RISK AND OTHER IMPORTANT FACTORS

The purchase of Units involves a number of significant risks and other important factors relating to investments in limited partnerships generally, and relating to the structure and investment objective of the Funds in particular. As a result of these risks and factors, there can be no assurance that a Fund will be able to carry out its investment program successfully. In addition to the factors hereunder, prospective investors should also consider the information set forth under "Conflicts of Interest" elsewhere in this Prospectus.

A. General Risks of Investment in the Funds

1. *Nature of Investments*

While investments in highly leveraged companies through Enhanced Yield Investments offer the opportunity for current income and capital appreciation, such investments involve a high degree of risk and can result in substantial losses of principal and interest. Further, many Portfolio Companies are created for specific transactions and may have no operating history. The Funds anticipate that the Portfolio Companies will be highly leveraged as a result of the Funds' Enhanced Yield Investments, as well as debt instruments issued to other participants in the transaction, and generally may be expected to have a total debt to equity ratio in excess of 5:1. In the event any such Portfolio Company cannot generate adequate cash flow to meet debt service, all or part of the principal of such company's debt may not be repaid and, in such event, the value of a Fund's equity participation will be diminished.

In addition, due to the level of leverage utilized, other general business risks, such as labor problems, casualty losses, increases in operating expenses, disputes with suppliers or customers and other problems that require additional company resources will have a more aggravated effect. The effects of a recession may have a more pronounced effect on the profitability of such highly leveraged companies as well. Profits of such companies may tend to decrease during a recession, which would result in a decrease in the value of a Fund's investment. In addition, many such companies tend to be less diversified than other companies.

A Fund's investments will generally consist of subordinated debt and equity securities issued by Portfolio Companies that have also issued senior debt. The payment of any amounts due on a Fund's investment will, therefore, generally be subject to the payments due, if any, on debt senior to such Fund's Mezzanine Investment. Further, since senior debt typically bears interest at a floating rate, while mezzanine debt typically does not, increased interest rates would shift more of a company's available funds to the senior lenders and less to the holders of Mezzanine Investments such as a Fund. Such a shift will tend to decrease the amount realized on a Fund's investment.

A Fund's Other Investments, which are limited to 10% of its Available Capital, may include investments in securities issued in connection with other types of acquisitions and corporate restructurings, including investments in workouts and restructurings of financially troubled companies, "turn around situations" (investments in companies which may have been relatively weak but are expected by Equitable Capital to improve significantly), debt and equity securities of highly leveraged companies issued other than in the context of a Leveraged Transaction, non-leveraged acquisitions and recapitalizations, and equity without related debt. The sensitivity of such companies to general economic conditions, such as recessions or changes in interest rates or inflation rates, fluctuations in local or general business conditions, increases in operating expenses, work stoppages or other labor disputes or disputes with suppliers or customers, will be heightened due to such financial troubles.

Furthermore, since a Fund will generally invest in less than investment grade or in unrated securities, the financial risks associated with its investments will be heightened. A Fund's investments will be made generally in unrated securities purchased in private placements. Equitable Capital believes that, if rated, such securities generally would be classified as speculative. Equitable Capital believes that, if rated, the lowest rating that would be assigned by Standard & Poor's or Moody's to such unrated Enhanced Yield Investments would be B. The characteristics of such ratings are set forth in Appendix I.

In addition, while the Funds will not finance a hostile transaction (i.e., one opposed by the board of directors of the business that is the subject of the transaction) the Funds may participate in a transaction approved by the board of directors of a company which is subject to a competing hostile bid. In such event, the Funds may be subject to additional expenses, including those relating to litigation concerning the transaction.

2. *Bridge Investments*

A Fund may be the sole lender in a Bridge Investment and a Fund's Bridge Investments may exceed the size of a permitted Mezzanine or Other Investment. In such case a Fund's exposure with respect to a Portfolio Company would be substantial. No assurance can be given that a Bridge Investment will be retired by permanent financing upon such investment's maturity. In instances where a Fund makes a Bridge Investment in a Portfolio Company which is not retired by permanent financing, the increasing interest rate that may be charged on such Bridge Investment may adversely affect the company's ability to pay its debts. Substantial investments by the Funds in Bridge Investments may constitute a greater risk than investments in Mezzanine and Other Investments because a greater percentage of a Fund's Available Capital may be invested in any single Bridge Investment than in any single Mezzanine or Other Investment. See "Conflicts of Interest".

Even if a Fund has not made a Bridge Investment in a leveraged transaction, the existence of bridge or interim financing in such a transaction in which a Fund has made a Mezzanine Investment will subject such Mezzanine Investment to certain risks. If the bridge financing cannot be retired by permanent financing, the increasing interest rate that may be charged may adversely affect the company's ability to pay its debts, including the debt component of such Mezzanine Investment and may affect the future value of any equity component of such Mezzanine Investment.

3. *Time Required to Maturity of Investment; Limitations on Current Distributions; Illiquidity of Investments*

It is anticipated there may be a significant period of time (up to three years) before the Funds have completed the initial selection of their Enhanced Yield Investments in Portfolio Companies, although each Fund must have invested or committed for investment 65% of its assets in Enhanced Yield Investments by the end of the two-year period beginning on the date of the Prospectus. Such investments may typically take from four to seven years from the date of initial investment to reach such a state of maturity that realization on any equity component of the Funds' investments can be achieved. Transaction structures will typically not provide for liquidation of the Funds' Mezzanine Investments prior to that time. In light of the foregoing, it is likely that other than any current income component of any investment, no significant return from the distributions of the proceeds from the disposition of a Fund's investments will occur until five to ten years from the date of its Final Closing. Furthermore, depending on the availability of Enhanced Yield Investments to Equitable Capital, each Fund may hold all or a significant portion of its assets in Temporary Investments during the three-year Investment Period. To the extent a Fund does not invest any portion of its capital in Enhanced Yield Investments within the Investment Period, Limited Partners will receive returns on such capital based solely on investments in Temporary Investments. To the extent that at the end of the Investment Period a Fund's Capital Contributions have not been invested or "committed for investment" (i.e., made subject to a binding contractual commitment) and are, therefore, returned to investors in the Funds, or if at the end of the Interim Investment Period funds are returned to investors, the yield to such investors would be reduced because the return of capital or any uninvested proceeds will be subject to deduction for all of the commissions, fees and expenses imposed on investor funds that were either invested or not returned.

