EXHIBIT 1

----------X

IN THE MATTER OF

MADOFF CHARITIES INVESTIGATION

----------X

120 Broadway
New York, New York

January 30, 2009
10:02 a.m.

EXAMINATION UNDER OATH of J. EZRA MERKIN, pursuant to Subpoena, held at the above place, date and time, before [redacted], a Notary Public of the State of New York.

J. E. Merkin

A. I thought you meant at the beginning of that meeting.

I don't remember how or what circumstances caused me to come to his office. I knew that, I knew of Mr. Madoff. I knew of his reputation on Wall Street. He was an acquaintance of my father's.

My father had a very, had a very favorable opinion of him, and at some point or other I found myself in his office discussing, broadly speaking, his activities in market making and money management.

Q. When did that occur, when did you first meet him?

A. I don't know for sure. I just don't know for sure. Very late 80's, maybe 1990, something like that.

Q. About when did it come about when you started to have financial dealings with Mr. Madoff?

A. Early 90's.

Q. Early 90's?

Q. Correct.

A. This could be anybody?

Q. Yes.

A. There were consistently over time, well, not consistently. Let me try this sentence again. There were over time persons who expressed skepticism about one or another aspect of the Madoff strategy or the Madoff return.

Q. Who are those people?

A. I'm not sure I know specific names of specific people. They may have been --

Q. Let me jump in. Who, sitting here today, can you specifically recall that made such, expressed such a concern to you?

MR. LEVANDER: Skepticism was the word he used.

A. Right. Almost, let me start again. A person who expressed skepticism about the Madoff return, Jack Nash.

Q. Anyone else?

A. Over time, I had conversations

L.P., it was four that became three.

Q. If there ever comes a time in any question where the difference in the structure makes an import, I would ask that you raise that.

A. I'll do my best.

Q. With respect to, and I just sort of want to take this on a fairly high level for starting, starting with Ascot, when was Ascot formed?

A. Early 90's.

Q. And when did Ascot start to invest with Mr. Madoff?

A. I would guess something like '92 or '93.

Q. Did it do anything before investing with Madoff?

A. I didn't have -- virtually nothing.

Q. Was Ascot created for the purpose of investing with Mr. Madoff?

A. Ascot was created largely but not entirely for that purpose.

Q. Did you have discussions with

Mr. Madoff about creating a fund that would effectively field assets to his operation?

A. I'm not sure we had a discussion along those lines, but we certainly opened up managed accounts and got managed account documentation from the Madoff office in the name of Ascot, or else we never would have been able to invest with him through those accounts.

Q. And from the time that Ascot started to invest with Mr. Madoff, or were substantially all of the assets of Ascot with Madoff?

A. Substantially all, yes.

Q. And did that change from 1992 up until Mr. Madoff's arrest?

A. It went up a little bit, it went down a little bit, but substantially remained the same all the way through with small variations.

Q. With respect to Gabriel, when was Gabriel founded?

A. In its present form, probably in

decent period of time was one percent and then went to one and a half percent management fee and no incentive fee.

Q. What about the other two?

A. The other two charged management fees of one and incentive fees or performance fees of 20 and were able under certain circumstances to also pay certain kinds of overhead that might have exceeded the one.

Q. How did you, given sort of your understanding of the business as someone who runs one, how did you understand Mr. Madoff to make money just on charging commissions?

A. I'm not sure what the question is, but Mr. Madoff charged commissions, was paid the commissions and like any other broker-dealer made money off of those trades, off of the execution of those trades.

Put differently, I've had numerous, maybe too many, several conversations with Mr. Madoff over a long

period of time as to how profitable the business was to him given the way he had structured it.

Now, going back to what I had said before, quite awhile before, the basic Madoff strategy that we were involved with meant catching, and this changed, it evolved over time but I'm going to keep it somewhat simplified, but it's representative, six to eight turns a year in the market.

You remember when I was referring to that before, that meant we were coming in six times or seven, coming out six or seven or eight times with the stocks and options. So it's basically when we moved to the OEX baskets, 50 stocks at a time that have to be bought and sold and the OEX, the puts and calls and what you pay for buying treasuries, the commission on that is not anywhere near that.

In other words, those are not high commission businesses. But if you do

opportunity we were going to be right a lot of the time.

Q. So you weren't doing, based on that, you weren't doing a lot of second guessing; is that right?

A. I wasn't sure that's what you were asking. It wasn't second guessing, it was, I had fiduciary responsibilities for oversight of the portfolio, and we were entrusting, we were giving money to Bernie because we believed in the combination of his executions and his calls.

And our job was to make sure that, number one, he wasn't varying from the strategy and number two, in other words, if he said we were going to lose two percent and the ticker turned up and we were going to lose 2.5 percent, but we were never in a position we were going to lose five percent or ten percent if he said we were going to lose two.

It was monitoring. It was talking to him. It was a very long

relationship. I spoke to him ten or 15 time a year. I spoke to or saw him 10 or 12 times a year. It might have been as often as once a month depending on what was going on. It wasn't so much second guessing.

The only person I'm second guessing these days is me as compared to second guessing him. It was much more, try and understand, you develop a lip or you develop an ear, you have to try and see what kind of markets worked well with his kind of strategy.

Q. The ten to 15 times a year approximation, about how far back does that go?

A. I don't remember. Fifteen would be high in a given year, ten could be low in a given year, and my guess it was more in the beginning then a bit less, and then it developed back up again.

We were also doing more with me, it was more capital. And so it was more, you know, it was more watching and more

zero?

A. I said you had an extra digit.

Q. How much did your expenses go up, did they go up $5 million?

A. A year, I just don't know. This would have been earlier, and there would have also been less assets in the fund. And the expenses did not go up on a commensurate basis, on a straight line basis with the assets of the fund.

BY MR. MARKOWITZ:

Q. What was the specific cost that went up?

A. I'm not sure of the specific cost. Broadly speaking, it was the back office cost of monitoring the portfolio, constructing a P and L, watching the strategy, and communicating with investors. I can't remember off the top of my head what was covered or not so I don't want to say for sure.

Q. Did you represent to investors that you were raising the fee because you needed a new system because you were going

J. E. Merkin

At one point it looked like -- this is just for the sake of completeness. At one point it looked like [redacted] might be or Bernie might be interested in supporting a [redacted] fund-raising drive. And I had mentioned something about the Bernie role in that he had been very instrumental in helping the school do well with some of its capital.

