result is fair to the Fund and is not the result of over-reaching by an Equitable Affiliate.

The liquidation of an Enhanced Yield Investment may occur at different stages for any given Portfolio Company. Normal exit sale options for Portfolio Companies include either public offerings in which insiders may or may not liquidate any of their holdings, registration and reoffering of investments in such companies or divestiture of the Portfolio Company through sale to a corporate or individual buyer. In the case of a public offering by the Portfolio Company, a Fund's investments may either be sold to the public contemporaneously with the Portfolio Company's registration of such securities upon the exercise by the Fund of registration rights, if any, received at the time the investment was made, or may be liquidated after such registration over time through subsequent secondary offerings. The cost of such registration is typically borne by the Portfolio Company but such costs may be borne by the Funds and other investors participating in the sale. The Funds may liquidate their holdings of only certain classes of securities constituting an Enhanced Yield Investment. For example, they may sell the subordinated debt or preferred stock portion of such investment while retaining the common stock portion. In the case of a sale of a Portfolio Company to a third-party buyer, however, the Funds' Mezzanine Investments would typically come due and be simultaneously liquidated. Finally debt securities in an Enhanced Yield Investment may be prepaid, and preferred stock may be redeemed, by a Portfolio Company in accordance with such prepayment terms, and prepayment premiums, if any, negotiated at the time such securities were issued.

Timing of divestiture or liquidation is critical to realizing optimal returns and depends on a Portfolio Company's performance, the judgment of the controlling investors (including Equitable Capital acting for the Funds and any Equitable Affiliate) as to value, and financial market conditions and opportunities. To the extent that Portfolio Companies are able to repay the debt incurred in the acquisition faster than anticipated, liquidation of the investment may occur at an early date. In growth situations, the need for capital may necessitate an entry into the public markets. General market conditions will almost always influence these decisions, as management, directors and major investors (including the Funds) will seek to maximize financial returns and to position the Portfolio Company to meet its financial needs in the market.

MANAGEMENT ARRANGEMENTS

The portfolio investments of the Funds will be managed by Equitable Capital, as Investment Adviser, under the supervision of the Independent General Partners. Equitable Capital will also act as the Managing General Partner of each of the Funds with overall responsibility for the administrative and business affairs of each Fund. The other General Partners will be individuals and are referred to herein as the Independent General Partners. The Investment Company Act requires that a majority of the General Partners of each Fund be individuals who are not "interested persons" of the Fund as defined in such Act. The Funds and Equitable Capital have filed an application for an order from the SEC determining that the Independent General Partners, who may be the same individuals for each Fund and for the Equitable Capital Partners I Funds, are not "interested persons" of the Fund within the meaning of the Investment Company Act simply by virtue of being General Partners of the Funds. Equitable Capital, through ML Fund Administrators Inc. (the "Administrator"), provides each of the Funds with certain day-to-day management and administrative services as described below.

Equitable Capital will act as the Investment Adviser to each Fund pursuant to Investment Advisory Agreements between Equitable Capital and each Fund and will be responsible for recommending all Enhanced Yield Investments and Temporary Investments to the Funds. Each Investment Advisory Agreement between a Fund and Equitable Capital must be initially approved by the initial Limited Partner of such Fund and thereafter annually approved by the Independent General Partners of such Fund. Whether or not an Investment Advisory Agreement with Equitable Capital is continued with respect to a Fund, Equitable Capital will remain as Managing General Partner of such Fund and continue to receive distributions and allocations in accordance with the Partnership Agreement. However, upon removal of Equitable Capital as Investment Adviser to a Fund the Incentive Distribution (as defined below under "Distributions and Allocations") will be payable by such Fund to Equitable Capital only with respect to those Enhanced Yield Investments held by such Fund identified by

Equitable Capital prior to its termination. See "Description of the Investment Advisory Agreements", below.

Equitable Capital and the Independent General Partners set forth in this Prospectus will serve as the General Partners of each Fund until successors have been elected to serve as General Partners or until their earlier resignation or removal. In the event that Equitable Capital is removed or is not re-elected at any meeting of Limited Partners held for the purpose of electing general partners of a Fund, such Fund will have to seek alternate arrangements with respect to those administrative and other services provided to such Fund by Equitable Capital. The Independent General Partners will be required to approve all investments made by such Fund, though investments meeting certain Guidelines will be reviewed only for compliance with such Guidelines. See "Investment Objective and Policies" and "Summary of the Partnership Agreement".

Description of the Investment Advisory Agreements

Pursuant to each Investment Advisory Agreement, Equitable Capital will perform investment advisory services to the related Fund. Under such Agreement, Equitable Capital will be responsible for the identification of all Enhanced Yield and Temporary Investments made by such Fund and all other investment advisory services necessary for the operation of such Fund in carrying out its investment objective and policies.

Equitable Capital's investment advisory services include locating, negotiating, acquiring, monitoring, holding and disposing of Enhanced Yield Investments and Temporary Investments for a Fund and, in the case of the Enhanced Yield Fund II, arranging its financing, if any. The Funds will make only the Enhanced Yield Investments and Temporary Investments recommended to them by Equitable Capital, and Equitable Capital (subject to the supervision of the General Partners) has the exclusive power and authority to make, monitor, manage and control a Fund's Enhanced Yield Investments and Temporary Investments. Equitable Capital will determine the manner in which voting rights, rights to consent to corporate action, and any other rights pertaining to a Fund's Enhanced Yield Investments and Temporary Investments, will be exercised (subject to qualifications with respect to financially-troubled companies).

