

Importance of Obtaining Professional Advice

The foregoing analysis is not intended as a substitute for careful tax planning. The tax matters relating to the Funds and the transactions described herein are complex and are subject to varying interpretations. Moreover, the effect of existing income tax laws and possible changes in such laws will vary with the particular circumstances of each investor. In addition, with the exception of those issues specifically referred to as the subject of the opinion of Counsel to a Fund, no opinion as to the tax consequences of an investment in such Fund has been obtained by such Fund. Accordingly, as previously stated, each prospective Limited Partner should consult with and rely on his own advisors with respect to the possible tax consequences of an investment in a Fund.

Uncertainty in Tax Laws

It should be noted that the provisions of the Code described above do not constitute all of the provisions which might possibly be relevant to an investment in the Funds. Moreover, many of these provisions were changed by the 1986 Act and the 1987 Act, many of which changes have not yet been supplemented by corresponding amendments to the Regulations. In addition, Congress is currently considering additional tax legislation, including the Technical Corrections Act of 1988. Accordingly, certain of the Code provisions discussed above may be further amended, modified or clarified by the IRS or the courts in ways that may have an adverse effect on the Funds and the Limited Partners.

TAX AND ERISA CONSIDERATIONS FOR TAX-EXEMPT INVESTORS

Income Tax Considerations

Certain entities, including trusts formed as part of Keogh and corporate pension or profit-sharing plans that are qualified under Section 401(a) of the Code, IRAs and certain charitable and other organizations described in Section 501(c) of the Code ("Tax-Exempt Investor" or "Tax-Exempt Investors"), are generally exempt from federal income tax. However, such entities are subject to federal income tax on their "unrelated business taxable income" ("UBTI"), which includes certain income from property with respect to which the entity has incurred "acquisition indebtedness". The definitions of UBTI and "acquisition indebtedness" are discussed below.

Generally, a Tax-Exempt Investor that incurs UBTI is taxed on such income at the regular trust or, in the case of certain entities, corporate federal income tax rates. UBTI is defined as the gross income derived by a Tax-Exempt Investor from an unrelated trade or business less the deductions directly connected with that trade or business, all subject to certain modifications. The tax is imposed directly on and paid out of the assets of the plan or other Tax-Exempt Investor. In computing UBTI, there are allowed as deductions all expenses that are directly connected with the earning of such income and a specific deduction of \$1,000. If the gross unrelated business income does not exceed \$1,000 per year, it is not taxable, nor reportable, for federal income tax purposes. Even though a portion of the income of a Tax-Exempt Investor is UBTI, income from other investments that is not UBTI will continue to be exempt from federal income tax. Thus, the receipt of UBTI from a Fund, or otherwise, generally will not affect the tax-exempt status of Limited Partners which are Tax-Exempt Investors. For certain types of Tax-Exempt Investors, however, the receipt of any unrelated business income may have extremely adverse consequences. For example, if a charitable remainder annuity trust or a charitable remainder unitrust (as defined in Section 664 of the Code) receives any UBTI during the year, all of the income from all sources in that year will be taxable. In addition to possible federal income taxation, any UBTI may be subject to state and local income taxation, which may differ in method of computation and amount from the federal tax.

Whether an entity is engaged in a trade or business is a question of fact. Given the nature of the contemplated investment activities of the Funds, Equitable Capital believes that neither Fund should be considered engaged in a trade or business for federal income tax purposes. However, no assurance can be given that the Funds may not be considered at some time to be so engaged. The Funds believe that the reduction of the Investment Advisory Fee payable to Equitable Capital as the result of commitment,

break-up and similar transaction fees earned by Equitable Capital should not constitute income to the Funds. It is possible, however, that the IRS will assert that such reduction should be viewed as income to a Fund and that such income should constitute UBTI. The Code also provides that dividends, interest and gains from the sale or exchange of property held for investment are excluded from UBTI regardless of whether such income items are derived from a trade or business activity. It is anticipated that virtually all of each Fund's income will be from such sources. Notwithstanding the foregoing, UBTI generally includes a percentage of the gross income (less the same percentage of applicable deductions) derived (with certain exceptions) from property (whether or not used in an unrelated trade or business) that is subject to acquisition indebtedness. The percentage referred to is that which the average amount of acquisition indebtedness for a taxable year with respect to a property bears to the average adjusted basis for such year for the property. Acquisition indebtedness includes (i) debt incurred in acquiring any property, (ii) debt incurred before the acquisition of any property if the debt would not have been incurred but for such acquisition and (iii) debt incurred after the acquisition of property if the debt would not have been incurred but for such acquisition and if the incurrence of the debt was reasonably foreseeable at the time of the acquisition.

Although any dividends, interest and capital gains derived from a Fund by Tax-Exempt Investors ordinarily would qualify for the statutory exceptions to UBTI (assuming Tax-Exempt Investors do not purchase interests in the Fund with borrowed funds), the Enhanced Yield Fund anticipates that it will incur acquisition indebtedness in connection with the purchase of its investments. Thus, if the Enhanced Yield Fund makes investments with borrowed funds, a portion of the gains realized thereafter on disposition of securities and other income of the Fund could be classified as "unrelated debt-financed income" subject to the UBTI. Tax-Exempt Investors will not, therefore, be permitted to subscribe for Units in the Enhanced Yield Fund.

The Enhanced Yield Retirement Fund, however, is not permitted to incur any such acquisition indebtedness. Tax-Exempt Investors wishing to subscribe for Units in a Fund may only subscribe for Units of the Enhanced Yield Retirement Fund.

ERISA Considerations

The provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), are extremely complex and the status of the Enhanced Yield Retirement Fund under ERISA may depend on various facts and circumstances. Consequently, each investor which is subject to ERISA should consult with its legal counsel concerning the matters discussed below.

Trust Requirement

ERISA requires that all assets of any employee benefit plan be held in trust by one or more trustees (or, in certain cases, in a qualifying custodial account). The Code imposes similar requirements with respect to an IRA. The Department of Labor has issued a final regulation which provides that, in the case of an investment in a partnership, the trustee requirement will be satisfied if the certificate, contract or other instrument evidencing the employee benefit plans' investment in such partnership is held in trust (or in a qualifying custodial account), regardless of whether the assets of such partnership are also deemed to be "plan assets" under the rules described in the following paragraph.

Prohibited Transaction Rules

ERISA and the Code prohibit certain transactions, including sales of Units in the Enhanced Yield Retirement Fund, between an employee benefit plan or IRA and a "party in interest" or "disqualified person". Each subscriber investing in a Unit shall represent whether or not it is investing on behalf of an employee benefit plan (whether or not such plan is subject to ERISA's provisions regarding fiduciary responsibility) or IRA and, if so, such investor will be further required to represent that to the best of its knowledge its investment in the Enhanced Yield Retirement Fund will not result in a prohibited transaction as defined in Section 406 of ERISA and Section 4975 of the Code.