Further, current distributions on the Units will also be affected by the purchase of Enhanced Yield Investments that include zero coupon or other obligations having an original issue discount. The receipt of all or a portion of the interest income accruing on such obligations is deferred, often until maturity. Certain of the Enhanced Yield Investments may include obligations having an original issue discount. Enhanced Yield Investments may also include securities that pay interest or dividends in kind (i.e. in securities) for a period of time. To the extent a Fund purchases securities having an original issue discount or paying interest or dividends in kind, cash distributions will be less than the aggregate income accruing on such Fund's portfolio investments for federal income tax purposes.

It is anticipated that a substantial portion of each Fund's Enhanced Yield Investments will consist of securities that are subject to restrictions on sale by such Fund because they were acquired from the issuer in "private placement" transactions or because such Fund is deemed to be an affiliate of the issuer. Generally, such Fund cannot sell these securities publicly without the expense and time required to register the securities under the Securities Act of 1933 (the "Securities Act") or sell the securities under Rule 144 or other rules under the Securities Act which permit only limited sales under specified conditions. When restricted securities are sold to the public, a Fund may be deemed an "underwriter", or possibly a controlling person, with respect thereto for the purposes of the Securities Act and be subject to liability as such under that Act.

In addition, practical limitations may inhibit a Fund's ability to liquidate its investments in the Portfolio Companies since in most cases the issues thereof will be privately held and such Fund will own a relatively large percentage of the issuer's outstanding securities. Sales may also be limited by securities market conditions, which may be unfavorable for sales of securities of particular issuers or issuers in particular industries. Furthermore, since many or all of such Fund's investments, including its Enhanced Yield Investments and certain Temporary Investments, will be unrated, certain potential buyers who are restricted to making investments in rated securities may not be available to purchase any such investment. In addition, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the values and liquidity of Enhanced Yield Investments, especially in a thinly traded market. The above limitations on liquidity of a Fund's Enhanced Yield Investments could prevent a successful sale thereof, result in delay of any sale or reduce the amount of proceeds that might otherwise be realized. See "Investment Objective and Policies -- Valuation".

4. *Need for Follow On Investments*

Following an initial investment in Enhanced Yield Investments, the Funds may have the opportunity to provide additional funds to Portfolio Companies or have the opportunity to increase their investment in a successful situation, e.g., the exercise of a warrant to purchase common stock. See "Investment Objective and Policies". Although the Enhanced Yield Fund II may, within certain limits, use leverage to make Follow On Investments, there is no assurance that it or the Enhanced Yield Retirement Fund II, which may not use leverage, will make Follow On Investments or that either will have sufficient funds to make such investment. Any decision by a Fund not to make a Follow On Investment or any inability on its part to make it may have a substantial negative impact on a company in need of such an investment or may result in a missed opportunity for a Fund to increase its participation in a successful operation and may dilute a Fund's equity interest in or reduce the expected yield on its investment. Any Follow On Investment or reserves made by the Fund for such purpose may result in a reduction of cash distributions to the Limited Partners. See "Conflicts of Interest -- Conflicts between Holders of Different Levels of Securities".

5. *Leverage*

The Enhanced Yield Fund II, but not the Enhanced Yield Retirement Fund II, has authority to borrow funds to increase the amount of capital available for investment. The amount and nature of any borrowings will depend upon a number of factors over which Equitable Capital does not have control, including general economic conditions, conditions in the financial markets, and the impact of the financing on the tax treatment of the Limited Partners. While Equitable Capital may "leverage" the Enhanced Yield Fund II with borrowings in an amount up to 50% of Net Proceeds Available for Investment (referred to under "Estimated Use of Proceeds"), there can be no assurance that debt financing will be available on terms that Equitable Capital considers to be acceptable and in the best interests of the Enhanced Yield Fund II. See "Estimated Use of Proceeds" and "Investment Objective and Policies". The Enhanced Yield Fund II's permitted borrowing capacity will be reduced by the principal amount of obligations of Portfolio Companies guaranteed by the Enhanced Yield Fund II. The inability of the Enhanced Yield Retirement Fund II to leverage and the possible unavailability of leverage to the Enhanced Yield Fund II might limit the degree of diversification of Enhanced Yield Investments and spreading of risks. See "Estimated Use of Proceeds".

The Enhanced Yield Retirement Fund II will not be subject to the risks of leverage but also will not be able to participate in its possible benefits. The allocation of investment opportunities between the Funds is based on Available Capital. The Available Capital of the Enhanced Yield Fund II will be increased by any borrowings or commitments to borrow, while that of the Enhanced Yield Retirement Fund II, which may not borrow, will not be similarly increased. As a result, under some circumstances the Enhanced Yield Fund II could have capital available for investment at a time when the Enhanced Yield Retirement Fund II does not. See "Coinvestments" and "Leverage" under "Investment Objective and Policies". Accordingly, the Funds may have different portfolio investments.