Equitable Capital will bear the ordinary operating expenses of each of the Funds relating to portfolio investments, including the expenses of investigating investment opportunities, negotiating and financing Enhanced Yield Investments, monitoring Portfolio Companies and certain expenses of selling Enhanced Yield Investments. Each Fund will pay its pro rata share of all expenses of third parties, such as legal counsel, appraisers and independent business consultants, investment bankers and accountants hired or used by Equitable Capital in connection with the investigation, negotiation, purchase, holding and sale of actual or proposed Enhanced Yield Investments and Temporary Investments and any registration fees incurred in connection with any such sale. Portfolio Companies usually bear the expenses of such third parties, in which event the Funds will not be obligated to pay any of them. The Funds will also reimburse Equitable Capital, as Investment Adviser, for their pro rata share of the fees and expenses of the law department of Equitable Life paid by Equitable Capital in connection with any such purchase, holding or sale in which the Funds participate.

Each Fund will pay Equitable Capital a quarterly fee (payable in advance) (the "Investment Advisory Fee"), equal in amount to the greater of (i) an annual payment determined by multiplying $2,000,000 by a fraction, the numerator of which is the number of Units outstanding of such Fund and the denominator of which is the aggregate number of Units outstanding of both Funds and (ii) a fee calculated at the annual rate of 1% of such Fund's Available Capital. The Investment Advisory Fee payable by a Fund to Equitable Capital will be reduced by an amount equal to (i) any distributions from such Fund received by Equitable Capital, as Managing General Partner of such Fund, from Temporary Investments and (ii) 80% of "Deductible Fees" with respect to Portfolio Companies. "Deductible Fees" consist of certain transaction, commitment, "break-up", investment banking or similar fees received by Equitable Capital allocable to Enhanced Yield Investments purchased or as to which purchase commitments were issued by such Fund. Such fees will be reviewed quarterly by the Independent General Partners.

Each Investment Advisory Agreement has been approved by the Independent General Partners and the initial Limited Partner of the Fund to which the agreement applies. Unless earlier terminated as described below, each Investment Advisory Agreement will remain in effect for an initial two year period and thereafter continue from year to year if such continuance is specifically approved at least annually by such Fund by (a) the vote of a majority of the General Partners of the Fund cast in person at a meeting called for the purpose of voting on such approval, or by the vote of the holders of a majority of the voting securities of such Fund, and (b) a majority of the Independent General Partners of such Fund. Each Investment Advisory Agreement is not assignable and may be terminated without penalty on 60 days' written notice at the option of the related Fund or by vote of the Limited Partners of the related Fund. Equitable Capital may not terminate a Fund's Investment Advisory Agreement until the fifth anniversary of the execution of the Investment Advisory Agreement. Subsequent to that time Equitable Capital may terminate such agreement on 60 days' written notice so long as such Fund has found a suitable replacement investment adviser.

Each Investment Advisory Agreement provides that neither Equitable Capital nor any of its affiliates will be liable, responsible or accountable in damages or otherwise to a Fund or any Limited Partner of such Fund for any error of judgment or mistake of law or for any loss suffered by such Fund in connection with the matters covered by the Investment Advisory Agreement, except a loss resulting from willful misfeasance, bad faith, gross negligence or reckless disregard of duty on the part of Equitable Capital in the performance of its duties under the Investment Advisory Agreement.

Each Investment Advisory Agreement also provides that to the fullest extent permitted by law and the related Partnership Agreement, each Fund, out of its assets, and subject to the terms of such Partnership Agreement, and not out of the assets of the General Partners, will indemnify and hold harmless Equitable Capital and any of its affiliates who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including any action by or in the right of such Fund), by reason of any act or omission or alleged act or omission arising out of Equitable Capital's activities as investment adviser to such Fund, or by reason of any act or omission arising out of the activities of such affiliate as an officer, partner, director, shareholder or affiliate of Equitable Capital, if such activities were performed in good faith and were reasonably believed by such person to be in or not opposed to the best interests of such Fund and to be within the scope of the authority conferred by the Investment Advisory Agreement or by law or under or by the direction of the Managing General Partner (if other than Equitable Capital) or the Independent General Partners of such Fund, against losses, damages, or expenses for which such person has not otherwise been reimbursed (including, without limitation, attorney's fees, judgments, fines and amounts paid in settlement) actually and reasonably incurred by such person in connection with such action, suit or proceeding so long as such person was not guilty of gross negligence, willful misfeasance, bad faith or reckless disregard of such person's duties with respect to such acts or omissions, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful. Any such indemnification will be limited to the extent (a) that the satisfaction of any indemnification and any holding harmless will be from and limited to Fund assets and no Limited Partner will have any personal liability on account of any indemnification, and (b) that any indemnification of an affiliate of Equitable Capital will be limited to losses, damages or expenses (i) that such affiliate incurred solely as a result of such affiliate's status as an affiliate of Equitable Capital or (ii) to which the affiliate is subject because it has performed an obligation of Equitable Capital, in its role as Investment Adviser, on behalf of Equitable Capital. To the extent permissible by law, either Fund may make advance payments out of its assets in connection with the expense of defending any action with respect to which indemnification from such Fund might be sought under its respective Partnership Agreement by Equitable Capital or any affiliate. Each person seeking such an advance payment will be required to give a written undertaking to reimburse the Fund in the event that it is subsequently determined that such person is not entitled to such indemnification and (a) such person shall provide security for his, her or its undertaking, (b) the Fund shall be insured against losses arising by reason of lawful advances, or (c) a majority of the Independent General Partners or an independent legal counsel in a written opinion shall determine, based on a review of readily available facts (as opposed to a full trial-type inquiry), that there is reason to believe that such person ultimately will be found entitled to indemnification. Notwithstanding the foregoing, absent a judicial or administrative determination that Equitable Capital or any of its affiliates seeking indemnification was not liable on the merits or guilty of disabling conduct under Section 17(h) of the Investment Company Act, the decision by such Fund to indemnify Equitable Capital or any such affiliate or to make advance payments pending such indemnification must be based upon the reasonable determination of independent counsel or the Independent General Partners of such Fund not parties to the claim for which indemnification is to be sought, after review of the facts, that such conduct did not occur.