Those persons proposing to invest on behalf of employee benefit plans or IRAs should also consider whether a purchase of the Units will cause the Enhanced Yield Retirement Fund's assets to be deemed to be "plan assets" for purposes of the fiduciary responsibility and the prohibited transaction provisions of ERISA and the Code. Neither ERISA nor the Code defines "plan assets". However, under regulations promulgated by the Department of Labor, the assets of certain pooled investment vehicles, including certain partnerships, may be treated as "plan assets". If the assets of the Enhanced Yield Retirement Fund were deemed to be "plan assets" of employee benefit plans that are Unitholders, transactions involving the assets of such Fund and "parties in interest" or "disqualified persons" with respect to such plans might be prohibited under Section 406 of ERISA and Section 4975 of the Code. A "prohibited transaction", in addition to imposing potential personal liability upon fiduciaries of ERISA plans, may result in the imposition of an excise tax on certain "disqualified persons" with respect to the ERISA plan or IRA.

The Enhanced Yield Retirement Fund's assets would not be considered to be "plan assets" under ERISA and the Department of Labor regulations so long as, *inter alia*, the Units are "publicly-offered securities" within the meaning of such regulations. A "publicly-offered security" is a security which is (i) held by 100 or more investors independent of the issuer, (ii) registered under the applicable provisions of the federal securities laws and (iii) freely transferable within the meaning of such regulation. The restrictions on transfer described herein should not preclude the Units of the Enhanced Yield Retirement Fund from being treated as freely transferable for purposes of such regulations and it is expected that the Units will actually be treated as publicly-offered securities. It should be noted, however, that certain material changes have been made to the provisions of federal income tax laws affecting partnerships since the regulations were promulgated, which may result in changes in the definition of freely transferable.

The foregoing discussion is general in nature and is not intended to be all inclusive. Accordingly prospective purchasers of Units are urged to consult their own advisors with respect to the considerations associated with the acquisitions and ownership of Units under ERISA and the Code.

Prudence Rule and Other Requirements

Fiduciaries of employee benefits plans and IRAs should also consider whether an investment in the Enhanced Yield Retirement Fund is consistent with their plan objectives and is in accordance with the documents and instruments governing the plan and their responsibilities under ERISA and the Code such as the requirements that (i) investments be made in a prudent manner, (ii) plan assets be diversified unless it is clearly prudent not to do so, and (iii) the fiduciaries provide benefits for plan participants and beneficiaries and value plan assets annually (which may be difficult given the fact that resales of Units may be sporadic).

FEDERAL TAX CONSIDERATIONS FOR NON-U.S. INVESTORS

The tax treatment applicable to a nonresident alien who invests in a Fund is complex and will vary depending upon the particular circumstances of such Limited Partner. Each non-U.S. investor is urged to consult with his tax counsel concerning the U.S. federal, state and local, and foreign tax treatment of his investment in the Fund. In general, the U.S. tax treatment will vary depending upon whether such Fund is deemed to be engaged in a U.S. trade or business. U.S. trade or business status must be determined annually. However, the Code does not specifically define what constitutes a U.S. trade or business. Instead, such determination must be made based upon an examination of the facts and circumstances attending the particular operations and activities in question. The Funds believe that the reduction of the Investment Advisory Fee payable to Equitable Capital as the result of commitment, break-up and similar transaction fees earned by Equitable Capital should not constitute income to the Fund. It is possible, however, that the IRS will assert that such reduction should be viewed as income to a Fund from a United States trade or business. Nevertheless, given the nature of the investment activities contemplated by the Funds, the Managing General Partner believes, and the discussion that follows assumes, that neither Fund will be engaged in a trade or business within the United States.

30% U.S. Withholding Tax on U.S. Source Income Not Derived from a U.S. Trade or Business

A non-U.S. Limited Partner of a Fund will be subject to a 30% (or lower treaty rate) withholding tax with respect to his distributive share of such Fund's U.S. source interest, dividends and most other portfolio or investment income for such year, but will generally be exempt from U.S. taxation on his share of capital gains realized by such Fund, other than gains from the sale of U.S. Real Property Interests as discussed below under "Withholding on Dispositions of U.S. Real Property Interests" if he is not present in the United States for 183 days or more in the calendar year in which the Fund's year ends. Moreover, various statutory exemptions from the 30% (or lower treaty rate) withholding tax apply to interest income from investments in U.S. government securities, commercial paper and bank deposits. Furthermore, an exemption applies to interest derived from certain portfolio debt instruments, as described in Sections 871(h) and 881(c) of the Code. Such interest includes, *inter alia*, interest paid on a registered debt obligation issued after July 18, 1984, provided that (i) the U.S. person who would otherwise be required to deduct and withhold tax received a statement (*i.e.*, IRS Form W-8) that the beneficial owner of the obligation is not a U.S. person, and (ii) such beneficial owner does not own (directly or indirectly) 10% or more of the voting power of the corporate obligor on such debt instrument and is not a "controlled foreign corporation" related to such corporate obligor. The Managing General Partner believes that the relevant percentage for testing for ownership of 10% or more of a corporation's voting power is a Limited Partner's proportionate share of the percentage stock ownership held by the Funds and not a Fund's percentage stock ownership. Accordingly, it is anticipated that interest received by the Funds will generally qualify as portfolio interest and that no withholding will be required with respect to a foreign partner's distributive share of such interest income.

If a Fund acquires dividend-paying stock, it should be noted that the Code contains no statutory exemption from the 30% U.S. withholding tax imposed upon dividends received from U.S. sources comparable to the exemptions for interest described in the preceding paragraph. Consequently, unless a non-U.S. Limited Partner is entitled to an exemption from, or reduced rate of, withholding pursuant to an applicable tax treaty, each Fund would be required to withhold 30% of a foreign Limited Partner's distributive share of such dividends. In lieu of qualifying for a specific exemption from the 30% withholding tax, a non-U.S. Limited Partner who is entitled to tax treaty benefits under an applicable tax treaty with the United States may claim such benefits by properly executing and filing with such Fund, as the withholding agent, an IRS Form 1001 in a timely manner.

U.S. Tax Consequences to Non-U.S. Investors in a Partnership Engaged in a U.S. Trade or Business

If a Fund were considered to be engaged in a U.S. trade or business, a foreign Limited Partner of such Fund would also be considered to be engaged in a U.S. trade or business in such year. Consequently, a non-U.S. Limited Partner would be required to file a U.S. federal income tax return and would be taxed in the United States at graduated federal income tax rates upon that portion of his net income from such Fund for such year which is "effectively connected" with such business. In order to properly rely on the exemption from the 30% (or lower treaty rate) withholding tax with respect to any income that is deemed to be effectively connected with such Fund's U.S. trade or business, a foreign Limited Partner will be required to properly execute an IRS Form 4224 (Exemption from Withholding of Tax on Income Effectively Connected with the Conduct of a Trade or Business in the United States) and file such Form with such Fund in a timely manner.