The use of leverage would exaggerate increases or decreases in the Enhanced Yield Fund II's net asset value. Although the use of leverage could permit greater diversification and spreading of risks, it also increases the sensitivity of the Enhanced Yield Fund II to adverse developments. The Funds anticipate that their Enhanced Yield Investments generally will pay interest at fixed rates. However, it is anticipated that the interest rate payable by the Enhanced Yield Fund II on a portion of the funds borrowed to fund the Enhanced Yield Investments will be at a floating rate. Therefore, if interest rates were to rise, the Enhanced Yield Fund II's cost of leveraging its Enhanced Yield Investments would rise without a concomitant rise in the interest rate receivable by it from its Enhanced Yield Investments. The Enhanced Yield Fund II may enter into interest rate "swap", "cap" or "floor" agreements to limit the risk of borrowings bearing a floating or variable interest rate. In addition, to the extent leverage is utilized in any particular investment, the lending institution may have rights to participate in certain decisions relating to the management of investments, especially any investments in Portfolio Companies which might default in their debt service payments, and may act in ways adverse to the Enhanced Yield Fund II's objectives. Furthermore, to the extent that any financing provides for cross defaults or cross collateralization with respect to the Enhanced Yield Fund II's Portfolio Companies, the failure of any Portfolio Company may force the Enhanced Yield Fund II to liquidate certain investments prematurely. It is likely that periodic valuations of Enhanced Yield Investments used as collateral for any borrowing by the Enhanced Yield Fund II will be required by the lending institution. Adverse credit developments or poor operating performance with respect to Portfolio Companies would likely require downward adjustments to the collateral base for such borrowing, which might reduce the amount of borrowings available to the Enhanced Yield Fund II or might cause Enhanced Yield Fund II to be in default under the terms of the financing. To the extent any borrowings made by the Enhanced Yield Fund II are secured by Enhanced Yield Investments owned by such Fund, any default by such Fund in respect of such borrowing could result in such Fund being required to liquidate all or part of its Enhanced Yield Investments. Such liquidation may not be at a favorable time, under favorable conditions or in a normal market.

Although the Investment Company Act permits the Enhanced Yield Fund II to issue multiple classes of senior debt and a single class of limited partnership interests senior to the Units, such Act limits distributions while such securities are outstanding unless certain conditions are satisfied. See "Regulation".

6. *Competition for Investments*

The Funds expect to encounter competition from other entities having a similar investment objective. In addition, since Enhanced Yield Investments will be selected and managed exclusively by Equitable Capital on behalf of the Funds, any other entities which compete with Equitable Capital for such investments will therefore compete with the Funds. Competitors include other leveraged acquisition partnerships, other business development companies, investment partnerships and corporations, small business investment companies, large industrial and financial companies investing directly or through affiliates and individuals. Some of these competitors may have more experience with investments similar to Enhanced Yield Investments, greater financial resources and more personnel than the Funds and/or Equitable Capital. Moreover, there is no assurance that the frequency of leveraged acquisitions and similar transactions will not decrease, thereby reducing the number of available investments. To the extent competition for investments increases or the number of investment opportunities decreases, the yield available to mezzanine investors, such as the Funds, may decrease.

Although the Equitable Capital Partners I Funds, the Institutional Funds and the other Equitable Affiliates seek to invest in enhanced yield investments, they will not compete with the Funds since Equitable Affiliates (see "The Institutional Funds" and "Equitable Capital Partners I Funds" under "Management Arrangements") are expected to coinvest in most of the Enhanced Yield Investments in which the Funds will invest. Each investment proposed as an Enhanced Yield Investment will generally be allocated among the Funds, the Equitable Capital Partners I Funds, the Institutional Funds and the other Equitable Affiliates pursuant to a ratio based on the amount of capital each such entity has indicated is available for investment in Mezzanine, Other or Bridge Investments, as the case may be. Further, the Funds together will have the right to at least 25% of all Enhanced Yield Investments which meet the investment objective of the Funds during the period from the date each Equitable Capital Partners I Fund becomes 75% invested and until each such fund becomes fully invested. See "Investment Objective and Policies -- Coinvestments" and "Conflicts of Interest".

7. *Interest Rate and Stock Market Fluctuations; Recent Developments*

Fluctuations in interest rates may have an adverse impact on the Enhanced Yield Fund II directly due to the leveraging of its Enhanced Yield Investments and on both Funds indirectly through the effect of interest rate fluctuations on Portfolio Companies. The Funds anticipate that their Enhanced Yield Investments generally will pay interest at fixed rates. However, it is anticipated that the interest rate payable by the Enhanced Yield Fund II on a portion of the funds borrowed to fund the Enhanced Yield Investments will be at a floating rate. Therefore, if interest rates were to rise, the Enhanced Yield Fund II's cost of leveraging its Enhanced Yield Investments would rise without a concomitant rise in the interest rate receivable by it from its Enhanced Yield Investments.

Although it is anticipated that a Fund's Enhanced Yield Investment in a Portfolio Company will generally bear a fixed rate of interest, the remaining outstanding debt of such company, which is anticipated to be substantial and at least a portion of which will be senior to that of such Fund, may bear interest at floating rates. Therefore, an economic downturn or rising interest rates may have an adverse effect on a Portfolio Company and may affect such company's ability to pay principal and interest on such Fund's investment therein, to meet projected business goals, and to obtain additional financing. Under such circumstances, the Funds may incur additional legal and other expenses if the Portfolio Company fails to meet its scheduled debt service requirements. Furthermore, in the case of Enhanced Yield Investments structured as zero coupon or pay-in-kind securities, their valuations may be affected to a greater extent by interest rate changes than securities which pay interest periodically and in cash.