Beyond that, I don't remember whether it came up at the investment committee or not. It would not be something that would have come up with the board.

Q. When you refer to it's in the documents, what do you mean by that?

A. I'm not sure what the "it" is.

Q. The "it" is, to be clear, the disclosure of your affiliation and relationship with Mr. Madoff. Where is that disclosure?

A. What's the question?

MR. LEVANDER: The question is where, you made reference before that

there's a disclosure in the Ascot documents with regard to Bernie Madoff, and he's asking where is the disclosure.

A. I'm not sure what page to go to or what section to go to, but there's a discussion of Bernie and a discussion of Bernie playing a role of prime broker in the Ascot document.

Q. And is there a discussion of Bernie, a discussion of the relationship you have with Bernie where he is doing the six to eight trades a year, as you defined this morning?

A. I'm sure the six to eight trades is not in the document. I'm sure the basic strategy, that is the split strike, the OEX's, the 50 odd stocks, whether in those words or other words are in the document.

Q. Are we talking about the offering document?

A. Yes, the offering package, it's more than one document, but yes.

J. E. Merkin

Q. Describing Mr. Madoff as a prime broker wouldn't fully describe the relationship you had with him, that Ascot had with Mr. Madoff; is that fair?

A. I'm not sure. Describing Mr. Madoff as the prime broker would certainly convey some sense that the accounts were custodied there or could be custodied there which I would think of as a fairly important risk factor.

Q. Mr. Madoff, his trading was absolutely central to what Ascot did; is that fair?

A. Yes.

Q. Wouldn't that be important for investors to know?

A. Well, I think there's a description of the trading strategy in the document, and if I'm mistaken I'm mistaken. There's a description of where the accounts were custodied. There were lots of conversations with lots of investors about Mr. Madoff's role, and I'm not sure there's anything I'm missing.

Q. That you not disclose your relationship with Madoff to others.

A. I don't think Bernie ever said to me don't disclose our relationship.

Q. Even if he didn't use those words, did you have that understanding that he would prefer you not disclose your relationship?

A. I think Bernie felt that as appropriate you disclose the relationship and by and large respect privacy.

Q. Did you have your own preference to not disclose your relationship with Mr. Madoff?

A. I don't think so.

Q. Did you take steps to conceal your relationship with Mr. Madoff?

A. From whom?

Q. From investors in Ascot.

A. Such as?

Q. Any investors.

A. No, I meant such as what steps?

Q. Like not telling them that Ascot is affiliated with Mr. Madoff.

A. I did not have a policy of not disclosing a relationship with Mr. Madoff or not, I think that's the question you asked. I certainly had a policy of answering all questions about Ascot as fully as I possibly could. There were investors who came through, who breezed through in a very short period of time and may have gotten to ask questions.

There were investors who may not have gotten to ask questions, and there were investors to whom the strategy was much more significant than where accounts were custodied.

Q. If an investor didn't get to ask the question, they wouldn't find out about the relationship with Mr. Madoff?

A. I'm not sure if investors didn't ask the question. It often came up, but there might have been circumstances in which it wasn't, in which it didn't come up, in which case they either got it out of the offering document or they got it out of a subsequent visit or they didn't.

tell you that.

Q. Could you please turn to page 12.

A. I'm a bit lost. What were you asking me about the second sentence?

Q. Can you please turn to page 12.

A. Okay, page 12.

Q. The bottom of the page, "Dependence on the Managing Partner. All decisions with respect to the management of the capital of the Partnership are made exclusively by J. Ezra Merkin." Do you see that?

A. Yes.

Q. Is that accurate?

A. I just want to say one thing, the risk factor is something else entirely.

Q. I'll finish the paragraph which ends on page 13. "Consequently, the Partnership's success depends to a great degree on the skill and expertise of Mr. Merkin."

MR. LEVANDER: Experience.

MR. MARKOWITZ: Thank you, counsel.

Q. Do you see that?

A. I do.

Q. Isn't it the skill and experience of Mr. Madoff that is important to the success of Ascot?

A. That's not what this says. It doesn't say it does and it doesn't say it doesn't. Coming back to your discussions with respect to the managing of the capital made by me, and that I think is accurate. A decision to have X amount of money with Bernie, a decision to have less than the full amount, a decision to pull back is a decision not necessarily made about an individual stock at an individual time in the portfolio.

MR. LEVANDER: It has to be read in terms of page 6 if he's using an independent money manager. Obviously you can't --

A. It certainly has to be read in the context, and I haven't read this in

before, or if I have I don't remember seeing it before. It doesn't look like it was sent to me in November of 2006.

Q. "Ezra noted that up to 60 percent of Ascot's assets come from his personal family trusts." Is that accurate?

A. I don't think so.

Q. Do you have personal family trusts in Ascot?

A. I might, but nothing like 60 percent of Ascot's total assets. What that might say is that trusts, well, it's not what it might say. This doesn't say it.

What I might have discussed with them at that time was that we had very, very large percentages of our family's net worth in our funds, well in excess of half of the total capital, but I never would have said it was well in excess of half of Ascot's capital, and you wouldn't have gotten that in the investments in trust form.

Q. That statement that Ascot's

assets came from his personal family trusts, so the statement was inaccurate as a factual statement regarding, regardless of whether or not you made the remarks at the time, that was factually inaccurate, correct?

A. I'm sorry. Ask me the question and I'll try to answer it. It is not correct that 60 percent of Ascot's assets came from personal trusts, and it's not correct. Well, that answers your question.

Q. Is it also not correct that about 15 percent of the fund utilizes longer duration options, Leaps, which are traded through Bernie Madoff?

A. It was not correct that we were doing any Leaps, we were not doing any Leaps traded through Bernie Madoff.

Q. Does your review of Exhibit 2 refresh your recollection as to any other communications or conversations or representations that you made to [redacted] that you haven't testified

with Ascot. I don't remember how large a portion and did so in our office, and had a, had a P and L and economic relation, an economic stake in the outcome of the P and L.

Q. What percentage of Gabriel did Mr. Tiecher manage?

A. I don't remember.

Q. What time period did he do this?

A. Within the time period that I previously mentioned, late 80's to mid 90's, late 80's to mid 90's.

Q. Are you aware that there came a time when Mr. Tiecher was barred from association from the securities industry?

A. Yes.

Q. When did that occur?

A. I'd say sometime subsequent to his having spent approximately a year in prison, so maybe the mid to slightly later mid 90's. I don't remember exactly.