If a Fund were considered to be engaged in a U.S. trade or business such Fund would also be required to withhold 20% of that part of any actual distribution made to a non-U.S. Partner which is attributable to income "effectively connected" with such Fund's conduct of a trade or business in the United States. Such withholding tax would apply to the entire distribution if "effectively connected income" is at least 80% of such Fund's total gross income. The amount withheld under this rule is not an additional tax on partnership earnings attributable to a foreign partner and is creditable against the regular United States tax liability of the foreign partner. In Revenue Procedure 88-21, issued on April 11, 1988, the IRS published guidelines allowing a partnership to elect to withhold not on distributions but rather on each foreign partner's share of effectively connected taxable income (whether distributed or not) at the highest

rate of U.S. tax to which each foreign partner is subject. The Technical Corrections Act of 1988, mentioned above under "Certain Federal Income Tax Considerations—Uncertainty in Tax Laws," would require withholding on effectively connected taxable income (rather than on actual distributions) in a manner similar to the guidelines in the revenue procedure. Non-U.S. corporate investors also should be aware that the Code imposes a tax on U.S. branches of foreign corporations which may apply to income from the Partnership derived by certain foreign corporations. For tax treaty purposes, a non-U.S. Limited Partner of a Fund would be deemed to have a "permanent establishment" in the United States in any year in which such Fund is engaged in a U.S. trade or business.

Withholding on Dispositions of U.S. Real Property Interests

Under the Foreign Investors in Real Property Tax Act ("FIRPTA"), non-U.S. persons are subject to withholding on dispositions of United States Real Property Interests ("USRPIs") which may, in some instances, include stock or other equity interests in United States corporations. A partnership interest is a USRPI to the extent that the partnership holds any interest in USRPIs. Therefore, non-U.S. Limited Partners will be subject to certain withholding with respect to such Partner's distributive shares of a Fund's gain from the sale of a USRPI and may be subject to withholding on certain distributions to them by such Fund and with respect to sales by them of Units if such Fund holds USRPIs.

Other Tax Considerations

A nonresident alien's interest in a Fund would be subject to U.S. federal estate taxation if the investor dies while owning such interest. In addition to U.S. federal income and estate taxes, non-U.S. investors in a Fund may be subject to other taxes, such as state and local income taxes, and estate or inheritance taxes, which may be imposed by various jurisdictions.

The above discussion may not apply to a non-U.S. investor who is separately engaged in a trade or business in the U.S. The above general guidelines are subject to modification by a tax treaty. Moreover, the internal tax rules of the non-U.S. investor's home country must also be considered in determining the advisability of an investment in the Fund.

REGULATION

Each Fund has elected to be treated as a "business development company" under the Investment Company Act. The provisions of the Investment Company Act related to business development companies were enacted pursuant to the Small Business Investment Incentive Act of 1980 which became law on October 21, 1980. A Fund may not withdraw such election without first obtaining the approval of a majority in interest of its Limited Partners. The following is a brief description of the business development company provisions of the Investment Company Act, as modified by the Small Business Investment Incentive Act of 1980, and is qualified in its entirety by reference to the full text of the Investment Company Act and the rules thereunder.

A business development company must be operated for the purpose of investing in the securities of certain present and former "eligible portfolio companies" and certain bankrupt, insolvent or financially troubled companies and must generally make available "significant managerial assistance" to such companies. An eligible portfolio company is a U.S. company that is not an investment company (except for wholly-owned small business investment companies ("SBICs") licensed by the Small Business Administration) and that satisfies one of the following conditions: (1) it does not have a class of securities registered on a national securities exchange or included in the Federal Reserve Board's list of over-the-counter securities eligible for margin, (2) it is actively controlled by the business development company either alone or as part of a group acting together and an affiliate of the business development company is a member of the portfolio company's board of directors, or (3) it meets such other criteria as may be established by the SEC. Control of a Portfolio Company, under the Investment Company Act, is presumed to exist if the business development company owns 25% of the outstanding voting securities of such company.

“Making available significant managerial assistance” is defined under the Investment Company Act to mean (1) any arrangement whereby a business development company, through its directors, officers, employees or general partners, offers to provide and, if accepted, does provide significant guidance and counsel concerning the management, operations or business objectives or policies of a Portfolio Company, (2) the exercise of a controlling influence over the management or policies of a Portfolio Company by the business development company acting individually or as part of a group of which the business development company is a member acting together which controls such company, or (3) the making of loans to a SBIC. A business development company may satisfy the requirements of clause (1) with respect to a Portfolio Company by purchasing securities of such a company as part of a group of investors acting together if one person in such group provides the type of assistance described in such clause. However, the business development company will not satisfy the general requirement of making available significant managerial assistance if it only provides such assistance indirectly through an investor group. A business development company need only extend significant managerial assistance with respect to Portfolio Companies which are treated as Qualifying Assets (as defined below) for the purpose of satisfying the 70% test discussed below.

The Investment Company Act prohibits or restricts each Fund from investing in certain types of companies, such as securities brokerage firms, insurance companies, investment banking firms and investment companies. Moreover, under the Investment Company Act a Fund may only acquire Qualifying Assets and certain assets necessary for its operations (such as office furniture, equipment and facilities) if, at the time of any proposed acquisition, less than 70% of the value of such Fund's assets consists of Qualifying Assets. “Qualifying Assets” include: (1) securities of eligible portfolio companies; (2) securities of bankrupt, insolvent or otherwise financially troubled companies that are not otherwise eligible portfolio companies; (3) securities acquired as follow on investments in companies that were eligible at the time of such Fund's initial acquisition of their securities but are no longer eligible, provided that such Fund has maintained a substantial investment in those companies; (4) securities received in exchange for or distributed on or with respect to any of the foregoing; and (5) cash items, Government securities and high-quality short-term debt. The Investment Company Act also places restrictions on the nature of the transactions in which, and the persons from whom, securities can be purchased in order for the securities to be considered Qualifying Assets. As a general matter, Qualifying Assets may only be purchased from the issuer or an affiliate in a transaction not constituting a public offering. A business development company may not engage in short sales of securities.

The provisions of the Investment Company Act set forth above may prevent a Fund from purchasing Enhanced Yield Investments which are suitable for investment but which are either not Qualifying Assets or are not issued by a Portfolio Company to which such Fund is in a position to make available significant managerial assistance. The proposed investment may not be made either because a Fund is prohibited from investing in it or because Equitable Capital believes it inadvisable to use up the Fund's flexibility to make non-qualifying investments. The Funds may from time to time choose to seek control of a Portfolio Company but, as a general matter, they do not intend to seek such control and therefore will not generally be able to use such control as a means of satisfying either of the eligible portfolio company or the significant managerial assistance requirements. The decision not to seek control reduces the number of potential issuers in which the Funds may invest, making it more difficult to find suitable investments and causing them to maintain more assets in Temporary Investments for a longer period of time than if they chose to seek control.

Each Fund is permitted by the Investment Company Act, under specified conditions, to issue multiple classes of senior debt and a single class of limited partnership interests senior to the Units if its asset coverage, as defined in the Investment Company Act, is at least 200% after the issuance of the debt or the senior interests. In addition, provisions must be made to prohibit any distribution to Partners of a Fund which has issued any such interest and to restrict the repurchase of any Units by such Funds unless the asset coverage ratio of such Fund is at least 200% at the time of the distribution or repurchase.