To the extent that the debt portion of the Mezzanine Investment bears interest at a fixed rate (as is generally anticipated), if interest rates generally rise while such Mezzanine Investments are outstanding, investors in the Funds may receive interest income at lower rates than are then prevailing in the market place.

General fluctuations in the prices of securities on the stock markets may affect the value of the investments held by the Funds. Stock market fluctuations may also affect the amount leveraged companies can receive from the sale of certain of their businesses. Such sales may be an important element of the business plan of a leveraged company and serve to reduce the amount of outstanding debt carried by such a company.

The economy and interest rates affect high yield securities differently from other securities. For example, the prices of high yield bonds, generally, have been found to be less sensitive to interest rate changes than higher-rated investments, but more sensitive to adverse economic changes or individual corporate developments. Instability in the high yield securities markets may increase the risks inherent in investments in Mezzanine Investments now and in the future. As noted above, the ability of Portfolio Companies to refinance debt portfolio securities may depend on their ability to sell new securities in the high yield debt market. Volatility in the public securities markets may adversely affect the liquidity of high yield debt. In such an environment a Portfolio Company expecting to rely on a high yield debt refinancing strategy may find such a strategy more difficult to implement.

In light of such developments, Equitable Capital has adopted an increasingly cautious view toward investment activities with respect to Enhanced Yield Investments and its approach toward pricing securities and transaction values has been altered to reflect recent market events. There can be no assurance that such approach will be successful.

Concern over the perceived dangers of leveraged acquisitions has been expressed by a number of legislators and other public figures in recent months, especially following the announcement of the RJR Nabisco transaction in late 1988. The recent savings and loan rescue legislation restricts the ability of federally-insured thrift institutions and their subsidiaries to invest in non-investment grade debt securities. Some legislators have suggested revision of federal securities laws or regulations, federal banking regulations, federal tax laws or regulations, state corporate laws, or other laws or regulations in order to restrict leveraged acquisitions. Any such legislative or regulatory revisions might reduce the number of Leveraged Transactions, or might make them available only on less attractive terms. Because of the uncertainty regarding any future legislative or regulatory actions concerning this issue, investors are encouraged to monitor developments in this area and to consult with their advisers.

8. *Number of Investments; Industrial Concentration*

Each Fund will be limited in the amount of Available Capital it may invest in Mezzanine Investments or Bridge Investments in any one Portfolio Company. Generally, each Fund may not invest more than 10% of its Available Capital in Mezzanine Investments or 20% of its Available Capital in Bridge Investments (or Mezzanine Investments taken together with Bridge Investments) in a single Portfolio Company. However, with the approval of the Independent General Partners, a Fund may make Mezzanine Investments in up to two Portfolio Companies, utilizing, in each case, up to 20% of its Available Capital, and a Fund may make Bridge Investments (or Mezzanine Investments taken together with Bridge Investments) in one Portfolio Company utilizing up to 25% of its Available Capital. No more than 50% of Available Capital of any Fund may be invested in Bridge Investments. While these restrictions will limit the exposure of a Fund's capital in any single investment, such Fund's capital will be invested in a limited number of Portfolio Companies (at least eight if such Fund becomes fully invested in Mezzanine and Other Investments) and the financial difficulty on the part of any single Portfolio Company will expose it to a greater risk of loss than would be the case if it were a "diversified" company holding numerous investments.

The Funds are not intended to concentrate in any particular industry. Neither Fund has, however, adopted any policy limiting the amount of Available Capital that may be concentrated in Portfolio Companies engaged in any one industry. Equitable Capital does not anticipate that a Fund's investments will be concentrated in any one industry. However, Equitable Capital shall submit any proposal to make or decline an investment for reasons of concentration to the Independent General Partners, who will make a final decision, which in their opinion, is in the best interests of the Fund. It is possible that each Fund's portfolio may become concentrated in particular industries. In such event, the Funds would be exposed to the risk of adverse developments in or affecting any single industry to a greater extent than if its investments were dispersed over a variety of industries.

B. Federal Income Tax Risks

1. *Taxation of the Funds as Corporations*

Neither of the Funds has requested an advance ruling from the Internal Revenue Service (the "IRS") that it will be treated as a partnership for federal income tax purposes. The IRS would likely deny any such request since neither Fund will satisfy all of the requirements contained in published IRS procedures for obtaining such a ruling. Instead, at each admission of investors as Limited Partners in a Fund, Debevoise & Plimpton, counsel to such Fund, will deliver its opinion that such Fund will be classified as a partnership for federal income tax purposes. Unlike a tax ruling, the opinion of counsel has no binding effect on the IRS and there can be no assurance that the IRS will not challenge the classification of a Fund as a partnership for federal income tax purposes. Moreover, continued eligibility of a Fund for classification as a partnership will depend on no adverse changes of law and such Fund's not becoming a publicly traded partnership as described below. Since it is not anticipated that either Fund will be eligible for the tax treatment available to investment companies registered as such under the Investment Company Act, a Fund would be required to pay income tax at corporate tax rates on its net income if it were classified as an association taxable as a corporation.