Q. Did Mr. Tiecher perform any services for Gabriel after the issuance of that order?

A. No.

Q. Did he perform any services for Gabriel unofficially?

A. What does that mean?

Q. Meaning not working out through your offices but working in some other capacity.

A. No.

Q. As a consultant, for example.

MR. LEVANDER: You mean like a paid consultant?

MR. MARKOWITZ: Yes.

A. No.

Q. I want to turn for a second to Ariel and Gabriel.

A. Okay.

Q. How would you characterize the Ariel, Gabriel investments to your investors in the quarterly statements?

MR. MARKOWITZ: Strike that.

Q. How would you characterize the Madoff components of the Ariel, Gabriel funds to investors?

A. If they stopped in for a visit

J. E. Merkin

Q. Or that really that the positions were cash, correct, they wouldn't know that they were Madoff positions. They would think that Ariel is in cash?

A. They would have thought that on December 31st those were treasuries that we owned, that's what they should have thought. I can't tell you what they did think, but it makes the answer to your question, it impacts the answer to your question.

Q. In quarterly statements, did you include -- let me ask you this way. In quarterly statements, did you include the Madoff component of Ariel's holdings as a cash investment?

A. I wouldn't think so.

MR. LEVANDER: MDFF is Madoff investment $303,327,305. MDFF is Madoff.

A. I would have thought it was an arbitrage of related securities. Let me just add something, I looked at these, I

looked at these tables. I didn't prepare these tables and I didn't necessarily assign it. That's why I'm saying generally I think it was an arbitrage of related securities.

Q. Who were the auditors for the three?

A. What does that mean?

Q. Who were Ascot's auditors?

A. Ascot Partners L.P.'s auditors were originally Seidman & Seidman. Then Seidman & Seidman BDO, then BDO Seidman. If you go way back Seidman, but it's all one firm. We didn't change auditors.

Q. Does that apply equally to Ariel and Gabriel as well?

A. No, it applies to Gabriel Capital L.P., those were the domestic funds. The offshore funds were audited by another BDO, let's say affiliate. And that might not be the right word and it changed. But it was a BDO affiliate, BDO something.

Q. In 2002, BDO supplied you with a

EXHIBIT 2

ASCOT PARTNERS, L.P.

450 Park Avenue
New York, NY 10022
TELEPHONE 212 838-7200
FACSIMILE 212 838-9603

December 11, 2008

Dear Limited Partner,

Bernard L. Madoff, founder of Bernard L. Madoff Investment Securities, LLC ("Madoff"), was arrested today in New York by federal authorities for perpetrating a massive securities fraud, alleged to have involved losses of $50 billion, in what has been described as a giant Ponzi scheme. The Securities and Exchange Commission has announced it is seeking an asset freeze and the appointment of a receiver for Madoff.

Our fund, Ascot Partners, L.P., which has substantially all of its assets invested with Madoff, is a victim of this fraud. Bernard Madoff was a prominent member of the securities industry for over 40 years, and we have invested successfully with him for many years. I am shocked, as I know you are, by this fraud. As one of the largest investors in our fund, I have also suffered major losses from this catastrophe. At this point, it is impossible to predict what recovery, if any, may be had on these assets.

We have retained counsel to determine what our next steps should be and we will be in touch with you as soon as we have more information.

Very truly yours,

J. Ezra Merkin
General Partner

Confidential
Treatment Requested

[redacted]

ASCOT PARTNERS, L.P.

450 Park Avenue
New York, NY 10022
Telephone 212 838-7200
Facsimile 212 838-9603

December 18, 2008

Dear Limited Partner,

I have spoken with many of you, and will try to speak with as many more of you as possible over the coming days and weeks. It is difficult to express the anguish I share with you over the losses we have suffered as a result of the fraud committed by Bernard Madoff.

In order to treat all partners fairly and equally, I believe our only realistic option is to dissolve Ascot Partners, L.P and suspend withdrawals (including pending withdrawal requests).

The fund has reserved the remaining cash to pay the expenses involved in the wind-down of it, and its affiliate Ascot Fund Limited, as well as any expenses associated with recovering the losses resulting from the Madoff fraud. We will actively pursue all available avenues of legal redress available to us.

You and I, in common with so many people we know, have lost unimaginable amounts as victims of this fraud. We are all suffering deep wounds, emotional as well as financial, and they are exceedingly painful. I am truly sorry we have had to endure this sorrow.

Very truly yours,

J. Ezra Merkin
General Partner

Confidential
Treatment Requested

[redacted]

EXHIBIT 3

GABRIEL CAPITAL GROUP

450 Park Avenue
New York, NY 10022
TELEPHONE 212 838-7200
FACSIMILE 212 838-9603

February 9, 2009

[redacted]

Dear [redacted],

In this letter, we address several issues: our year-end status, Madoff matters, plans for the wind-down of Ariel Fund Limited, and some personal observations. I would have liked to communicate with you sooner, but the year-end has been marred by the Madoff fraud, as well as made more complex than normal by the tumultuous market events that all of us are experiencing.

For the quarter ending December 31, 2008, an investment in Ariel Fund Limited declined approximately 41.2% net. For the year, an investment in Ariel declined approximately 43.8% net. The unaudited net value of your investment stood at approximately $14,348,445.42 at the close of the fourth quarter. The 2008 audited financial statements will be sent to you upon their completion.

As in our letter of December 18, 2008, which provided revised results as of November 30, these figures assume no recovery on the portion of Ariel's assets invested in strategies managed by Madoff and retract the previously reported 2008 gains or income on the purported Madoff positions. While it is not certain that the ultimate recovery on those assets will be zero, we believe this is the most prudent working assumption. Full-year losses on the Madoff account write-down represent approximately 24.1% of Ariel's 2008 contributed capital. In addition to the Madoff losses, Ariel had net full-year write-downs in its portfolios of private equity securities (-13.2%), high yield and distressed debt (-2.1%), mortgage-backed securities (-1.4%), and arbitrage-related equity securities (-0.6%). All these results are net of all expenses and 2008 management fees, which, although accrued, have not been paid to the Investment Advisor. We are not providing the customary table showing our portfolio's allocation among various investment strategies, but we will have something to say about the liquidity of Ariel's assets and the timeframe in which we hope to make distributions.