Equitable Capital

Equitable Capital is an indirect, wholly-owned subsidiary of Equitable Life specializing in fixed income and equity portfolio management and is registered as an investment adviser under the Investment Advisers Act of 1940 (the "Investment Advisers Act"). Organized in 1985, Equitable Capital performs the functions previously performed by the Finance Operations Area of Equitable Life and by Equitable Investment Management Corporation, an equity investment manager. As of September 30, 1989, it had approximately $37 billion in fixed income and equity assets under management. Equitable Capital is one of the leading participants in leveraged transactions and other enhanced yield transactions. The principal executive offices of Equitable Capital are located at 1285 Avenue of the Americas, New York, New York 10019.

Equitable Capital has extensive experience in private placement financing, with a growing emphasis on enhanced yield, specially structured and negotiated Leveraged Transactions, especially management-led leveraged acquisitions. Since January 1983, Equitable Capital (including its predecessors) has advised Equitable Life and Equitable Affiliates, including the Equitable Capital Partners I Funds and the Institutional Funds, in respect of portfolio securities and commitments issued in connection with Leveraged Transactions in an amount equal to approximately $3 billion.

As of September 30, 1989, assets under management of Equitable Capital included:

- $3.5 billion in privately placed enhanced return investments, including approximately $2.4 billion in securities similar to those in which the Funds will invest.

- $8.4 billion in privately placed fixed income corporate obligations, generally of investment grade.

- $1.4 billion in privately placed limited partnership interests, generally in funds which engage in leveraged acquisitions.

- $1.7 billion in publicly traded, high-yield securities, generally registered bonds.

- $17.1 billion in publicly traded, high-grade corporate and U.S. Government and agency obligations, as well as cash equivalents.

- $5.2 billion in common and preferred stock.

Management of Equitable Capital

The directors and principal executive officers of Equitable Capital are as follows:

Brian F. Wruble	Chairman of the Board of Directors, President and Chief Executive Officer
Frank Savage	Vice Chairman of the Board of Directors
David K. Downes	Director and Executive Vice President, Chief Financial and Administrative Officer and Treasurer
Robert W. Barth	Director
Stephen J. Friedman	Director
John Katz	Director
John D. Miller	Director and Executive Vice President
Zane E. Brown	Executive Vice President
Alden M. Stewart	Executive Vice President

Brian F. Wruble, age 46, is also an Executive Vice President of Equitable Life and is a member of its Investment Policy Committee. From 1982 to 1985 (when Equitable Capital was formed) Mr. Wruble was Equitable Life's Chief of Finance Operations, with overall responsibility for formulation of investment strategy for Equitable Life's General Asset Account, which then approximated $30 billion. In addition, since 1982 Mr. Wruble has overseen Equitable Life's corporate finance and bond investment activities, which currently encompass more than $20 billion of assets under management. Mr. Wruble joined Equitable Life in 1979 as Vice President and head of the Portfolio Management Department. He subsequently assumed responsibility for Equitable Life's Investment Advisory Department, providing active asset allocation and investment timing services for balanced pension accounts. Before joining Equitable Life, Mr. Wruble spent nearly ten years on Wall Street, most recently at Smith, Barney, Harris Upham & Co., where he was co-manager of fundamental equities research and a member of the Institutional Investor "All America Research Team". Mr. Wruble serves as President and Chairman of Equitable Realty Assets Corporation, as Chairman of Equico Capital Corporation and as a director of Equico Capital Corporation, Frye Copy Systems, Inc. and Equitable Variable Life Insurance Company. He is also a trustee of the Equitable Life's retirement plans.

Frank Savage, age 51, is responsible for international operations and assists Mr. Wruble in the overall management of Equitable Capital. He has been a Senior Vice President of Equitable Life since 1987 and was a Vice President from prior to 1984 until 1987. Mr. Savage is a member of the Board of Trustees of The Johns Hopkins University and the Council on Foreign Relations, Inc. He is a director of Equico Capital Corporation, Essence Communications, Inc., United Mutual Life Insurance Company, Equitable Capital Management Japan, Ltd. and E.C. Capital Management (Europe) Limited.

David K. Downes, age 50, is responsible for financial, accounting, legal, systems and administrative operations. He joined Equitable Capital in 1985 from Merrill Lynch & Co., Inc., where he was Vice President and Controller from prior to 1984 until he joined Equitable Capital. Mr. Downes is a director of Equitable Capital Management Japan, Ltd., E.C. Capital Management (Europe) Limited and Equitable Capital Securities Corporation, all direct subsidiaries of Equitable Capital.

Robert W. Barth, age 53, is President and Chief Executive Officer of the Individual Financial Management Group of Equitable Life and of Equitable Variable Life Insurance Company. Since 1985 he has been an Executive Vice President of Equitable Life. Prior to 1984 he was

Vice President and from 1984 to 1985 he was a Senior Vice President of Equitable Life. Mr. Barth is Chairman of the Board of Directors of Equitable Realty Partners, L.P., a director of Equitable Investment Corporation, Donaldson, Lufkin & Jenrette Securities Corporation, Alliance Capital Management Corporation, Equitable of Colorado and the Communication Design Group and a trustee of The Equitable Trust and The Equitable Funds. Mr. Barth is a trustee of the Morehouse School of Medicine and a director and part owner of ECTA Corporation.