In recent years, proposals to classify limited partnerships with interests which are widely held, such as the Funds, as corporations rather than partnerships for federal income tax purposes have been made by the Treasury Department and members of Congress on multiple occasions. In 1987, the Internal Revenue Code was amended to provide that certain "publicly traded partnerships" will be classified as corporations for federal income tax purposes. It is not anticipated that either Fund will be a publicly traded partnership. However, there can be no assurance that regulations will not be promulgated or legislation might not be passed at some future date that would cause a Fund to be classified as a corporation or a publicly traded partnership. Each Partnership Agreement provides that in the event it appears likely (or, in the case of the Enhanced Yield Fund II, that there is a substantial risk) that the applicable Fund will be classified as a corporation or a publicly traded partnership for federal income tax purposes, Equitable Capital, as the Managing General Partner, may take such steps as it deems necessary or desirable to minimize the adverse tax consequences of such classification. Such steps could include suspension of trading in Units for one quarterly transfer date, amendment of such Partnership Agreement, reorganization of such Fund as a regulated investment company pursuant to Section 851 of the Code, liquidation of such Fund or such other steps as may seem appropriate to Equitable Capital at such time. See "Classification as a 'Partnership' -- Publicly Traded Partnerships Treated as Corporations" under "Certain Federal Income Tax Considerations".

2. *Tax and ERISA Considerations for Tax-Exempt Investors*

As a result of the Enhanced Yield Fund II's utilization of leverage to finance, refinance or recapitalize its investments, investment in the Enhanced Yield Fund II may generate material amounts of unrelated business taxable income and have other adverse tax consequences for certain pension funds, Keogh plans, individual retirement accounts ("IRAs"), tax-exempt institutions and other tax-exempt investors (collectively "Tax-Exempt

Investors"). Accordingly, investment in the Enhanced Yield Fund II may not be appropriate for Tax-Exempt Investors. Therefore, the Enhanced Yield Fund II generally is not being offered to such investors. Tax-Exempt Investors wishing to purchase Units generally may only subscribe for Units of the Enhanced Yield Retirement Fund II which will not use leverage. Consequently, it is anticipated that Tax-Exempt Investors will not derive material amounts of unrelated business taxable income as a result of the purchase of Units of the Enhanced Yield Retirement Fund II. See "Certain Tax and ERISA Considerations for Tax-Exempt Investors".

3. *Enhanced Yield Investments with Original Issue Discount Obligations*

Certain of the Enhanced Yield Investments and Temporary Investments which the Funds purchase may include zero coupon or other obligations having original issue discount. For federal income tax purposes, amortization of original issue discount will be attributable to Partners as interest income even though the Funds currently do not realize any cash flow as a result of such amortization. In addition, the Funds may receive or be deemed to receive taxable distributions of stock with respect to certain of their Enhanced Yield Investments. While each of the Funds expects that it will have sufficient cash flow to permit it to make annual distributions in the amount necessary to permit Partners to pay all federal income tax liabilities resulting from ownership of interests in such Fund, there can be no assurance that such Fund will be able to do so.

4. *Tax Considerations for Non-U.S. Investors*

The tax treatment applicable to a non-U.S. investor who invests in a Fund is complex, is subject to uncertainty and will vary depending upon the particular circumstances of a particular investor. See "Certain Tax Considerations for Non-U.S. Investors". Non-U.S. investors should consult their tax advisers with respect to the possible federal, state and local and non-U.S. tax consequences of an investment in a Fund.

5. *Publicly Traded Partnerships*

Under Section 7704 of the Code certain "publicly traded partnerships" may be taxed as corporations. The consequences of taxation of the Funds as corporations are discussed above under "Taxation of the Funds as Corporations". In addition, a Tax-Exempt Investor's distributive share of income of a publicly traded partnership not taxed as a corporation will be treated as unrelated business income regardless of the underlying sources of the partnership's income. It is not anticipated that either of the Funds will be such a publicly traded partnership. It is impossible to predict whether additional legislation affecting the taxation of partnerships will eventually be enacted or in what form any such legislation may be enacted. ACCORDINGLY, EACH INVESTOR SHOULD CONSULT WITH HIS, HER OR ITS PERSONAL TAX ADVISOR ABOUT THE EFFECT OF ANY CHANGES IN THE TAX LAW AFTER THE DATE HEREOF.

6. *Recent Legislation; Uncertainty in Tax Laws*

The Omnibus Budget Reconciliation Act of 1989, which became law in December 1989, enacted provisions denying and/or deferring corporate deductions for original issue discount with respect to certain high yield discount obligations, preventing the carry back of net operating losses generated by interest deductions attributable to leveraged acquisitions or recapitalizations, and denying deductions by certain highly leveraged corporations for interest paid to related entities that are exempt from U.S. tax on such interest. These provisions could have an indirect adverse effect on the Funds and investments therein, for example, by reducing after-tax returns available to investors in the Funds or affecting the price at which Enhanced Yield Investments can be acquired or sold.

In addition, certain tax rules may be amended, modified, or clarified by legislation, the IRS, or the courts so as to have an adverse effect (directly or indirectly) on the Funds or the Limited Partners. Certain members of Congress, for example, have stated their belief that heavily leveraged corporate acquisitions may be damaging to the economy. In addition, certain proposals have been made to eliminate or modify differences in the federal income tax treatment of corporate debt and equity. If any future legislation were to provide for further limitations on the deductibility of expenses (including interest) with respect to debt incurred in connection with corporate acquisitions or recapitalizations, such action could have an adverse effect on the Funds and investments therein. Because of the uncertainty regarding any future legislation or other new actions concerning this issue, investors are encouraged to monitor developments in this area and to consult with their advisers.

C. Partnership and Contractual Risks

1. *Reliance on Equitable Capital*

Pursuant to each Investment Advisory Agreement between a Fund and Equitable Capital, each Fund will only make Enhanced Yield Investments recommended by Equitable Capital. Accordingly, an investor in the Units must rely upon the ability of Equitable Capital in identifying and making Enhanced Yield Investments consistent with such Fund's investment objective and policies. See "Investment Objective and Policies". The investor will not have the opportunity to evaluate personally the relevant economic, financial and other information which will be utilized by Equitable Capital in its selecting, negotiating, monitoring and disposing of investments and will not receive the detailed financial information issued by Portfolio Companies which is available to the Independent General Partners and Equitable Capital.