[redacted]

Our focus now is to effect an orderly wind-down of the fund. While the circumstances giving rise to that necessity are painful for all of us, we are determined to deal with the present realities professionally and to the best of our capabilities. Obviously, we are all stunned and shaken by the financial losses we have incurred as a result of Madoff's massive fraud. Ongoing litigation makes it impossible for me to say as much as I would like to regarding this matter. We are also unhappy about the non-Madoff losses. Our job now is to maximize returns on the remaining portfolio within a realistic timetable, and we intend to pursue that task conscientiously.

Many of you have inquired about what steps we are taking to recover funds from Madoff and his organization. We are closely following developments in this area, but have no greater insight into the details of his fraud or the location of his assets than one may glean from press reports. On December 15, 2008, the Securities Investor Protection Corporation ("SIPC") announced that it was liquidating Bernard L. Madoff Investment Securities LLC ("MIS") and commenced proceedings under the Securities Investor Protection Act. SIPC also appointed a trustee to oversee the liquidation of MIS. The trustee's charge is to work to recover and distribute customers' cash and securities held in their brokerage accounts. To the extent the SIPC trustee is unable to return to customers all cash or securities held in their brokerage accounts as of December 11, 2008, customers may file claims against the brokerage firm. We have been in contact with the trustee in the hopes of recovering assets that can then be distributed to our shareholders.

It is our present intention to form an independent committee of highly respected investors, who will act on behalf of Ariel and certain of our other managed funds to oversee the wind-down process. The committee will include representation by shareholders of Ariel. Our plan calls for the committee to be provided full transparency regarding all assets, including verification of their custody and understanding of their valuation. In addition, we shall submit quarterly operating budgets to the committee for approval and monthly reports of expenditures. Once the committee is in place, I will consult with it in connection with our communications to you, our investors, and on any material activities related to the wind-down, including matters that may give rise to potential or actual conflicts of interest.

Many of our investors have inquired about a timetable for distributions. My priority now is, as it must be, to do my utmost to wind down Ariel Fund Limited in a way that treats all investors equally and allows them to receive the best possible outcome under the circumstances. As we have previously reported, we expect the wind-down process to take some years to complete. This is because we seek an orderly realization of the fund's assets. Because we seek to act in the best interests of all investors, we will not pursue a "fire sale" liquidation. Many of our positions are illiquid. A forced sale of those assets — at any time, let alone now, when markets are depressed — would not yield the values we believe inherent in the positions. In consultation with our new independent committee, our mandate is to realize assets prudently and intelligently. This will include assessing not only the progress that a given position is achieving but also making judgments about

[redacted]

the investment environment as a whole and its progress toward stabilization. Based on this mandate, my expectation is that initial small distributions to investors may commence by the end of June, but that most significant realizations — and, therefore, distributions — will not occur until next year and beyond.

While the wind-down process takes place, we will make no new investments, other than possible follow-on investments, as well as customary hedging, repurchase agreements, and other financing activities. We may also purchase risk-free short-term fixed-income investments pending distributions. In addition to the fund's regular counsel, including Schulte Roth & Zabel LLP and Maples & Calder, the committee will be free to consult independent counsel on any issue related to the wind-down. The duties of Schulte and Maples are to the fund, and thus the firms do not represent either the Investment Advisor or me in connection with the Madoff swindle.

We intend to continue sending quarterly letters to investors, which will report on results and the status of the wind-down. We will not wait until the end of a quarter to apprise you of important developments, so there may well be additional correspondence. If, during this period of anxiety, you wish to receive communications in an expedited manner, via e-mail and/or fax, please let us know by filling out and returning the attached Appendix 1. If we do not hear from you, we shall assume that you wish to continue to receive communications by mail only.

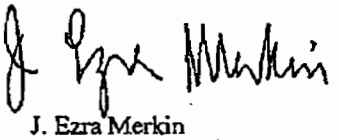
My communications with you ever since news broke last December 11, including this letter, are among the most difficult in which I have ever participated. I want to express once more how distraught I am at the damage we have all suffered at Madoff's hands. I feel great personal sadness that my investors, many of whom have stood with me for years and years, have sustained considerable financial reversals due to Madoff's deception.

All of us are living through a painful period. We have been betrayed by a leading member of the Wall Street community, who successfully pulled the wool over the eyes of his investors, members of the financial community (including me), and regulators for what was apparently a period of many years, perhaps decades. With the exposure on December 11, 2008 of his diabolical behavior, an era ended and a time of remorse set in. I share in that remorse. I thank the investors and friends who have sent me thoughtful and supportive messages. While I am distressed by the anger that some of you have directed toward me, I understand that the financial losses that you have suffered as my investors have fed a sense of deep disappointment, and I hope that the passage of time and a successful wind-down effort will assuage those feelings. In this time of anguish, I hope that we will all be able to retain the blessings of good health, loving family, and close friends. I offer the further hope that, with time, the financial devastation wreaked by Madoff's shameless crime (as well as by the broad declines in the market) will subside, enabling all of us to recover at least to some extent from this considerable setback. You have my assurance that I will work diligently to realize the best possible returns during the wind-down. Unfortunately, neither you nor I can turn back the clock or undo what has been done.

[redacted]

Although I know that this letter may leave many of your specific questions only partially answered, please be assured that we are aware of your concerns and are working assiduously to resolve these issues as quickly as practicable. As always, we will be available to take your inquiries, and we will answer them as best we can. We understand that you wish to learn as much as possible, as soon as possible, and we expect to provide you with further information in our future communications.

Very truly yours,
Gabriel Capital Corp.



J. Ezra Merkin
President

[redacted]

APPENDIX 1

Please provide your contact information, check one box, and return to (212) 838-9603 (fax) or [redacted] (e-mail).

Investor Name: _____

Contact Name: _____

Phone Number: _____

Fax Number: _____

E-mail Address: _____

Mailing Address (if different from the one used for this letter):

_____

_____

☐ I would like to continue to receive communications from Ariel Fund Limited by mail only.

☐ In addition to receiving communications from Ariel Fund Limited by mail, I would also like to receive copies of such communications by fax.

☐ In addition to receiving communications from Ariel Fund Limited by mail, I would also like to receive copies of such communications by e-mail.

☐ I would like to receive future communications from Ariel Fund Limited by fax only.

☐ I would like to receive future communications from Ariel Fund Limited by e-mail only.

_____

Authorized Signer

[redacted]

EXHIBIT 4

COPY NO. ____ OF ____

ANY REPRODUCTION OR DISTRIBUTION OF THIS MEMORANDUM, IN WHOLE OR IN PART, OR THE DISCLOSURE OF ANY OF ITS CONTENTS, MAY VIOLATE APPLICABLE SECURITIES LAWS AND IS PROHIBITED WITHOUT THE EXPRESS PRIOR WRITTEN CONSENT OF THE MANAGING PARTNER.