The Investment Company Act limits the ability of the Funds to sell interests at a price representing proceeds to the selling Fund of an amount less than the then net asset value per Unit. Units in the Funds will be sold at a Price to Public of \$1,000 less any applicable discount in selling commissions (such as volume discounts). The Price to Public will be adjusted if at any Closing during the offering made hereby the market value of a Unit, based upon the Fund's net asset value plus applicable selling commissions, does not closely approximate \$1,000 per Unit due to a change in the value of the Fund's investments. This Prospectus will be supplemented to reflect any such change in the Price to Public. Any sale of a Unit at a price that represents proceeds to a Fund other than an amount equal to the net asset value of a Unit may be made only if (i) a majority of the General Partners (including a majority of the Independent General Partners) have determined that such sale would be in the best interests of the Fund and its Partners and (ii) a majority of the General Partners, in consultation with MLPF&S, have determined in good faith that the sales price closely approximates the market value of such Units, less any selling commission or discount.

After the offering, a Fund may sell its securities at a price that is below the prevailing net asset value per Unit only upon the approval of the policy by Limited Partners holding a majority of the Units issued by such Fund, including a majority of Units held by nonaffiliated Limited Partners. In addition, a Fund may repurchase its Units, subject to the restrictions of the Investment Company Act.

Most of the transactions involving a Fund and its affiliates (as well as affiliates of those affiliates) require the prior approval of a majority of the Independent General Partners of such Fund having no financial interest in the transactions. However, transactions involving certain closely affiliated persons of a Fund, including any General Partner of such Fund, will require the prior approval of the SEC. In general, (a) any person who owns, controls, or holds with power to vote, more than 5% of the outstanding Units of a Fund, (b) any director, executive officer or general partner of that person, and (c) any person who directly or indirectly controls, is controlled by, or is under common control with, that person, must obtain the prior approval of a majority of the Independent General Partners of such Fund and, in some situations, the prior approval of the SEC, before engaging in certain transactions involving such Fund or any company controlled by such Fund. In accordance with the Investment Company Act, a majority of the General Partners of a Fund must be persons who are not "interested persons" of such Fund as defined in the Act. See "Management Arrangements". The Funds have received an exemptive order from the SEC determining that the Independent General Partners of each Fund are not "interested persons" of such Fund simply by virtue of their being general partners of the Funds and that a Limited Partner owning less than 5% of the Units in a Fund is not an "interested person" of such Fund. The Investment Company Act generally does not restrict transactions between a Fund and its portfolio companies.

The Funds and Equitable Capital are seeking an order from the SEC exempting the Funds from certain prohibitions contained in the Investment Company Act relating to coinvestments by the Funds and Equitable Affiliates. Under the terms of the requested order, Enhanced Yield Investments purchased by the Funds must meet the Guidelines described under "Investment Objective and Policies" or be approved in advance by the Independent General Partners. All co-investments with Equitable Affiliates will be made on the same terms and conditions and pursuant to the allocation formula described under "Investment Objective and Policies—Coinvestment". Receipt of the order is one of the conditions precedent to Closing of the sale of Units in the Funds. There can be no assurance the SEC will grant the order.

OFFERING AND SALE OF UNITS

Offering of Units

MLPF&S has entered into an Agency Agreement with the Funds and Equitable Capital pursuant to which MLPF&S has agreed to act as selling agent for each Fund and Equitable Capital to assist in the sale of the Units to qualified investors on a best efforts basis. In the Agency Agreement, each Fund and Equitable Capital have agreed that such Fund will pay MLPF&S a selling commission equal to up to 7% of the public offering price of the Units, payable from the Capital Contributions of the Partners of such Fund. MLPF&S will provide discounts to subscribers as to subscriptions of 500 or more Units in such Fund so that the net commission payable, as a percentage of the subscription price of Units purchased by each subscriber, will be as follows:

<u>Number of Units</u>	<u>Net Selling Commission</u>
Up to 499	7.00%
500 to 999	4.00%
1,000 to 14,999	2.00%
15,000 and over	1.00%

For purposes of computing net selling commissions, an investment adviser registered under the Investment Advisers Act, a bank or trust company which purchases 500 or more Units for its discretionary accounts and advisory accounts or through whom purchases of 500 or more Units are made may be considered to be one investor at the option of MLPF&S. None of Equitable Capital, MLPF&S or any affiliate thereof will pay any selling commission on any purchase of Units. In addition, it is expected that, subject to the provisions of applicable law, the Independent General Partners and directors, officers, employees, agents and managers of Equitable Life and its subsidiaries will be offered the opportunity to purchase Units without the payment of a selling concession. Such investors will pay a \$50 service fee to any Selected Dealer (as defined below) assisting in such sale. Furthermore, subject to the provisions of applicable law, MLPF&S will waive the selling commissions fully for Units purchased by MLPF&S, Equitable Capital and certain of their affiliates, including pension plan investments for employees.

Any discounts in commissions pursuant to the above computations will reduce the subscription payment payable by such subscriber and will similarly reduce the sales commission payable to MLPF&S by each Fund. The proceeds to a Fund net of selling commissions will not be affected by such discounts. MLPF&S will be reimbursed by the Funds, pro rata based on the number of Units sold in each Fund, for marketing and sales expenses in an amount not to exceed 1/2% of the Price to Public of the Units sold. The amount of such reimbursement will reduce the offering proceeds to the Funds.

Units in the Enhanced Yield Retirement Fund are offered only to IRAs and other Tax-Exempt Investors. Investors that are not Tax-Exempt Investors may only subscribe for Units in the Enhanced Yield Fund. Each subscriber for Units will be required to represent to the Funds, Equitable Capital and MLPF&S whether he, she or it is, or is purchasing on behalf of, a Tax-Exempt Investor.

Plan of Distribution

The Agency Agreement contains provisions for the indemnification of MLPF&S and certain Selected Dealers by each Fund and Equitable Capital and of such Fund and Equitable Capital by MLPF&S with respect to certain liabilities, including liabilities under the Securities Act of 1933. MLPF&S may be deemed to be an "underwriter" for purposes of the Securities Act of 1933 in connection with this offering.

Under the Agency Agreement, MLPF&S has the right to afford certain members of the National Association of Securities Dealers, Inc. ("Selected Dealers") including Equico Securities, Inc., an affiliate of Equitable Capital, the opportunity to participate in the offering. In such case, MLPF&S will pay each such Selected Dealer (and in the case of Selected Dealers whose customers securities accounts are cleared through Broadcort Capital Corporation ("BCC"), such Selected Dealer and BCC, collectively) a selling concession in the amount of up to 5% of each Unit sold through such Selected Dealer.

MLPF&S and its affiliates will not receive, directly or indirectly any payments or compensation in connection with the offering and sale of Units, except as described above. However, Equitable Capital, MLPF&S or their affiliates will receive reimbursements of offering and organization expenses and compensation in connection with the management of the Funds, as described under "Management Arrangements".