Further, all decisions with respect to the management of each Fund will be made exclusively by the Independent General Partners of such Fund and Equitable Capital as Managing General Partner. See "Management Arrangements". Limited Partners have no right or power to take part in the management of such Fund. Accordingly, no person should purchase Units unless such person is willing to entrust the management of the related Fund to Equitable Capital, subject to overall supervision of the Fund's Independent General Partners.

2. *Relations with Sponsors of Leveraged Transactions*

The marketplace for leveraged transactions is becoming increasingly crowded with investment banking firms, banks and other primary financial institutions acting as sponsors of such transactions. In certain instances, third party sponsors or persons who provide financing to such sponsors organize limited partnerships to invest in leveraged transactions ("Sponsor Limited Partnerships"). Certain Equitable Affiliates (other than Equitable Capital) find that the opportunities to invest as limited partners in these Sponsor Limited Partnerships are attractive ones and can prompt sponsors or persons who provide financing to sponsors to present to Equitable Capital investment opportunities in other transactions in which the sponsor or such other persons may be involved. Equitable Capital expects that this source of investment opportunities will be beneficial to the Funds. There can be no assurance that the sponsors with whom Equitable Capital has established business relationships will continue to generate mezzanine financing opportunities in the volume previously generated or will continue to direct transactions to Equitable Capital.

3. *No Market for Units*

The Units will only be transferable in accordance with certain restrictions in the Partnership Agreement and may be affected by restrictions on resales imposed by the laws of some states. A Limited Partner may not transfer a Unit unless he, she or it represents and provides documentation satisfactory in form and substance to the Managing General Partner that, among other things, such transfer was not effected through a broker-dealer or matching agent which makes a market in Units or which provides a readily available, regular and ongoing opportunity to Limited Partners to sell or exchange their Units through a public means of obtaining or providing information of offers to buy, sell or exchange Units. In the case of the sale of a Unit in the Enhanced Yield Fund II, the Managing General Partner must determine that any such sale, assignment or transfer will not, by itself or together with any other sales, transfers or assignments, substantially increase the risk of such Fund's being classified as a publicly traded partnership. In the case of the Enhanced Yield Retirement Fund II, the Managing General Partner must determine that such sale, assignment or transfer will not, by itself or together with any other sales, transfers or assignments, likely result in such classification. A transferor will not be required to make the representations described above if he, she or it represents that the transfer is effected through an agent whose procedures have been approved by Equitable Capital as being consistent with the requirements for avoiding classification as a publicly traded partnership. The Partnership Agreements also prohibit the transfer of Units to certain transferees. See "Transferability of Units". There is presently no public market for the Units, and there are restrictions contained in the Partnership Agreement relating to each Fund which are intended to prevent the development of a public market. Consequently, Limited Partners may not be able to liquidate their investment in the event of emergency or for any other reason. Such factors may also affect the price which a Limited Partner would be able to obtain for Units.

4. *Possible Loss of Limited Liability*

The Partnership Agreement of each Fund provides certain rights for the Limited Partners of a Fund by vote of less than all of such Limited Partners to, among other things, elect General Partners of such Fund, amend the Partnership Agreement, dissolve such Fund, approve certain actions of such General Partners and approve the sale of all or substantially all of such Fund's assets other than in the ordinary course of business. Although under current law in Delaware, the state of each Fund's organization, the exercise of such rights is permitted without resulting in a loss of a Limited Partner's limited liability, in some jurisdictions there is uncertainty under present law as to whether the exercise of these rights under certain circumstances could cause the Limited Partners of a Fund to be deemed to be general partners of such Fund under applicable state laws with a resulting loss of limited liability. If such Limited Partners were deemed to be general partners of such Fund in such jurisdictions, they would be generally liable for the obligations of such Fund (other than nonrecourse obligations), which could be satisfied out of their personal assets.

In order to minimize the risk of general liability, the exercise of these rights, other than such voting rights as may be required by the Investment Company Act or the Delaware Act (as defined below), by the Limited Partners of a Fund is subject to the prior receipt of an opinion of independent counsel to the effect that the existence and exercise of such rights will not adversely affect the status of the Limited Partners as limited partners of such Fund. See "Summary of the Partnership Agreement". It should be noted that due to present and possible future uncertainties in this area of partnership law, it may be difficult or impossible to obtain an opinion of counsel to the effect that such Limited Partners may exercise certain of their rights without jeopardizing their status as limited partners.

5. *Repayment of Certain Distributions*

In the event that a Fund is otherwise unable to meet its obligations, its Limited Partners may be required to repay to it or to pay to its creditors distributions previously received by them to the extent such distributions are deemed to have been wrongfully paid to them. In addition, Limited Partners may be required to repay to the respective Fund any amounts distributed which are required to be withheld by such Fund for tax purposes.

6. *Regulation*

Each Fund has elected to be a business development company under the Investment Company Act. Such Act imposes restrictions on the activities of the Funds, including restrictions on the nature of their investments, the use of leverage by the Enhanced Yield Fund II and the issuance by them of securities, options, warrants or rights, and requires that a majority of the General Partners of each Fund be individuals who are not "interested persons" of such Fund as defined in the Investment Company Act. Such restrictions may prohibit the purchase of certain Enhanced Yield Investments which would otherwise be suitable for investment by a Fund or render such purchases inadvisable. See "Regulation".