Confidential Offering Memorandum
November, 1992

ASCOT PARTNERS, L.P.
450 Park Avenue
32nd Floor
New York, New York 10022

This memorandum relates to a private placement by Ascot Partners, L.P. (the "Partnership"), a Delaware limited partnership, of Class A limited partnership interests, each in the minimum amount of $500,000 or such greater or lesser amounts as may be determined in the discretion of the Managing Partner. The information contained herein is confidential and is furnished for informational purposes only. This memorandum does not constitute an offer to sell limited partnership interests; such an offer can be made only directly by the Managing Partner. This memorandum supersedes all earlier disclosure concerning the Partnership.

The interests described herein have not been registered under the Securities Act of 1933 and are not being offered or sold to the public but are part of a private placement to a limited group of accredited investors. There are restrictions on the transfer of these securities.

[redacted]

FOR CONNECTICUT RESIDENTS ONLY

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CONNECTICUT UNIFORM SECURITIES ACT (THE "CONNECTICUT ACT") AND, THEREFORE, CANNOT BE RESOLD UNLESS THEY ARE REGISTERED UNDER THE CONNECTICUT ACT OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

FOR FLORIDA RESIDENTS ONLY

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER SECTION 517.061 OF THE FLORIDA SECURITIES ACT AND HAVE NOT BEEN REGISTERED UNDER SAID ACT IN THE STATE OF FLORIDA. ALL FLORIDA RESIDENTS HAVE THE RIGHT TO VOID THE PURCHASE OF THESE SECURITIES, WITHOUT PENALTY, WITHIN (3) DAYS OF MAKING SUCH PURCHASE.

FOR PENNSYLVANIA RESIDENTS ONLY

PURSUANT TO SECTION 207(m) OF THE PENNSYLVANIA SECURITIES ACT, EACH PERSON WHO ACCEPTS AN OFFER TO PURCHASE THESE SECURITIES SHALL HAVE THE RIGHT TO WITHDRAW HIS ACCEPTANCE AND RECEIVE A FULL REFUND OF ALL MONIES PAID, WITHOUT INCURRING ANY LIABILITY TO THE SELLER OR ISSUER, WITHIN TWO (2) BUSINESS DAYS AFTER HE ENTERS INTO A SUBSCRIPTION AGREEMENT OR MAKES ANY PAYMENT FOR THE SECURITIES OR THE EXEMPTION BECOMES EFFECTIVE, WHICHEVER IS LATER.

THESE SECURITIES MAY NOT BE SOLD BY THE INVESTOR FOR A PERIOD OF TWELVE (12) MONTHS AFTER THE DATE OF PURCHASE.

THESE SECURITIES MAY NOT BE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE REQUIREMENTS OF SECTION 203(d) OF THE PENNSYLVANIA SECURITIES ACT AND REGULATION 203.041 PROMULGATED THEREUNDER.

NASAA LEGEND

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE

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APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

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Investment Approach

Ascot Partners, L.P., a Delaware limited partnership formed on August 17, 1992, will engage primarily in risk arbitrage, investments in private debt claims and publicly traded securities of bankrupt and distressed companies and engage in indirect investments, including investment in mutual funds, private investment partnerships, closed-end funds, and other pooled investment vehicles which engage in similar investment strategies. It will invest principally in situations involving publicly announced acquisitions, recapitalization, spinoffs, liquidations, bankruptcies and other similar extraordinary corporate transactions involving domestic or foreign corporations and make indirect investments in mutual funds, private investment partnerships or investment pools (collectively "Other Investment Entities") which invest in similar situations. The Partnership may on occasion itself initiate or actively participate in acquisition or restructuring transactions or in proxy contests. To a lesser extent, the partnership may invest in the securities of corporations believed to be fundamentally undervalued. The Partnership may invest in restricted securities.

When the Partnership engages in indirect investments, including investments in mutual funds, private investment partnerships, closed-end funds and other pooled vehicles which are consistent with its objectives, fees, including performance-based fees, may be payable to such vehicles by the Partnership, in addition to the fees payable to the General Partners by Limited Partners discussed below.

The Managing Partner intends to the extent circumstances permit to adopt a selective approach in evaluating potential investment situations, generally concentrating on relatively fewer transactions he can follow more closely. He may often employ strategies involving derivative securities like options, futures and convertibles which may present more favorable risk-reward relationships. He expects to use hedging devices and will engage in short sales. There can be no assurance that any of the hoped-for benefits of the foregoing approach will be realized. Moreover, the Managing Partner reserves the right to deviate from the foregoing approach to the extent he deems appropriate.

The Partnership will execute its trades through unaffiliated brokers, who may be selected on a basis other than that which will necessarily result in the lowest cost for each trade. Clearing, settlement and custodial services will be provided by one or more unaffiliated brokerage firms.

The Partnership may borrow money and use credit to purchase or carry its investments. The Partnership may finance certain of its investments with "acquisition indebtedness" (as defined below under "Federal Income Tax Consequences -- Taxation of Tax-Exempt Partners -- Unrelated Business Taxable Income"),

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which may result in unrelated business taxable income for the tax-exempt partners.

Managing and General Partner

The Managing Partner and General Partner of the Partnership is J. Ezra Merkin. Mr. Merkin is currently the Managing and General Partner of Gabriel Capital, L.P. and was formerly Managing and General Partner of Ariel Capital, L.P. from January 1, 1989 through December 31, 1991. Prior to that Mr. Merkin was a managing partner of Gotham Capital, an investment partnership, and served as a Managing Partner from January 1, 1986 to November 30, 1987 and of Gotham Capital II, L.P. from December 1, 1987 to December 31, 1988. Mr. Merkin was associated with Halcyon Investments from 1982 to 1985 and with the law firm of Milbank, Tweed, Hadley & McCloy from 1979 to 1982. Mr. Merkin was graduated from Columbia College magna cum laude and is a member of Phi Beta Kappa. He is an honors graduate of Harvard Law School. Mr. Merkin has served on the faculty of Benjamin N. Cardozo Law School since 1981.

The Managing Partner intends to delegate investment discretion over all or a portion of the Partnership's portfolio to other independent money managers. In such cases, the Managing Partner will retain overall investment responsibility for the portfolio. Such arrangements are subject to periodic review by the Managing Partner.