Stephen J. Friedman, age 51, has been Executive Vice President and General Counsel of Equitable Life since 1988. From 1986 to 1988 he was Executive Vice President and General Counsel of E.F. Hutton Group, Inc. (financial services). Prior to 1986, Mr. Friedman was a partner at the law firm of Debevoise & Plimpton.

John Katz, age 51, has been an Executive Vice President of Equitable Investment Corporation since January 1989 and was a Senior Vice President from December 1985 to January 1989. From November 1982 to December 1985 he was a Vice President of Equitable Life. Mr. Katz is also a director of Equitable Investment Corporation, Equitable Agribusiness Incorporated, Equitable Real Estate Investment Management, Inc. and Equico Securities, Inc.

John D. Miller, age 44, has been an Executive Vice President of Equitable Capital since 1985. From prior to 1983 to 1987 he was a Vice President of Equitable Life. Mr. Miller is Head of Corporate Finance of Equitable Capital and is responsible for all private placement investment activities of Equitable Capital including privately placed leveraged acquisition investments. Mr. Miller joined Equitable Life in 1969 and has extensive experience in the private placement area and portfolio management, including management of a $1 billion separate account for which he selected private placements and public bonds. He played a key role in a number of major corporate restructurings between 1979 and 1982. Mr. Miller played a major role in Equitable Life's entrance into the leveraged acquisition market in 1983 and in the development of its philosophy and approach to investing in the leveraged buyout market. During 1986 and 1987, Mr. Miller's operation completed approximately 400 private placement transactions totaling more than $5.7 billion of investments for Equitable Capital accounts. Mr. Miller is a director of Equico Capital

Corporation, Joy Technologies Inc., and Equitable Capital Securities Corporation.

Zane E. Brown, age 37, has been an Executive Vice President of Equitable Capital since 1987. From 1984 until 1987, he was a Manager at Brown Brothers Harriman & Co., a private bank. He is an Investment Officer with the Equitable Financial Companies, a Vice President of Equitable Variable Life Insurance Company and an Assistant Treasurer of the Equitable Funds.

Alden M. Stewart, age 44, has been an Executive Vice President of Equitable Capital since January 1987. From October 1986 to January 1987, he was a portfolio manager at Neuberger & Berman, a broker-dealer. Since prior to 1984 to October 1986, Mr. Stewart was a portfolio manager at Equitable Investment Management Corporation, one of the predecessors to Equitable Capital.

The Institutional Funds

The Institutional Funds are each a Delaware limited partnership that have an investment objective and policies substantially identical to those of the Funds. They each have been offered in a private placement to certain institutional investors. Equitable Managed Assets, L.P., a Delaware limited partnership of which Equitable Life and Equitable Capital are partners, serves as the general partner of the Institutional Fund I. Equitable Capital serves as the general partner of Institutional Fund II and is the investment adviser to the Institutional Funds. Institutional Fund I has raised approximately $1.1 billion through its private offering. Institutional Fund II has raised approximately $276 million through its private offering.

Equitable Life and other Equitable Affiliates have committed approximately $481 million to Institutional Fund I. Institutional Fund I commenced operations in December of 1986 and, as of September 30, 1989, had outstanding investments of approximately $912.7 million invested in 49 transactions. Institutional Fund I has the right to an allocation by Equitable Capital of 50% of any Enhanced Yield Investment that meets such Institutional Fund's investment objective and policies until it becomes 75% invested in Enhanced Yield Investments, and the right to an allocation of 25% of any such investment after it becomes so invested and prior to the time it becomes 90%

invested in Enhanced Yield Investments. Equitable Capital expects that Institutional Fund I will have invested more than 90% of its capital by the time the Funds commence operations and will have no priority allocation rights. As of September 30, 1989, the outstanding balance of invested capital represented 84% of Institutional Fund I's capital commitments, and such balance increased by the amount of committed capital, represented 93% of Institutional Fund I's capital commitments.

Equitable Capital Partners I Funds

In 1988, Equitable Capital sponsored the public offering and commencement of investment activity of the Equitable Capital Partners I Funds, each a Delaware limited partnership, organized as a business development company under the Investment Company Act. The investment objective of the Equitable Capital Partners I Funds is to provide current income and capital appreciation potential by investing in privately structured, friendly leveraged transactions. The general partners of the Equitable Capital Partners I Funds consist of four Independent General Partners and Equitable Capital as the managing general partner. As of December 31, 1989, the Enhanced Yield Fund I and the Enhanced Yield Retirement Fund I received net proceeds from their public offerings of $264,688,230 and $205,596,960, respectively. The Enhanced Yield Fund I has also received a senior bank line commitment of up to $130,000,000, giving it total capital available for investment of up to $394,688,230.

Between the Enhanced Yield Fund I and the Enhanced Yield Retirement Fund I's commencement of operations in October 1988 and December 31, 1989, each completed 15 and 14 investments, respectively, in managed companies totaling $365,131,628. Equitable Life, its Affiliates and other Equitable Capital managed accounts made equity investments in __* of these companies, totaling ____* million (not including investments by the Equitable Capital Partners I Funds). Total acquisition cost of investments (debt and equity) by the Equitable Capital Partners I Funds in such managed companies ranged from ____* million to $92.6 million. See chart captioned "Investments by the Enhanced Yield Fund I, Enhanced Yield Retirement Fund I and Coinvestments of Equitable

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* To be filed by amendment.

Affiliates" below. The Enhanced Yield Fund I and the Enhanced Yield Retirement Fund I do not have any investments in non-managed companies.