Because there are no judicial and few administrative interpretations of portions of the legislation applicable to the Funds, there is no assurance that the legislation will be interpreted or administratively implemented in a manner consistent with a Fund's objective and intended manner of operation. In the event that the General Partners of a Fund determine that it cannot operate effectively under the Investment Company Act, such General Partners may at some future date decide to withdraw its election as a business development company and transform it into an operating company not subject to regulation under the Act or cause it to liquidate. These changes may not be effected without the approval of the Limited Partners holding a majority of the outstanding Units of such Fund.

The Communications Act of 1934, as amended (the "Communications Act"), contains restrictions on the alien ownership of media and communications businesses. These restrictions could, under certain circumstances, preclude the Funds from investing in such businesses unless Limited

Partners who are aliens (for purposes of the Communications Act) are insulated from material involvement in the management and operation of the Funds. Equitable Capital, in its capacity as Managing General Partner, expects to submit to the Federal Communications Commission (the "FCC") a petition for a declaratory ruling (the "FCC Petition") seeking a determination that the Limited Partners of the Funds are "properly insulated" in accordance with the FCC's insulation policies. In the absence of such a ruling or without any other less formal regulatory relief from the FCC (such as the grant of a waiver of the FCC's general rules with respect to a particular transaction or class of transactions), the Funds might be precluded from making investments (or might be able to make only small investments) in these businesses. There can be no assurance that the requested declaratory ruling will be obtained or, if obtained, that it will be on terms and conditions that are acceptable to Equitable Capital, as Managing General Partner. See "Regulation" below.

Because of the way in which the FCC applies the alien ownership limits to limited partnerships such as the Funds, if the Managing General Partner were to be acquired by or become controlled, directly or indirectly, by aliens, or if aliens were to acquire a significant equity interest directly or indirectly in the Managing General Partner, the Funds might be required to liquidate some or all of their investments in media and communications businesses, if any. Such a liquidation might not be at a favorable time, under favorable conditions, or in a normal market.

ESTIMATED USE OF PROCEEDS

Set forth below is the estimated application of the gross proceeds of the sale of the Units of each Fund. The tables set forth the estimated application of proceeds of (i) a sale of a minimum number of Units (25,000) necessary for a sale of Units in a single Fund to be completed assuming that the combined minimum (75,000) for the two Funds was met by such a sale and a sale of 50,000 Units of the other Fund, (ii) the sale of the combined minimum and (iii) the sale of a combined maximum assuming, in the case of the sales described in clauses (ii) and (iii), that no sales were made of Units of the other Fund. The table for the Enhanced Yield Fund II also assumes that it has borrowed funds in an amount equal to 50% of the amount of Net Proceeds Available for Investment (which is equal to the gross offering proceeds of the Units in the Enhanced Yield Fund II less sales commissions, financial advisory fees, sales and marketing expenses, and offering and organizational expenses). The amount of Net Proceeds Available for Investment plus, in the case of the Enhanced Yield Fund II, the principal amount of any debt financing ("Net Funds Available for Investment"), will be available for investment in Enhanced Yield Investments as described herein. The table further assumes that all Units are sold at a public offering price of $1,000 per Unit. The information set forth is an estimate, and should not be relied upon as a prediction or guaranty of the availability of debt financing on terms acceptable to Equitable Capital or the actual application of the proceeds of this offering. The footnotes are an integral part of the information set forth below.

In the information set forth below, numbers have been rounded, which may result in minor arithmetic inconsistencies.

The Enhanced Yield Fund II

	50% Leverage (1)					
	25,000 Units Sold (Minimum)	Percent of Public Offering Price	75,000 Units Sold (Combined Minimum)	Percent of Public Offering Price	100,000 Units Sold (Combined Maximum) (2)	Percent of Public Offering Price
Gross Offering Proceeds (3)	$25,000,000	100.00%	$75,000,000	100.00%	$100,000,000	100.00%
Less Offering Expenses:						
Commis-sions (3),(4)	1,500,000	6.00	4,500,000	6.00	6,000,000	6.00
Financial Advi-sory Fee (3),(5)	375,000	1.50	1,125,000	1.50	1,500,000	1.50
Marketing Expenses (6)	125,000	0.50	375,000	0.50	500,000	0.50
Organizational and Offering Expenses (7)	1,083,300	4.33	3,250,000	4.33	3,250,000	3.25
Net Proceeds Available for Investment (8)	21,916,700	87.67%	65,750,000	87.67%	88,750,000	88.75%
Plus Debt Financing (9)	10,958,350		32,875,000		44,375,000	
Net Funds Available for Investment	$32,875,050		$98,625,000		$133,125,000	

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(1) The Enhanced Yield Fund II may borrow an amount equal to up to 50% of the amount of Net Proceeds Available for Investment (as computed pursuant to this table) less any principal returned to its Partners by the close of the previous quarter, for the purpose of making Enhanced Yield Investments. This table

assumes for the purposes of calculating Net Proceeds Available for Investment that no such Partner's principal has been returned. The amount of any such borrowings will depend upon a number of factors, including conditions at the time in the financial markets, the impact of the financing on the tax treatment of the Limited Partners of the Enhanced Yield Fund II and the terms or conditions offered by prospective lenders. There can be no assurance that the Enhanced Yield Fund II will leverage its investments.

(2) The 100,000 maximum is a combined maximum for sales of Units in the Funds. The table assumes that no sales have been made of Units of the Enhanced Yield Retirement Fund II in calculating estimated use of proceeds in connection with a combined maximum offering.

(3) Assumes no discounts in selling commissions or financial advisory fees.

