticipated benefit to the Funds.

The Firm will monitor the potential for conflicts of interest with respect to proxy voting as a result of personal relationships, significant client relationships, potential conflicts of interest among Funds or special circumstances that may arise during the conduct of ITE's business. If a conflict of interest is identified, the Firm will not make related proxy voting decisions until it has been determined that the conflict of interest is not material or a method for resolving the conflict of interest has been agreed upon and implemented. The Chief Compliance Officer will determine whether a conflict of interest is material. Materiality determinations will be based on an assessment of the particular facts and circumstances. The Chief Compliance Officer will maintain a written record of all materiality determinations.

In the event the Firm does vote a proxy, the Funds may obtain information about such proxies and how they were voted by contacting Daniel Lee at dlee@itemgmt.com.

ITEM 18. FINANCIAL INFORMATION

- A. The Firm does not require or solicit prepayment of more than \$1,200 in fees per Fund, six months or more in advance and therefore has not included a balance sheet.
- B. The Firm does not believe that there are any conditions that are reasonably likely to impair its ability to meet contractual commitments to the Funds.
- C. The Firm has never been the subject of a bankruptcy petition.

ITEM 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS

This Item is not applicable to ITE.