The Enhanced Yield Fund I and the Enhanced Yield Retirement Fund I have each sold investments with an aggregate original cost of $4,469,353 and $3,575,482, respectively. With respect to the investments sold by the Enhanced Yield Fund I, such Fund received proceeds of $4,499,076 from the sale of such investments. With respect to the investments sold by the Enhanced Yield Retirement Fund I, such Fund received proceeds of $3,599,260 from the sale of such investment. As of December 31, 1989, an aggregate of $231,053,143 and $121,395,525 of debt securities of managed companies, including the equity portions of all of the investments in debt securities of managed companies, continue to be held by the Enhanced Yield Fund I and the Enhanced Yield Retirement Fund I, respectively. The Enhanced Yield Fund I and Enhanced Yield Retirement Fund I have each made one Bridge Investment in an amount, respectively, of $32,504,244 and $25,295,756.

As of December 31, 1989, the Enhanced Yield Fund I and the Enhanced Yield Retirement Fund I had remaining uninvested capital of $160,570,625 and $82,627,772, respectively.

ENHANCED YIELD FUND I - CURRENT STATUS

Investments Outstanding as of 12/31/89

Managed Mezzanine Investments	$201,613,361
Non-Managed Mezzanine Investments	0
Bridge Investments	32,504,244
Subtotal	234,117,605
Capital Available for Investment as of 12/31/89	160,570,625
Total Available Capital	$394,688,230

Enhanced Yield Fund I has made distributions to its limited partners as follows:

Quarter Ending	Distribution per $1,000 Unit
December 31, 1988 (1)	$ 7.74
March 31, 1989	$ 14.05
June 30, 1989	$ 24.99
September 30, 1989	$ 22.03
December 31, 1989	$ 25.85

(1) Partial quarter.

ENHANCED YIELD RETIREMENT FUND I - CURRENT STATUS

Investments Outstanding as of 12/31/89

Managed Mezzanine Investments	$ 97,673,432
Non-Managed Mezzanine Investments	0
Bridge Investments	25,295,756
Subtotal	122,969,188
Capital Available for Investment as of 12/31/89	82,627,772
Total Available Capital	$205,596,960

Enhanced Yield Retirement Fund I has made distributions to its limited partners as follows:

Quarter Ending	Distribution per $1,000 Unit
December 31, 1988 (1)	$ 7.23
March 31, 1989	$ 17.38
June 30, 1989	$ 27.07
September 30, 1989	$ 19.45
December 31, 1989	$ 25.83

(1) Partial quarter.

Set forth on the following pages are summary descriptions of the investments and commitments of the Enhanced Yield Fund I and Enhanced Yield Retirement Fund I. Following that is a detailed chart of all investments made by the Enhanced Yield Fund I and the Enhanced Yield Retirement Fund I as of December 31, 1989 and the investment of Equitable Affiliates in such transactions.

Investors in the Funds will have no interest in either Managed Company or Non-Managed Company investments of the Equitable Capital Partners I Funds.

ENHANCED YIELD FUND I

Managed Companies:

Western Pioneer, Inc. ("Western")

On December 20, 1988, the Enhanced Yield Fund I invested $14,374,800 in Western. Such investment consisted of (a) $14,374,800 aggregate principal amount of Western's 14.25% Senior Subordinated Notes due 2000 and (b) 111,189 Preferred Stock Purchase Warrants relating to Lepercq Acquisition Corporation 101.

Founded in 1972 by Max and Amigo Soriano, Western is a major market force in three business segments: operating coastal freighters to and from Alaska, fuel tank farms and direct fuel distribution services in Alaska, and a major marine supply center and general store in Dutch Harbor which is the Aleutian Island's only accessible fishing fleet harbor.

Mace Sod Service, Inc. ("Mace Sod")

On December 22, 1988, the Enhanced Yield Fund I invested $5,662,800 in Mace Sod. Such investment consisted of (a) $5,662,800 aggregate principal amount of Mace Sod's 14.00% Subordinated Notes due 1998 and (b) 152 Common Stock Purchase Warrants relating to Mace Sod.

Mace Sod produces sod for use in residential, commercial, and municipal landscaping throughout Florida. Mace Sod is Florida's largest sod producer, holding a 60% market share in Southern Florida.

United States Leather Holdings, Inc. ("U.S. Leather")

On December 30, 1988, the Enhanced Yield Fund I invested $25,760,000 in U.S. Leather. Such investment consisted of (a) $18,315,360 aggregate principal amount of PVL Partnership II's 15.00% Senior Subordinated Notes due 2000, (b) $3,477,600 aggregate principal amount of Gebhart Vogel Tan. Co., Inc.'s 15.00% Senior Subordinated Notes due 2000, (c) $695,520 aggregate principal amount of Leather Finishing Corp.'s 15.00% Senior Subordinated Notes due 2000, (d) $695,520 aggregate principal amount of C. Moser Leather Corp., Inc.'s 15.00% Senior Subordinated Notes due 2000, (e) 2,576,000 shares of U.S. Leather's 8.00% redeemable Preferred Stock due 2001, and (f) 1,790 Common Stock Purchase Warrants relating to U.S. Leather.

On March 22, 1989, Enhanced Yield Fund I sold $4,500,000 aggregate principal amount of the Senior Subordinated Notes, and 134.5 Common Stock Purchase Warrants relating to U.S. Leather.

U.S. Leather produces leather for the furniture upholstery market, the heavy leather segment of the men's shoe industry and a variety of special niche markets. U.S. Leather, benefitting from the growing trend towards the use of naturally durable materials in home furnishings and clothing, is the nation's largest diversified leather tanner.

Color Your World, Inc. ("Color")

On January 5, 1989, the Enhanced Yield Fund I invested $29,331,657 in Color, a Canadian corporation, formerly owned by Color Tile, Inc. Such investment consisted of (a) $29,331,657 aggregate principal amount of Color's 14.50% Senior Subordinated Notes due 1999 and (b) 500,001 Common Stock Purchase Warrants relating to Color.