Risk Factors

Risks of Purchase of Securities of Distressed Entities. The Partnership, directly, or indirectly through investment in Other Investment Entities, may purchase securities and debt instruments of and claims against Distressed Entities. Distressed Entities include corporations, partnerships, individuals or other entities which are operating pursuant to the Bankruptcy, Liquidation or Reorganization laws and rules of the United States or foreign countries or which are being liquidated, pursuant to orders of domestic and foreign bankruptcy, reorganization or liquidation laws or otherwise. Distressed Entities also include foreign countries which have issued debt instruments or have guaranteed debt obligations of foreign obligors which instruments or obligations are in default.

Distressed Entities also include corporations, partnerships and other entities which are leveraged and which appear to require reorganization. Such entities are generally entities whose debt is high in proportion to the entity's equity. Often, substantial doubts exist as to whether the entity will be able to service its debt (i.e., pay interest for borrowed money when interest payments are due) or retire its debt upon maturity. In addition, the Partnership, either directly, or indirectly

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through investment in Other Investment Entities, will purchase securities, debt instruments and claims against Distressed Entities which are in default of their debt obligations.

The Partnership's purchase of such securities and debt instruments of, or claims against Distressed Entities poses substantial risks. In purchase of securities or debt instruments of Distressed Entities, (both those in and out of bankruptcy) there exists the risk that the Distressed Entity's reorganization either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Partnership of the security, debt instruments or claims in respect of which such distribution is received. Because of the inherently speculative nature of this activity, the result of the Partnership's operations may be expected to fluctuate from period to period. It may be difficult to obtain accurate information concerning a company in financial distress, with the result that analysis and valuation are especially difficult. The market for securities and claims of such companies tends to be less liquid. Accordingly, a substantial period of time may elapse between the Partnership's purchase of the securities and the reorganization of the Distressed Entity. During this period, a portion of the Partnership's fund would be committed to the securities or debt instruments purchased, and the Partnership may finance such purchase with borrowed funds in which it will have to pay interest.

Risks of Option and Hedging Transactions. The Partnership may engage, directly, or indirectly through investment in Other Investment Entities, from time to time in various types of options transactions, including hedging and arbitrage in option on securities. This activity is designed to reduce the risks attendant in short-selling and in taking long positions in certain transactions and may involve stock options on a registered option exchange and offsetting transactions in the underlying stock, or offsetting transactions in one or more options for stock. The Partnership also may take positions, directly or indirectly, in options on stock of companies which may, in the judgment of the managing partner, be potential acquisition candidates in merger, exchange offer or cash tender offer transactions. If the potential acquisition candidate does not become the subject of a merger, exchange offer or cash tender offer, the Partnership may suffer a loss. The Partnership further may trade index options and financial futures.

When the Partnership either, directly or indirectly, purchases an option, it must pay the price of the option and transaction charges to the broker effecting the transaction. If the option is exercised by the partnership, the total cost of exercising the option may be more than the brokerage costs which would have been payable had the underlying security been

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purchased directly. If the option expires, the Partnership will lose the cost of the option.

In certain transactions the Partnership or the Investment Entity in which it has an interest may not be "hedged" against market fluctuations or, in liquidation situations, the hedge may not accurately value the assets of the company being liquidated. This can result in losses.

Risks of Arbitrage Transactions. Another activity of the Partnership carried out either, directly, or indirectly through investment in Other Investment Entities may be securities arbitrage. When the Partnership determines it is probable that a merger, exchange offer or cash tender offer transaction will be consummated, the Partnership may purchase securities at prices often only slightly below the anticipated value to be paid or exchanged for such securities in the merger, exchange offer or cash tender offer and substantially above the prices at which such securities traded immediately prior to announcement of the merger, exchange offer or cash tender offer. If the proposed transaction appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the security to be tendered or exchanged may be expected to decline sharply, which would result in a loss to the Partnership. Moreover, where a security to be issued in a merger or exchange offer has been sold short as a hedge in the expectation that the short position will be covered by delivery of such security when issued, failure of the merger or exchange offer to be consummated may force an arbitrageur to cover his short position in the market at a higher price than his short sale, with a resulting loss.

In addition, if the Partnership determines that the offer price for a security which is the subject of a tender offer is likely to be increased, either by the original bidder or by another party, the Partnership may purchase securities above the offer price; such purchases are subject to a high degree of risk.

Where the Partnership determines that it is probable that a transaction will not be consummated, the Partnership may sell the securities of the target company short, at prices below the announced price for the securities in the transaction. If the transaction (or another transaction, such as a "defensive" merger or a friendly tender offer) is consummated, the Partnership may be forced to cover the short position in the market at a higher price than the short sale price, with a resulting loss. There is in theory no limit to the loss which the Partnership could incur in covering a short sale.

The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors, the likelihood of occurrence of which can be very difficult to evaluate. A tender or exchange offer by one company for the

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securities of another will often be opposed by the management or shareholders of the target company on the grounds that the consideration offered is inadequate or for a variety of other reasons. This opposition will often result in private litigation or litigation involving various regulatory agencies. Depending on the industry involved in a particular transaction, the consummation of the transaction may require the approval or non-action of regulatory agencies. Also, management of a target company may seek a "defensive" merger with, or a friendly tender offer by, a company other than the offeror.

Offerors in tender or exchange offers customarily reserve the right to cancel such offers in the above circumstances and in a variety of other circumstances, including an insufficient response from shareholders of the target company. Even if the defensive activities of a target company or the actions of regulatory authorities fail to defeat an acquisition, they may result in significant delays, during which the Partnership's capital will be committed to the transaction and significant interest charges on funds borrowed to finance its arbitrage activities in connection with the transaction may be incurred.

Even where a merger or tender or exchange offer has been agreed upon by the management of the two companies involved, its consummation may be prevented or delayed by intervention of a government regulatory agency; a shareholder's suit to enjoin the proposed transaction; in the case of a merger, the failure of the shareholders of the company to be acquired, and, where necessary, the acquiring company, to approve the merger; market conditions resulting in material changes in securities prices; and a variety of other circumstances. In case of a tender or exchange offer made for less than all outstanding securities of an issuer with the provision that, if a greater number is tendered, securities will be accepted pro rata, a tendering arbitrageur may have returned to him, and be forced to sell at a loss, a portion of the securities tendered.