The offering will terminate not later than September 30, 1988, or such subsequent date as may be permitted by the staff of the Securities and Exchange Commission, but not later than May 31, 1989, as the parties may determine (the "Termination Date"), except that unless 75,000 Units are subscribed for by the Termination Date, none will be sold and all payments received will be refunded promptly with interest, if any, actually earned and received thereon. Even if 75,000 Units in both Funds are subscribed for, if fewer than 25,000 Units in a Fund are subscribed for by the Termination Date, no Units of that Fund will be sold and all payments received with respect to subscriptions for such Units will be refunded promptly with net interest, if any, actually earned and received thereon. If, after deducting the number of Units in such Fund subscribed for, the aggregate number of Units in the other Fund subscribed for is less than 75,000, no Units in such other Fund will be sold. If properly executed subscriptions from suitable investors acceptable to Equitable Capital for at least 75,000 Units have been received by the Termination Date after taking into account the per Fund 25,000 minimum (Equitable Capital, MLPF&S or affiliates thereof may subscribe for up to 10,000 Units (but not, with respect to a Fund, for more than 15% of the Units subscribed for in such Fund) to satisfy the 75,000 Unit minimum, but only if such purchase is for investment) and all conditions precedent at closing are met, there will be closings of the sale of Units participating in such sale (a "Closing"). The staff of the Securities and Exchange Commission is currently looking into the question of whether more than one closing of offerings of securities of the type offered hereby is permissible under the Federal securities laws. Pending a determination by the staff on this question, each Fund anticipates having only one Closing which, in each case, shall be within 90 days of the date of this Prospectus. Should a determination that more than one Closing is permissible be made by the staff within 90 days of the date of this Prospectus, the Funds reserve the right to have additional Closings at such times and for such numbers of Units as the Funds participating in such sale and MLPF&S deem appropriate. The first Closing will take place for no fewer than 75,000 Units in the aggregate and the Final Closing for any Fund will take place no later than fifteen business days after the Termination Date. There can be no assurance that there will be more than one Closing. At any Closing, acceptable subscriptions not accepted at a prior Closing, if any, will be accepted and such investors will be admitted to the Fund to which they subscribed as Limited Partners. Due to the administrative complexities associated with Closings, administrative errors may result in Equitable Capital, MLPF&S or affiliates thereof inadvertently acquiring nominal numbers (in no event in excess of the amount allowed above) of Units which it may wish to resell. Such Units will not be subject to any investment restriction and may be resold pursuant to this Prospectus, subject to the restrictions on transfer set forth under "Transferability of Units".

Units in the Funds will be sold at a Price to Public of \$1,000 less any applicable discount in selling commissions (such as volume discounts). The Price to Public will be adjusted if at any Closing during the offering made hereby the market value of a Unit, based upon the Fund's net asset value plus applicable selling commissions, does not closely approximate \$1,000 per Unit due to a change in the value of the Fund's investments. This Prospectus will be supplemented to reflect any such change in the Price to Public. Any sale of a Unit at a price that represents proceeds to a Fund other than an amount equal to the net asset value of a Unit may be made only if (i) a majority of the General Partners (including a majority of the Independent General Partners) have determined that such sale would be in the best interests of the Fund and its Partners and (ii) a majority of the General Partners, in consultation with MLPF&S, have determined in good faith that the sales price closely approximates the market value of such Units, less any selling commission or discount.

Investor Suitability Standards

Units of a Fund will be sold only to prospective investors who represent to such Fund, Equitable Capital and MLPF&S that they (i) have a net worth (exclusive of home, home furnishings, and personal automobiles) of \$150,000 in excess of the purchase price of the Units subscribed for, or (ii) have a net

worth (exclusive of home, home furnishings and personal automobiles) of not less than \$60,000 in excess of the purchase price of the Units subscribed for and expect to have during the current and next three taxable years gross income from all sources in excess of \$60,000, provided that in the case of sales to fiduciary accounts, the suitability standard shall be satisfied by the fiduciary, the fiduciary account or by the person who directly or indirectly supplies the funds for the purchase of Units.

Certain states in which it is contemplated that the Funds will offer Units for sale have established suitability standards different from those set by the Funds. Such standards are set forth in Exhibit C to this Prospectus.

Units may not be purchased by any employee benefit plan or individual retirement account with respect to which (i) Equitable Life, MLPF&S or any of their affiliates is a fiduciary within the meaning of Section 2(21) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or (ii) any Independent General Partner is a "party in interest" or "disqualified person", as defined in ERISA Section 3(14) and Internal Revenue Code Section 4975(e)(2), respectively.

Subscription to Purchase Units

Each prospective investor who meets the qualifications described above and desires to purchase any Units must:

(a) subscribe to purchase five or more Units (two or more Units for IRAs subscribing for Units in the Enhanced Yield Retirement Fund);

(b) if required by MLPF&S for investors in certain states, as indicated in Exhibit C to this Prospectus and as required by each Selected Dealer, complete, date, execute and deliver to the investor's MLPF&S Financial Consultant or a Selected Dealer, one copy of a Subscription Qualification and Acceptance Page attached as part of the Subscription Agreement, attached as Exhibit B to this Prospectus; and

(c) (i) for MLPF&S customers, assure that the investor's account with MLPF&S will contain cash or other good funds on the settlement date described under "Payment for Units", (ii) for customers of Selected Dealers whose accounts are cleared through BCC, an affiliate of MLPF&S, assure that the investor's account with BCC will contain cash or other good funds on the Settlement Date or (iii) for customers of other Selected Dealers, deliver to such Selected Dealer payment.

Investors in those certain states so specified in Exhibit C may have special rights to rescind their subscriptions.

Subject to acceptance of investor's subscription for Units in a Fund, payment for such Units purchased shall constitute the investor's agreement to the terms and conditions of the Subscription Agreement and the Partnership Agreement of such Fund and the authority of the Managing General Partner of such Fund to execute the Subscription Agreement and the Partnership Agreement of such Fund on behalf of the investor.

In addition, prospective investors that are not natural persons may be required to deliver evidence of authority to subscribe for Units and/or opinions of counsel as to such authority and the binding effect of such subscriptions. Prospective investors that are Tax-Exempt Investors will be required to make certain representations as to their understandings of the consequences of investment in Units. Prospective investors that are nonresident aliens will be required to deliver two fully executed copies of IRS Form W-8 (certificate of foreign status), IRS Form 1001 (ownership, exemption or reduced rate certificate) and IRS Form 2848 (power of attorney).

Additional copies of the Subscription Qualification and Acceptance Page separate from this Prospectus and above-mentioned IRS forms are available from representatives of MLPF&S or each Selected Dealer for completion and execution.

Tenants in common and joint tenants (other than a husband and wife) purchasing Units must purchase at least five Units for each such tenant in common or joint tenant, and each such tenant in common or joint tenant individually must meet the applicable investor suitability requirements. Any partnership, corporation, trust or other entity that has been formed for the specific purpose of purchasing

Units must purchase at least one Unit for each beneficial owner of such entity, and each such beneficial owner must individually meet the applicable investor suitability requirements.

Equitable Capital and MLPF&S will not, under any circumstances, accept subscriptions for a fractional interest in a Unit.