Color Your World is Canada's largest manufacturer and specialty retailer of paint, wallpaper, flooring, and related products.

After experiencing lower than anticipated earnings, Color has failed to meet two financial covenants contained in a senior credit agreement between Color and certain bank lenders (the "bank lenders"). The bank lenders agreed to permit this situation provided that the company submit to the bank lenders a revised business plan no later than October 31, 1989 and a capital restructuring plan no later than November 30, 1989, both of which have been submitted.

Principle terms of the capital restructuring, which has been agreed to in principal by Equitable Capital, Wesray (the sponsor), and the senior lenders include: (1) the injection of $2 million of equity capital by Wesray; (2) an additional investment of $3 million by the Enhanced Yield Fund I; (3) reduction of the total amount of senior debt; (4) adjustment of senior debt covenant levels to reflect the revised business plan; and (5) payment-in-kind of the Subordinated Note interest for a period of not more than three years. As compensation for their contributions to the restructuring, the Enhanced Yield Fund I will receive additional equity in Color.

Pursuant to the business plan submitted by Color on October 30, 1989, Color has begun to take steps designed to increase its operating earnings through various means, including by reducing its overhead. Equitable Capital will continue to monitor closely Color's operations and financial condition and the valuation of the Enhanced Yield Fund I's investment in Color.

The Nicholstone Companies ("Nicholstone")

On January 12, 1989, the Enhanced Yield Fund I invested $8,415,000 in Nicholstone. Such investment consisted of (a) $8,415,000 aggregate principal amount of Nicholstone's 14.00% Subordinated Notes due 1999 and (b) 43,676 Common Stock Purchase Warrants relating to Nicholstone.

Nicholstone has created a unique niche in the printing and publishing industry, including the handling of an array of materials and sizes. Nicholstone is the largest independent specialty bindery and has become the leading independent manufacturer of binders and casings for computer software in each case, in the United States.

Metal Litho International, Incorporated ("Metal Litho")

On February 17, 1989, Enhanced Yield Fund I invested $2,400,000 in Metal Litho. Such investment consisted of (a) $2,400,000 aggregate principal amount of Metal Litho's 14.50% Senior Subordinated Notes due 1995 and (b) 12 Common Stock Purchase Warrants relating to Metal Litho.

Metal Litho is one of the largest independent companies servicing food packagers. Metal Litho cuts, prints on and coats sheets of steel for various industrial uses, including the sanitization and labeling required for canning applications. Metal Litho acts purely as a service company and does not own any inventory.

Pergament Home Centers, Inc. ("Pergament")

On February 28, 1989, Enhanced Yield Fund I invested $37,024,826 in Pergament. Such investment consisted of (a) $17,136,000 aggregate principal amount of Pergament Acquisition Corporation Home Centers, Inc.'s 14.25% Senior Subordinated Notes due 1999, (b) $17,508,826 aggregate principal amount of Pergament Acquisition Corporation's Variable Rate (initially prime rate plus 2%) Senior Bridge Notes due February 1990, and (c) 2,380 shares of Pergament Holdings Corporation's Common Stock.

On September 12, 1989, the Enhanced Yield Fund I converted the Variable Rate Senior Bridge Notes to Fixed 11.5% Senior Bridge Notes due August 1990 and invested an additional $14,995,418 in the Fixed 11.5% Senior Bridge Notes. This additional investment increased the Enhanced Yield Fund I's investment in Pergament to $52,020,244.

Pergament sells paint, wallpaper, tools, fixtures, and carpentry products, as well as plumbing and lawn care supplies. Pergament operates forty stores in the New York metropolitan region and is Long Island's leading "do it yourself" home improvement retailer.

Alopex Industries, Inc. ("Alopex")

On March 7, 1989, the Enhanced Yield Fund I invested $5,568,035 in Alopex. Such investment consisted of (a) $5,527,500 aggregate principal amount of Alopex

Acquisition Corporation's 14.25% Senior Subordinated Notes due 1997 and (b) 810.70 shares of the Common Stock of Alopex's parent, Alopex Holdings Inc.

Alopex is a market leader in the manufacturing of automatic pool cleaners. Its premium product, "The Polaris 180", has the capacity to clean in-ground pools of any shape or size. A major portion of Alopex's business stems from replacing competitors' products with Alopex components.

American Safety Razor Company ("American")

As of May 22, 1989, the Enhanced Yield Fund I had invested a total amount of $23,765,382 in American.

On April 14, 1989, the Enhanced Yield Fund I invested $21,083,895 in American. Such investment consisted of (a) $5,879,250 aggregate principal amount of ASR Acquisition Corporation's ("Acquisition") 14.00% Senior Subordinated Notes due 1999, (b) $12,060,000 aggregate principal amount of Acquisition's 15.00% Subordinated Notes - Series A due 1999, (c) $3,015,000 aggregate principal amount of Acquisition's 13.50% Subordinated Notes - Series B due 1999 and (d) 1,296.45 shares of Acquisition's Common Stock.

On April 28, 1989, the Enhanced Yield Fund I invested $2,680,000 in American. Such investment consisted of (a) $837,500 aggregate principal amount of Acquisition's 14.00% Senior Subordinated Notes due 1999, (b) $1,507,500 aggregate principal amount of Acquisition's 15.00% Subordinated Notes - Series A due 1999 and (c) $335,000 aggregate principal amount of Acquisition's 13.50% Subordinated Notes - Series B due 1999.

On May 22, 1989, the Enhanced Yield Fund I invested $1,487 in American. Such investment consisted of 14.87 shares of Acquisition's Common Stock.