Other Transactions. The Partnership may also, directly, or indirectly through investment in Other Investment Entities, make certain purchases of securities as to which no extraordinary corporate transaction has been announced. Such purchases may include securities which the Managing Partner believes to be undervalued, or where a significant position in the securities of the particular company has been taken by one or more other persons or where other companies in the same or a related industry have been the subject of acquisition attempts. If the Partnership purchases securities in anticipation of an acquisition attempt or reorganization, and an acquisition attempt or reorganization does not in fact occur, the Partnership may sell the securities at a substantial loss. Further, when securities are purchased in anticipation of an acquisition

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attempt or reorganization, a substantial period of time may elapse between the Partnership's purchase of the securities and the acquisition attempt or reorganization. During this period, a portion of the Partnership's fund would be committed to the securities purchased, and the Partnership may finance such purchases with borrowed funds on which it will have to pay interest.

The Partnership may invest, directly, or indirectly through investment in Other Investment Entities, in securities of a company which is the subject of a proxy contest in the expectation that new management will be able to improve the company's performance or effect a sale or liquidation of its assets so that the price of the subject company's securities will increase to a price above that paid for the securities by the Partnership. If the incumbent management of the subject company is not defeated or if new management is unable to improve the company's performance or sell or liquidate the company, the market price of the securities of the subject company will typically fall to a price below that paid for the securities by the Partnership, causing the Partnership to suffer a loss. In addition, even upon the successful completion of a proxy contest, the market price of the securities of the subject company may not rise to a price above that paid for the securities by the Partnership.

The Managing Partner may decide to register as a commodity pool operator under the Commodity Exchange Act or seek certain exemptive letters thereunder, so as to enable the Partnership to trade in commodities and financial futures and related options. Because of the very low margin deposits normally required in futures trading, the risks resulting from leverage described below are particularly present in such trading. In addition, due to market and regulatory factors, futures may be less liquid than other types of investments.

Participation in Unfriendly Transactions. The Partnership may seek, directly, or indirectly through investment in Other Investment Entities to initiate acquisition or restructuring transactions or proxy fights against the wishes of the subject company's management, or may actively participate in transactions of this sort initiated by others. Such transactions typically become embroiled in litigation, and participants therein may be found to have violated any of the many laws and regulations applicable thereto. This could impose substantial cost and expense (including litigation expense) on the Partnership, and subject future participation in these transactions, disgorgement of gains, loss of voting rights or forced disposition of the investment. Participation in such transactions may also require the Partnership to make significant disclosure concerning its operations.

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Recent Developments. There are a number of recent developments which may adversely affect the ability of the Partnership to pursue the risk arbitrage portion of its investment strategy. The availability of debt financing for takeovers has been adversely affected by a decline in the availability of junk bond financing and banks' reluctance to lend into highly leveraged transactions. As a result, the volume of takeover activity has declined substantially. Antitrust laws affecting mergers may be enforced more stringently and more vigorously than previously. In addition, state legislatures have enacted legislation aimed at curbing takeovers, while the courts have given management greater authority to employ defensive measures in the face of hostile takeover attempts where management believes doing so is in the long-term interests of the company. Similarly, changing economic conditions, accounting standards and tax and securities laws (among other factors) may impair the profitability of the types of transactions in which the Partnership intends to invest, adversely affecting its operations.

Market Risk and Lack of Diversification. Substantial risks are involved in the acquisition or disposition of securities. Securities and their issuers are affected by, among other things: changing supply and demand; federal, state and governmental laws, regulations and enforcement activities; trade, fiscal and monetary programs and policies; and national and international political and economic developments. Given the Partnership's relatively small size, with a majority of the Partnership's assets expected to be invested in relatively few situations, portfolio diversification may be limited. The Partnership's investment plan does not constitute a balanced investment plan. The securities in which the Partnership may invest may be regarded as of high risk. Such securities are subject to a number of risk factors, including market volatility, creditworthiness of the issuer, liquidity of the secondary trading market, and availability of market quotations.

Leverage; Interest Rates. The Partnership's anticipated use of short-term margin borrowings creates certain risks to the Partnership. For example, should the securities pledged to brokers to secure the Partnership's margin accounts decline in value, the Partnership could be subject to a "margin call", pursuant to which the Partnership must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden, precipitous drop in value of the Partnership's assets occasioned by a market "crash" such as the one that took place in October 1987, the Partnership might not be able to liquidate assets quickly enough to pay off its margin debt. In addition, interest will be an expense of the Partnership and therefore fluctuations in rates will affect its operating results.

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Lending of Portfolio Securities. The Partnership may from time to time lend securities from its portfolio to brokers, dealers and financial institutions such as banks and trust companies. The borrower may fail to return the securities involved in such transactions, particularly if such borrower is in financial distress, in which event the Partnership may incur a loss.

Portfolio Turnover. The Partnership anticipates that its portfolio turnover rate may be very high. Typically, high portfolio turnover results in correspondingly high transaction costs, including brokerage commission expenses.

Effect of Limited Partner Withdrawal. The exercise by Limited Partners of their right to withdraw under the Partnership Agreement may cause the Partnership to be unable to carry out a particular investment strategy. The obligation of the Partnership to honor one or more withdrawal requests may adversely affect the Partnership's ability to accomplish its economic objectives and may cause the Managing Partner to dissolve the Partnership as a means of overriding withdrawal requests of Limited Partners.

Lack of Management Control. The management of the affairs of the Partnership will be vested exclusively in the General Partner. He will have wide latitude in making investment decisions and may withdraw his own capital, admit new Limited Partners or terminate the Partnership at any time. Generally, the Limited Partners will have no right to participate in the decisions of the Managing Partner or General Partner or otherwise in the affairs of the Partnership, to remove the Managing Partner or any General Partner, to approve the admission of any new General Partner or to dissolve the Partnership. The Managing Partner may require any Limited Partner to withdraw from the Partnership at any time.

Exculpation of the General Partners from Liability. The Partnership Agreement provides that the General Partner will not be liable for, and will be indemnified by the Partnership against, any act or omission unless such act or omission constitutes gross negligence, fraud or willful misconduct. As a result, Limited Partners may be entitled to a more limited right of action against the General Partner than they would otherwise have had absent such a limitation in the Partnership Agreement.