Payment for Units

Each investor who subscribes to purchase Units will agree to make a Capital Contribution of \$1,000 (or the discounted amount in the case of purchases of 500 or more Units or purchases by certain affiliates and related persons of Equitable Capital, Equitable Life and its subsidiaries) for each Unit subscribed for, as adjusted to reflect any increase or decrease in public offering price based on changes in the net asset value of Units after the first Closing (such subscriber's "Capital Contribution"). Each investor must subscribe to purchase at least five Units, except that an IRA may subscribe to purchase two Units in the Enhanced Yield Retirement Fund. All payments for subscriptions must be made (1) for subscriptions solicited by MLPF&S, by authorization to MLPF&S at the time of subscription for debiting of the subscriber's customer securities account, (2) with respect to investors whose subscriptions are solicited by certain Selected Dealers whose accounts are cleared through BCC, by authorization to such Selected Dealers and BCC, at the time of subscription, for debiting of the subscriber's customer securities account, or (3) with respect to an investor whose subscription was solicited by other Selected Dealers, by check payable to the order of Security Pacific National Trust Company (New York)—Escrow Agent. Each subscriber who authorizes MLPF&S or BCC to debit his, her or its customer account will be notified of the settlement date therefor, which will occur not later than the termination of the offering. Each such subscriber must have the subscription payment in his, her or its account on the specified settlement date (but is not required to have such funds in the account prior thereto) and each such account will be debited on the settlement date and the funds debited therefrom will be promptly placed in the escrow account. A subscriber's payment will be promptly returned in full together with such subscriber's pro rata share of net interest earned thereon, if such payment is not accepted by Equitable Capital.

Equitable Capital reserves the right to reject all or any part of any subscription, and to allocate subscriptions received, in the event the offering of Units is oversubscribed.

MLPF&S will promptly deposit all payments for Units received prior to Closing into a separate, non-interest-bearing escrow account for the benefit of subscribers for Units in each Fund. The escrow agent for such accounts, may, at the direction of MLPF&S (if in light of the Closing schedule interim investment of such funds is practical), invest such payment in U.S. government securities, bank certificates of deposit or securities for the payment of which the full faith and credit of the United States of America is pledged and which mature prior to Closing. The investor's funds in such account will be released to the related Fund if each of the following conditions shall have been satisfied:

(i) on the date of the first Closing for such Fund, investors acceptable to Equitable Capital shall have then or theretofore subscribed for at least 75,000 Units in the Funds (after taking into account the per Fund minimum of 25,000) and 25,000 Units in such Fund;

(ii) on the date of the first Closing, such Fund shall have received an exemptive order from the SEC permitting co-investments among the Funds and Equitable Affiliates;

(iii) on the date of each Closing of such Fund, the escrow agent shall have received the full payment of the purchase price for the Units being sold at such Closing;

(iv) on the date of each Closing of such Fund, Equitable Capital shall have contributed to such Fund one or more promissory notes in principal amount equal to 1.01% of the total Net Capital Contributions of Limited Partners of such Fund; and

(v) on the date of each Closing, Debevoise & Plimpton shall have delivered or reaffirmed as of such date their opinion, referred to under "Certain Federal Income Tax Considerations", that such Fund will be treated as a partnership for federal income tax purposes.

If such conditions are not timely satisfied by the Termination Date, all the subscribers' funds so held in such account will be promptly returned to the subscribers with interest, if any, actually earned and received thereon, net of any fees to the bank escrow agent. If all of such conditions are timely satisfied, then each subscriber whose subscription to purchase Units was accepted will become a Limited Partner of the Funds to which such investors have subscribed and thereafter (but only thereafter) such subscription payments will be paid to such Fund, to be applied by it as described in this Prospectus. Interest, if any, earned on a subscriber's funds deposited in the escrow account will be paid to such subscriber at the time of the return of his, her or its funds, in case all of the conditions described above shall not have been timely satisfied, or as soon as practicable after Closing, in case his, her or its subscriptions shall have been accepted and all of such conditions shall have been timely satisfied.

Each Limited Partner will be entitled to the distributive share of Profits, Losses and cash allocable to his interest in such Fund, as provided in the Partnership Agreement, without regard to the dates on which any Limited Partners may have subscribed to purchase Units or paid funds to MLPF&S or on which such funds were deposited with the bank escrow agent, but taking into account the date on which a subscriber is admitted to such Fund. See "Distributions and Allocations".

FOREIGN OFFERING

The Funds may in the future offer interests in the Funds to foreign investors, principally in Japan. Such an offering, if made, would be separate from the domestic offering to which this Prospectus relates and the interests so offered would not be registered under the Securities Act of 1933. For tax and regulatory reasons, such an offering is expected to be made by offering interests in an investment fund or other entity organized outside of the United States which would use the proceeds of such offering to invest in the Funds. Such an offering is subject to numerous business and regulatory conditions and there can be no assurance that it will occur. The price of the units of limited partnership interest issued by a Fund in connection with such an offering will closely approximate the Fund's then net asset value per Unit outstanding plus applicable sales commission. Offering and organizational expenses attributable to any offering of limited partnership interests in the Funds abroad to an offshore investment fund will be borne by such offshore investment fund and not the Funds. If the foreign offering were to occur the Funds would have more capital to invest, thus both increasing the opportunities available to the Funds and increasing the risk that the Funds will not be able to invest all of the proceeds of the offering successfully by the end of the Investment Period or that a Fund would not be able to invest 65% of its assets, including any capital supplied by such offshore entity, by the end of the Interim Investment Period, thereby causing a return of capital. See "Investment Objective and Policies— Investment Operations". A portion of the Fund Administration Fee attributable to interests sold to such an investment fund may be paid to an entity providing administrative services to the offshore investment fund. The foreign offering may be completed subsequent to the Termination Date.

EXPERTS

The financial statements included in this Prospectus have been examined by Deloitte Haskins & Sells, independent public accountants, as stated in their opinions appearing herein, and have been so included in reliance upon such opinions given upon the authority of that firm as experts in accounting and auditing.

REPORTS

Limited Partners of each Fund will be furnished with tax information concerning such Fund's operations within 75 days following the end of each calendar year. Within 120 days after the end of each calendar year, such Limited Partners will be furnished an annual report containing financial statements of such Fund audited by independent public accountants. Within 60 days after the end of each fiscal quarter other than the fourth quarter, such Limited Partners will be furnished with an unaudited balance sheet and statement of income of such Fund. Limited Partners will also receive reports describing investment activities of such Fund to the extent provided in Article Twelve of the Partnership Agreement.

CUSTODIAN

The First Jersey National Bank acts as the custodian of the securities owned by each Fund.

LEGAL MATTERS

The validity of the securities offered hereby will be passed upon for the Funds and Equitable Capital by Debevoise & Plimpton, New York, New York. With respect to certain matters of Delaware law, Debevoise & Plimpton will rely on Richards, Layton & Finger, Wilmington, Delaware, special Delaware counsel to the Funds. Certain legal matters will be passed upon for MLPF&S by Brown & Wood, New York, New York. The statements under the heading "Certain Federal Income Tax Considerations" have been reviewed by Debevoise & Plimpton.