American is a major manufacturer of shaving, industrial and surgical blades, and custom bar soap. American has further positioned itself for continued success by purchasing a smaller industrial blade manufacturer, Ardell Industries, Inc., in late April, 1989. Enhanced Yield Fund I invested $2,680,000 in the Ardell transaction.

United Savings Association of Texas, FSB ("United")

On May 24, 1989, Enhanced Yield Fund I invested $15,075,000 in United. Such investment consisted of $15,075,000 aggregate principal amount of United's 15.00% Subordinated Capital Notes due 1999. The Enhanced Yield Fund I intends to acquire common stock of United in 1990.

As recapitalized, United is a federally-chartered institution, which benefits from a comprehensive FSLIC support agreement (now to be administered by the FDIC and other Federal agencies).

Perfect Fit, Inc. ("Perfect")

On May 26, 1989, the Enhanced Yield Fund I invested $5,108,750 in Perfect. Such investment consisted of (a) $5,117,125 aggregate principal amount of Perfect's 14.00% Senior Subordinated Notes due 1999 and (b) 21,676 Class B Common Stock Purchase Warrants of Home Furnishings Ent. Inc.

Perfect is a leading manufacturer of home furnishings, including mattress covers, bedspreads, draperies and pillows. Perfect's products are sold to more than 1,500 retailers, including J.C. Penney, Sears, Macy's, Spiegel and others, under the brand names Bedsack, Boynton for Babies and Slumber Cushion.

JP Foodservice, Inc. ("JP")

On July 3, 1989, the Enhanced Yield Fund I invested $20,100,000 in JP. Such investment consisted of (a) $17,587,500 aggregate principal amount of JP's 13.75% Senior Subordinated Notes due 1999, (b) 40,522 Warrants to purchase shares of common stock, and (c) 251,250 shares of JP Food Holdings Inc.'s Common Stock.

JP operates nine regional branches that sell a wide variety of products and brands to restaurants, food service chains and other institutional customers. Among the brands sold by JP are Monarch and Sara Lee. JP is the country's fifth largest food service distribution company.

RI Holdings Inc. ("RI")

On September 1, 1989, the Enhanced Yield Fund I invested $14,104,340 in RI. Such investment consisted of (a) $11,055,000 aggregate principal amount of 14.00% Senior Subordinated Notes due 1999 and (b) 304,934 shares of RI's Common Stock.

RI is a market leader in the U.S. in the design, engineering and manufacturing of: jukeboxes, bill acceptors and currency changers, and commercial vending equipment. RI also owns a captive finance subsidiary, Triangle Finance Company.

American Paper Group, Inc. ("American Paper")

On October 10, 1989, the Enhanced Yield Fund I invested $5,527,500 in American Paper. Such investment consisted of (a) $5,306,400 aggregate principal amount of 14.00% Subordinated Notes due 1999, (b) 2,393.91 shares of Common Stock of SMI Acquisition Corp. Class A, (c) 18,143.63 shares of Common Stock of SMI Acquisition Corp. Class B and (d) 4,184 Warrants to purchase shares of Common Stock of SMI Acquisition Corp. Class B.

American Paper is the largest U.S. manufacturer of church offering envelopes and a major supplier of specialty commercial envelopes to direct mail advertisers, insurance companies and other users.

Tulip Holding Corporation ("Tulip")

On December 29, 1989, the Enhanced Yield Fund I invested $11,373,450 in Tulip. Such investment consisted of (a) $8,530,088 aggregate principal amount of 14.50% Subordinated Notes due 1995, (b) $2,843,362 in 15.00% Exchangeable Preferred Stock, and (c) 153,104 Warrants to purchase shares of common stock of Tulip Holding Corporation.

Tulip Holding Corporation is the leading producer of non-toxic dimensional fabric paint products.

Non-Managed Companies:

As of December 31, 1989, the Enhanced Yield Fund I had made no investments in Non-Managed Companies.

ENHANCED YIELD RETIREMENT FUND I (See "ENHANCED YIELD FUND I" above for a description of the business of each company listed below.)

Managed Companies:

Western Pioneer, Inc. ("Western")

On December 20, 1988, the Enhanced Yield Retirement Fund I invested $7,405,200 in Western. Such investment consisted of (a) $7,405,200 aggregate principal amount of Western's 14.25% Senior Subordinated Notes due 2000 and (b) 57,279 Preferred Stock Purchase Warrants relating to Lepercq Acquisition Corporation 101.

Mace Sod Service, Inc. ("Mace Sod")

On December 22, 1988, the Enhanced Yield Retirement Fund I invested $2,917,200 in Mace Sod. Such investment consisted of (a) $2,917,200 aggregate principal amount of Mace Sod's 14.00% Subordinated Notes due 1998 and (b) 79 Common Stock Purchase Warrants relating to Mace Sod.

United States Leather Holdings, Inc. ("U.S. Leather")

On December 30, 1988, the Enhanced Yield Retirement Fund I invested $20,240,000 in U.S. Leather. Such investment consisted of (a) $14,390,640 aggregate principal amount of PVL Partnership II's 15.00% Senior Subordinated Notes due 2000, (b) $2,732,400 aggregate principal amount of Gebhart Vogel Tan. Co., Inc.'s 15.00% Senior Subordinated Notes due 2000, (c) $546,480 aggregate principal amount of Leather Finishing Corp.'s 15.00% Senior Subordinated Notes due 2000, (d) $546,480 aggregate principal amount of C. Moser Leather Corp., Inc.'s 15.00% Senior Subordinated Notes due 2000, (e) 2,024,000 shares of U.S. Leather's 8% redeemable Preferred Stock due 2001, and (f) 1,407 Common Stock Purchase Warrants relating to U.S. Leather.