(4) Selling commissions, payable to MLPF&S, as selling agent, equal to up to 6.0% of the public offering price of the sale of the Units (without regard to discounts in selling commissions or financial advisory fees). See "Offering and Sale of Units — Offering of Units".

(5) Financial advisory fee, payable to MLPF&S, equal to up to 1 1/2% of the public offering price of the Units sold (without regard to discounts in selling commissions or financial advisory fees). See "Offering and Sale of Units — Offering of Units."

(6) Marketing and sales expense reimbursement, payable to MLPF&S, not to exceed 1/2% of the public offering price of the sale of Units. If the maximum amount of reimbursement to MLPF&S for marketing and sales expenses is paid, such reimbursement would equal $500,000 for a combined maximum offering.

(7) Includes legal, accounting, printing and other expenses of this offering (including reimbursement to Equitable Capital, the Administrator and affiliates thereof of certain expenses incurred by them on behalf of the Funds in connection with this offering and the legal expenses of MLPF&S), which are estimated at $3,250,000 for the 75,000 Unit combined minimum, but in no event shall exceed $6,000,000 in the aggregate for both Funds or, together with the amount of the selling commissions, financial advisory fees and marketing and sales expense reimbursements payable to MLPF&S, 15% of the total offering proceeds of each Fund. Such expenses will be allocated between the Funds based on the ratio of the number of Units of each Fund sold. The aggregate organizational and offering expenses have been allocated in the table set forth above one-third to the Enhanced Yield Fund II and two-thirds to the Enhanced Yield Retirement Fund II with respect to the 25,000 Unit minimum offering for the Enhanced Yield Fund II and have been 100% allocated to the Enhanced Yield Fund II with respect to the combined minimum and combined maximum offerings, each allocation in direct proportion to the number of Units assumed in the table set forth above to be sold by each Fund.

(8) If the maximum allowable marketing and sales expenses are reimbursed as set forth in (6) above, and the maximum allowable organizational and offering expenses are paid as set forth in (7) above, then Net Proceeds Available for Investment will be $21,000,000, $63,000,000 and $86,000,000 for a minimum offering, combined minimum offering and combined maximum offering, respectively.

(9) Assuming no financing fees and expenses are incurred with respect to such debt financing.

The Enhanced Yield Retirement Fund II

	25,000 Units Sold (Minimum)	Percent of Public Offering Price	75,000 Units Sold (Combined Minimum)	Percent of Public Offering Price	100,000 Units Sold (Combined Maximum)(1)	Percent of Public Offering Price
Gross Offering Proceeds (2)	$25,000,000	100.00%	$75,000,000	100.00%	$100,000,000	100.00%
Less Offering Expenses:						
Commissions (2), (3)	1,500,000	6.00	4,500,000	6.00	6,000,000	6.00
Financial Advisory Fee (2), (4)	375,000	1.50	1,125,000	1.50	1,500,000	1.50
Marketing Expenses (5)	125,000	0.50	375,000	0.50	500,000	.50
Organizational and Offering Expenses (6)	1,083,300	4.33	3,250,000	4.33	3,250,000	3.25
Net Proceeds Available for Investment (Net Funds Available for Investment)(7)	$21,916,700	87.67%	$65,750,000	87.67%	$88,750,000	88.75%

(1) The 100,000 maximum is a combined maximum for sales of Units in the two Funds. The table above assumes that no sales have been made of Units of the Enhanced Yield Fund II in calculating estimated use of proceeds in connection with a combined maximum offering.

(2) Assumes no discounts in selling commissions or financial advisory fees.

(3) Selling commissions, payable to MLPF&S, as selling agent, equal to up to 6.0% of the public offering price of the sale of the Units (without regard to discounts in selling commissions or financial advisory fees). See "Offering and Sale of Units — Offering of Units".

(4) Financial advisory fee payable to MLPF&S equal to up to 1 1/2% of the public offering price of the Units sold (without regard to discounts in selling commissions or financial advisory fees). See "Offering and Sale of Units — Offering of Units".

(5) Marketing and sales expense reimbursement, payable to MLPF&S, not to exceed 1/2% of the public offering price of the sale of Units. If the maximum amount of reimbursement to MLPF&S for marketing and sales expenses is paid, such reimbursement would equal $500,000 for a combined maximum offering.

(6) Includes legal, accounting, printing and other expenses of this offering (including reimbursement to Equitable Capital, the Administrator and affiliates thereof of certain expenses incurred by them on behalf of the Funds in connection with this offering and the legal expenses of MLPF&S), which are estimated at $3,250,000 for the 75,000 Unit combined minimum, but in no event shall exceed $6,000,000 in the aggregate for both Funds or, together with the amount of the selling commissions, financial advisory fees and marketing and sales expense reimbursements payable to MLPF&S, 15% of the total offering proceeds of each Fund. Such expenses will be allocated between the Funds based on the ratio of the number of Units of each Fund sold. The aggregate organizational and offering expenses have been allocated in the table set forth above one-third to the Enhanced Yield Retirement Fund II and two-thirds to the Enhanced Yield Fund II with respect to the 25,000 Unit minimum offering for the Enhanced Yield Retirement Fund II and have been 100% allocated to the Enhanced Yield Retirement Fund II with respect to the combined minimum and combined maximum offerings, each allocation in direct proportion to the number of Units assumed in the table set forth above to be sold by each Fund.

(7) If the maximum allowable marketing and sales expenses are reimbursed as set forth in (5) above, and the maximum allowable organizational and offering expenses are paid as set forth in (6) above, then Net Proceeds Available for Investment will be $21,000,000, $63,000,000 and $86,000,000 for a minimum offering, combined minimum offering and combined maximum offering, respectively.