SUPPLEMENTAL SALES LITERATURE

This offering is made only by means of this Prospectus, as amended and supplemented. Sales materials may be used in connection with this offering only when accompanied by or preceded by the delivery of the Prospectus. Only sales material that is distributed by MLPF&S or Equico Securities, Inc., as a Selected Dealer, should be relied on. In certain states, such sales material may not be available.

REGISTRATION STATEMENT

A Registration Statement under the Securities Act of 1933 has been filed with the Securities and Exchange Commission, Washington, D.C., with respect to the securities offered hereby. This Prospectus does not contain all the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. For additional information pertaining to the securities offered hereby, reference is made to the Registration Statement including the exhibits filed as a part thereof.

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AUDITORS' OPINION

Equitable Capital Management Corporation:

We have examined the balance sheet of Equitable Capital Management Corporation ("Equitable Capital") as of December 31, 1987. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such balance sheet presents fairly the financial position of Equitable Capital at December 31, 1987, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DELOITTE HASKINS & SELLS

New York, New York
February 29, 1988

EQUITABLE CAPITAL MANAGEMENT CORPORATION

**BALANCE SHEET
DECEMBER 31, 1987**

ASSETS

Investments:	
Alliance Capital Reserves, at cost which approximates market value.....	\$10,430,918
Commercial paper and U.S. Treasury Bills, at cost which approximates market value.....	11,960,763
Money market accounts, at cost which approximates market value.....	897,050
Receivable for fees from:	
The Equitable Life Assurance Society of the United States.....	9,060,583
Unaffiliated Clients.....	3,645,414
Receivable from parent and affiliates:	
Deferred Taxes.....	1,639,146
Other.....	7,377,079
Furniture and equipment—at cost, less accumulated depreciation of \$2,007,286 (Note 2).....	4,265,744
Leasehold improvements—at cost, less accumulated amortization of \$1,115,873 (Note 2).....	4,435,137
Prepaid expenses and other assets.....	<u>1,730,772</u>
TOTAL ASSETS	<u><u>\$55,442,606</u></u>

LIABILITIES AND SHAREHOLDER'S EQUITY

LIABILITIES:

Bank overdraft.....	\$ 381,085
Payable to affiliates (Note 1):	
Federal income tax equivalent.....	185,975
Other.....	80,353
The Equitable Life Assurance Society of the United States.....	2,173,529
Employee compensation and benefits (Note 3).....	14,472,841
Transaction fees payable (Note 1).....	8,772,160
Accounts payable and accrued expenses.....	5,511,735
Total liabilities.....	<u>31,577,678</u>

SHAREHOLDER'S EQUITY (Note 6):

Common stock, \$1 par value, 1,000 shares authorized and outstanding.....	1,000
Capital contributed in excess of par value.....	8,049,503
Retained earnings.....	<u>15,814,425</u>
Total shareholder's equity.....	<u>23,864,928</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u><u>\$55,442,606</u></u>

See Notes to Balance Sheet

EQUITABLE CAPITAL MANAGEMENT CORPORATION

NOTES TO BALANCE SHEET DECEMBER 31, 1987

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General—Equitable Capital Management Corporation (“Equitable Capital”) is a wholly-owned subsidiary of the Equitable Investment Corporation (“Parent”) which is an indirect wholly-owned subsidiary of The Equitable Life Assurance Society of the United States (“Equitable Life”). Equitable Capital commenced operations on July 1, 1985 as an investment advisor registered under the Investment Advisers Act of 1940. Equitable Capital provides investment management and advisory services to Equitable Life, its affiliates and other clients.

Effective January 1, 1987 the Parent contributed to Equitable Capital its investment in Equitable Investment Management Corporation (“EIMC”), a wholly-owned subsidiary. This transaction between related parties was accounted for in a manner similar to a pooling of interests.

Net assets of EIMC contributed were \$6,452,670 consisting of cash and investments of \$2,617,562, receivables of \$7,236,954, fixed assets and other assets of \$4,206,946 and liabilities of \$7,608,792.

Income and Expenses—Fee income from investment advisory services is accrued as earned, in accordance with the terms of the investment advisory agreements between Equitable Capital and affiliated and unaffiliated clients. Expenses are accrued as incurred.

Management Service Charges—Equitable Capital reimburses Equitable Life and the Parent for the use of certain services and facilities and reimburses certain affiliates for a portion of the asset management fees earned on investments by Equitable Capital clients in affiliate managed portfolios.

Placement Fees—Equitable Capital pays placement fees to unaffiliated companies for placing investors in the Equitable Deal Flow Fund, L.P., a limited partnership managed by Equitable Capital. Such fees are included in prepaid expenses and are being amortized over five years.

Transaction Fees—Equitable Capital receives transactions fees relating to certain transactions financed through various funds managed by Equitable Capital. A portion of such fees is payable in 1988 to the individual participants in such funds, and is reflected as transactions fees payable. The portion of such fees retained by Equitable Capital is reflected as investment management fee income.

Income Taxes—Equitable Capital is included in a consolidated Federal income tax return. The Federal income tax provision is computed on a separate return basis, with no surtax exemption, and the amount of the current provision, if any, is payable to the Parent. Deferred taxes relate primarily to deferred compensation.

State and local taxes are provided on a separate company basis.

2. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Depreciation of furniture and equipment is provided over estimated useful lives of up to five years using the straight-line method. Amortization of leasehold improvements is computed over the life of the lease or the improvements, whichever is shorter.

3. EMPLOYEE BENEFIT PLANS

Equitable Capital participates in Equitable Life’s retirement and investment plans. The retirement plan covers all salaried employees who have reached age 25. The Equitable Life plans have an excess of plan assets over accumulated plan benefits.

The investment plan is a contributory plan which covers all salaried employees of Equitable Capital who have reached age 21 and completed one year of service.

EQUITABLE CAPITAL MANAGEMENT CORPORATION

**NOTES TO BALANCE SHEET— (Concluded)
DECEMBER 31, 1987**

4. LEASE COMMITMENTS

Equitable Capital has noncancellable operating leases covering office space and furniture and equipment. Future minimum rental commitments under such leases are as follows:

<u>Year</u>	
1988.....	\$ 5,910,529
1989.....	5,968,865
1990.....	5,737,198
1991.....	4,489,621
1992.....	2,820,621
Later years	<u>13,428,334</u>
Total minimum payments required	<u>\$38,355,168</u>

Certain leases contain rent escalations based on increases in certain costs incurred by the lessors.

AUDITORS' OPINION

Equitable Capital Partners, L.P.:

We have examined the balance sheet of Equitable Capital Partners, L.P. as of April 21, 1988. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such balance sheet presents fairly the financial position of the Partnership at April 21, 1988, in conformity with generally accepted accounting principles.

DELOITTE HASKINS & SELLS

New York, New York
April 21, 1988

EQUITABLE CAPITAL PARTNERS, L.P.