On March 21, 1989, Enhanced Yield Retirement Fund I sold $3,600,000 aggregate principal amount of the Senior Subordinated Notes, and 107.6 Common Stock Purchase Warrants relating to U.S. Leather.

The Nicholstone Companies ("Nicholstone")

On January 12, 1989, the Enhanced Yield Retirement Fund I invested $4,335,000 in Nicholstone. Such investment consisted of (a) $4,335,000 aggregate principal amount of Nicholstone's 14.00% Subordinated Notes due 1999 and (b) 22,500 Common Stock Purchase Warrants relating to Nicholstone.

Metal Litho International, Incorporated ("Metal Litho")

On February 17, 1989, the Enhanced Yield Retirement Fund I invested $1,200,000 in Metal Litho. Such investment consisted of (a) $1,200,000 aggregate principal amount of Metal Litho's 14.50% Senior Subordinated Notes due 1995 and (b) 6 Common Stock Purchase Warrants relating to Metal Litho.

Pergament Home Centers, Inc. ("Pergament")

On February 28, 1989, the Enhanced Yield Retirement Fund I invested $29,090,935 in Pergament. Such investment consisted of (a) $13,464,000 aggregate principal amount of Pergament Acquisition Corporation Home Centers, Inc.'s ("Acquisition") 14.25% Senior Subordinated Notes due 1999, (b) $13,756,935 aggregate principal amount of Pergament Acquisition Corporation's 13.50% Bridge Notes due 1990, and (c) 1,870 shares of Pergament Holdings Corporation's Common Stock. On September 12, 1989, the Enhanced Yield Retirement Fund I invested an additional $11,538,821 in the Senior Bridge Notes. This additional investment increased the Enhanced Yield Retirement Fund I's investment in Pergament to $40,629,756.

Alopex Industries, Inc. ("Alopex")

On March 7, 1989, the Enhanced Yield Retirement Fund I invested $2,742,465 in Alopex. Such investment consisted of (a) $2,722,500 aggregate principal amount of Alopex Acquisition Corporation's 14.25% Senior Subordinated Notes due 1997 and (b) 399.30 shares of the Common Stock of Alopex's parent, Alopex Holdings Inc.

American Safety Razor Company ("American")

As of May 22, 1989, the Enhanced Yield Retirement Fund I had invested $11,705,338 in American.

On April 14, 1989, the Enhanced Yield Retirement Fund I invested $10,384,605 in American. Such investment consisted of (a) $2,895,750 aggregate principal amount of ASR Acquisition Corporation's ("Acquisition") 14.00% Senior Subordinated Notes due 1999, (b) $5,940,000 aggregate principal amount of Acquisition's 15.00% Subordinated Notes - Series A due 1999, (c) $1,485,000 aggregate principal amount of Acquisition's 13.50% Subordinated Notes - Series B due 1999 and (d) 638.55 shares of Acquisition's Common Stock.

On April 28, 1989, the Enhanced Yield Retirement Fund I invested $1,320,000 in American. Such investment consisted of (a) $412,500 aggregate principal amount of Acquisition's 14.00% Senior Subordinated Notes due 1999, (b) $742,500 aggregate principal amount of Acquisition's 15.00% Subordinated Notes - Series A due 1999 and (c) $165,000 aggregate principal amount of Acquisition's 13.50% Subordinated Notes - Series B due 1999.

On May 22, 1989, the Enhanced Yield Retirement Fund I invested $733 in American. Such investment consisted of 7.33 shares of Acquisition's Common Stock.

United Savings Association of Texas, FSB ("United")

On May 24, 1989, the Enhanced Yield Retirement Fund I invested $7,425,000 in United. Such investment consisted of $7,425,000 aggregate principal amount of United's 15.00% Subordinated Capital Notes due 1999.

Perfect Fit, Inc. ("Perfect")

On May 26, 1989, the Enhanced Yield Retirement Fund I invested $2,516,250 in Perfect. Such investment consisted of (a) $2,520,395 aggregate principal amount of Perfect Fit Industries, Inc.'s 14.00% Senior Subordinated Notes due 1999 and (b) 10,677 Class B Common Stock Purchase Warrants of Home Furnishings Ent. Inc.

JP Foodservice, Inc. ("JP")

On July 3, 1989, the Enhanced Yield Retirement Fund I invested $9,900,000 in JP. Such investment consisted of (a) $8,662,500 aggregate principal amount of JP's 13.75% Senior Subordinated Notes due 1999, (b) 19,973 Warrants to purchase shares of common stock and (c) 123,750 shares of JP Food Holding, Inc. common stock.

RI Holdings Inc. ("RI")

On September 1, 1989, the Enhanced Yield Retirement Fund I invested $6,946,910 in RI. Such investment consisted of (a) $5,445,000 aggregate principal amount of 14.00% Senior Subordinated Notes due 1999 and (b) 150,191 shares of RI's Common Stock.

American Paper Group, Inc. ("American Paper")

On October 10, 1989, the Enhanced Yield Retirement Fund I invested $2,722,500 in American Paper. Such investment consisted of (a) $2,613,600 aggregate principal amount of 14.00% Subordinated Notes due 1999, (b) 1,179.09 shares of Common Stock of SMI Acquisition Corp. Class A, (c) 8,936.41 shares of Common Stock of SMI Acquisition Corp. Class B and (d) 2,061 Warrants to purchase shares of Common Stock of SMI Acquisition Corp. Class B.

American Paper is the largest U.S. manufacturer of church offering envelopes and a major supplier of specialty commercial envelopes to direct mail advertisers, insurance companies and other users.