**BALANCE SHEET
APRIL 21, 1988**

ASSETS

Cash	\$ 50
Notes Receivable	<u>5,000</u>
TOTAL ASSETS	<u><u>\$5,050</u></u>

PARTNERS' CAPITAL

Managing General Partner	\$5,000
Initial Limited Partner	<u>50</u>
TOTAL PARTNERS' CAPITAL	<u><u>\$5,050</u></u>

See the accompanying notes to the balance sheet.

EQUITABLE CAPITAL PARTNERS, L.P.

NOTES TO BALANCE SHEET

APRIL 21, 1988

1. Organization and Purpose

Equitable Capital Partners, L.P. (the "Enhanced Yield Fund") was formed and the Certificate of Limited Partnership was filed under the Delaware Revised Uniform Limited Partnership Act on February 2, 1988. The only transactions to date have been capital contributions of a \$5,000 promissory note by Equitable Capital Management Corporation ("Equitable Capital") and a \$50 cash contribution by the Initial Limited Partner.

Equitable Capital, the managing general partner and investment adviser, is responsible for the management of the Enhanced Yield Fund's investments. Equitable Capital is an indirect, wholly-owned subsidiary of The Equitable Life Assurance Society of the United States and is a registered investment adviser under the Investment Advisers Act of 1940. Equitable Capital is authorized to admit additional limited partners to the Enhanced Yield Fund if, after the admission of such additional limited partners, the capital contributions of all additional limited partners would be equal to or greater than \$25,000,000 in the Enhanced Yield Fund and there is an aggregate minimum amount in the Enhanced Yield Fund and Equitable Capital Partners (Retirement Fund), L.P. of \$75,000,000 or at least \$75,000,000 in the Enhanced Yield Fund, and, in any case, not more than such maximum amount (not to exceed an aggregate maximum amount of the two Funds of \$1,000,000,000) as Equitable Capital shall determine. The Enhanced Yield Fund will pay selling commissions equal to 7% of the additional capital contributions, subject to certain volume discounts. The Funds will reimburse marketing and sales expenses in an amount not to exceed ½% of such aggregate capital contributions, and pay organization and offering expenses not in excess of \$6.0 million. These expenses will be allocated to each Fund in proportion to the number of Units issued.

2. Business

The Enhanced Yield Fund has elected to operate as a business development company under the Investment Company Act of 1940. The Enhanced Yield Fund intends to seek current income and capital appreciation potential by investing in privately structured, friendly leveraged buyouts and other enhanced yield transactions. The Enhanced Yield Fund will pursue this objective by investing primarily in subordinated debt and related equity securities issued in conjunction with the "mezzanine financing" of leveraged buyouts, leveraged acquisitions and leveraged recapitalizations.

3. Fiscal Year

The fiscal year of the Enhanced Yield Fund shall close on the last day of the calendar year.

AUDITORS' OPINION

Equitable Capital Partners (Retirement Fund), L.P.:

We have examined the balance sheet of Equitable Capital Partners (Retirement Fund), L.P. as of April 21, 1988. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such balance sheet presents fairly the financial position of the Partnership at April 21, 1988, in conformity with generally accepted accounting principles.

DELOITTE HASKINS & SELLS

New York, New York
April 21, 1988

EQUITABLE CAPITAL PARTNERS (RETIREMENT FUND), L.P.

**BALANCE SHEET
APRIL 21, 1988**

ASSETS

Cash	\$ 50
Notes Receivable	<u>5,000</u>
TOTAL ASSETS	<u><u>\$5,050</u></u>

PARTNERS' CAPITAL

Managing General Partner	\$5,000
Initial Limited Partner	<u>50</u>
TOTAL PARTNERS' CAPITAL	<u><u>\$5,050</u></u>

See the accompanying notes to the balance sheet.

EQUITABLE CAPITAL PARTNERS (RETIREMENT FUND), L.P.

**NOTES TO BALANCE SHEET
APRIL 21, 1988**

1. Organization and Purpose

Equitable Capital Partners (Retirement Fund), L.P. (the "Enhanced Yield Retirement Fund") was formed and the Certificate of Limited Partnership was filed under the Delaware Revised Uniform Limited Partnership Act on February 2, 1988. The only transactions to date have been capital contributions of a \$5,000 promissory note by Equitable Capital Management Corporation (the "Equitable Capital") and a \$50 cash contribution by the Initial Limited Partner.

Equitable Capital, the managing partner and investment adviser, is responsible for the management of the Enhanced Yield Retirement Fund's investments. Equitable Capital is an indirect, wholly-owned subsidiary of The Equitable Life Assurance Society of the United States and is a registered investment adviser under the Investment Advisers Act of 1940. Equitable Capital is authorized to admit additional limited partners to the Enhanced Yield Retirement Fund if, after the admission of such additional limited partners, the capital contributions of all additional limited partners would be equal to or greater than \$25,000,000 in the Enhanced Yield Retirement Fund and there is an aggregate minimum amount in the Enhanced Yield Retirement Fund and Equitable Capital Partners, L.P. of \$75,000,000 or at least \$75,000,000 in the Enhanced Yield Retirement Fund, and, in any case, not more than such maximum amount (not to exceed an aggregate maximum amount of the two Funds of \$1,000,000,000) as Equitable Capital shall determine. The Enhanced Yield Retirement Fund will pay selling commissions equal to 7% of the additional capital contributions, subject to certain volume discounts. The Funds will reimburse marketing and sales expenses in an amount not to exceed ½% of such aggregate capital contributions, and pay organization and offering expenses not in excess of \$6.0 million. The expenses will be allocated to each Fund in proportion to the number of Units issued.

2. Business

The Enhanced Yield Retirement Fund has elected to operate as a business development company under the Investment Company Act of 1940. The Enhanced Yield Retirement Fund intends to seek current income and capital appreciation potential by investing in privately structured, friendly leveraged buyouts and other enhanced yield transactions. The Enhanced Yield Retirement Fund will pursue this objective by investing primarily in subordinated debt and related equity securities issued in conjunction with the "mezzanine financing" of leveraged buyout transactions, leveraged acquisitions and leveraged recapitalizations.

3. Fiscal Year

The fiscal year of the Enhanced Yield Retirement Fund shall close on the last day of the calendar year.

SELECT RATING CLASSIFICATIONS

Corporate Bond Ratings of Standard & Poor's Corporation

- AAA** Bonds rated AAA have the highest rating assigned by Standard & Poor's to a debt obligation. Capacity to pay interest and repay principal is extremely strong.
- AA** Bonds rated AA have a very strong capacity to pay interest and repay principal and differ from the highest-rated issues only in a small degree.
- A** Bonds rated A have a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than bonds in higher rated categories.
- BBB** Bonds rated BBB are regarded as having an adequate capacity to pay interest and repay principal. Although they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for bonds in this category than for bonds in higher rated categories.
- Bonds rated BB, B, CCC and CC are regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB indicates the lowest degree of speculation and CC the highest degree of speculation. While such bonds will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.
- C** The rating C is reserved for income bonds on which no interest is being paid.
- D** Bonds rated D are in default, and payment of interest and/or repayment of principal is in arrears.

Corporate Bond Ratings of Moody's Investors Service, Inc.

Aaa

Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa

Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long term risks appear somewhat larger than in Aaa securities.

A

Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future.