Risks Regarding Placement of Funds with Independent Money Managers. The Managing Partner intends to have all or a portion of the Partnership funds invested by money managers, other than the Managing Partner, or invested with other private investment partnerships, closed-end funds or other pooled vehicles ("Other Investment Entities"). Although the Managing Partner will exercise reasonable care in selecting such money

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managers or Other Investment Entities and will monitor the results of the money managers or Other Investment Entities, neither the Managing Partner nor the General Partner will have custody over the funds invested with other money managers or with Other Investment Entities. To the best of the Managing Partner's knowledge, the risk of loss of the funds invested with other money managers or with Other Investment Entities, is not insured by any insurance company, bonding company, governmental agency, or other entity, and the General Partner and Managing Partner are not liable for any such loss.

Conflicts of Interest. The General Partner has broad power to conduct investment and money management activities outside the Partnership. These activities, which will include management of one or more domestic or offshore managed funds (the "Managed Funds"), may create conflicts of interest with the Partnership with regard to such matters as allocation of opportunities to participate in particular investments. The Partnership will obtain no interest in any such outside investments or activities.

Other Activities. In addition to managing the Partnership, the Managing Partner will manage other funds, including Gabriel Capital, L.P., which will have similar investment objectives to the Partnership. These other activities will require a substantial amount of the Managing Partner's time and effort.

Liability for Return of Capital Contribution. Under Delaware law, any Limited Partner who receives a return of any portion of his capital contribution from the Partnership may be liable to the Partnership for the amount of the returned portion of the capital contribution, plus interest to the extent such amount was wrongfully distributed and to the extent necessary to discharge the Partnership's liabilities to creditors who extended credit to the Partnership or whose claims arose during the period such returned portion of the capital contribution was held by the Partnership.

Tax and Other Risks. Although the Managing Partner believes that the Partnership will be treated as a partnership for federal income tax purposes, no ruling has been, or will be, obtained from the Internal Revenue Service to that effect and no opinion of counsel has been sought. If the Partnership is taxed not as partnership but as a corporation it will, among other things, have to pay income tax on its earnings in the same manner and at the same rates as a corporation and Partners would be subject to an additional tax on earnings distributed. If the Partnership is treated as such for tax purposes, Partners will be taxed on the Partnership's taxable income whether or not it is distributed. The Managing Partner does not intend to make distributions to the Limited Partners that reflect the taxable

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income of the Partnership and is not required to make any distributions except upon the withdrawal of capital by a Partner pursuant to the Partnership Agreement. Furthermore, a Limited Partner who withdraws capital from the Partnership in accordance with the Partnership Agreement may receive the amount so withdrawn in kind. Accordingly, in either such event, a Limited Partner may not receive sufficient liquid assets to pay income taxes attributable to his distributive share of Partnership income.

ERISA Risks. It is intended and expected that the underlying assets of the Partnership will not be deemed to be "plan assets" of any ERISA Plan or individual Plan (as such terms are defined below under "Federal Income Tax Consequences -- ERISA Considerations") that is a Limited Partner, primarily because the General Partner intends to restrict the acquisition of Limited Partnership interests by Benefit Plan Investors (as defined below under "Federal Income Tax Consequences -- ERISA Consideration") to not more than ten per cent of the equity of any class of Limited Partnership interests of the Partnership. Nevertheless, there can be no assurance that the Partnership's assets will not be deemed "plan assets", because a transfer of a Limited Partnership interest may occur, and at such time the equity participation of Benefit Plan Investors in the Partnership may be significant. See "Federal Income Tax Consequences -- ERISA Considerations".

Restrictions on Transferability and Withdrawal. Each investor who becomes a Limited Partner will be required to represent that he is acquiring the interest for investment and not with a view to distribution or resale; that he understands he must bear the economic risk of an investment for an indefinite period of time because the securities have not been registered with the Securities and Exchange Commission or any other state or governmental agency; and that he understands the interests cannot be sold unless an exemption from such registration is available. Transfers of Limited Partnership interests without consent of the Managing Partner will be permitted only in limited circumstances. In no event may transfers be made which would cause a violation of any federal or state securities laws or which are likely to result in a termination of the Partnership for federal income tax purposes. Consequently, the purchase of interests should be considered only as a long-term and illiquid investment.

A Limited Partner generally will not be permitted to withdraw any part or all of his Capital Account balance from the Partnership except on December 31 of each year, and then only upon 45 days' prior written notice. Withdrawn amounts may be paid to Limited Partners in cash or securities in the discretion of the Managing Partner, and payment will be subject to delay and to retention of reserves.

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Registration and Qualification. Neither the Partnership nor any General Partner has registered with any governmental or regulatory agency. The Managing Partner will, in the course of the conduct of the Partnership's activities, evaluate his obligations to register or comply with any rules which may be imposed upon the Partnership, or any General Partner, by any governmental or regulatory agency having jurisdiction over the activities being pursued by or on behalf of the Partnership. However, no assurance can be given that compliance with all such rules will be undertaken or if undertaken will comply fully with such requirements. Compliance with such rules could adversely affect the Partnership's operations and the Partners' ability to withdraw capital from the Partnership.

The Offering

Class A Limited Partnership interests are being offered on a private placement basis to persons who would qualify as "accredited investors" under the securities laws. Unless the Managing Partner determines otherwise, the minimum investment will be $500,000. No minimum amount of capital is required to be raised in order for the offering to be consummated. Expenses of the offering (including expenses of drafting the Partnership Agreement and the Confidential Offering Memorandum) will be paid by the Partnership and are not expected to exceed $50,000. The Partnership Agreement will become effective as of November 6, 1992.

Subscription agreements have been furnished to prospective investors along with this Memorandum. Subscriptions will be accepted in the discretion of the Managing Partner. If a subscription is accepted, the subscriber will be expected to deliver immediately available funds to the Partnership as per the instructions of the Managing Partner. Subscribing Limited Partners will represent that they are "accredited investors" under the Securities Act of 1933, that they have had the opportunity to ask questions and receive answers concerning the terms and conditions of the offering and to obtain any information which the Managing Partner possesses or can acquire without unreasonable effort or expense concerning the Partnership and that they are aware that their Partnership interests have not been registered under the securities laws and will be subject to restrictions on transfer.

Summary of the Partnership Agreement

The following summary of the Partnership Agreement is qualified by reference to the actual terms of the Partnership Agreement, which is attached to this Memorandum.

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Capital Accounts; Allocations. Each Partner will have a capital account equal initially to the amount of cash or the value of property contributed by him. The Managing Partner may permit additional capital contributions and may admit new limited partners. No General Partner will be personally liable for the return of capital contributions, and no interest will be payable thereon.

Partnership loss for each Accounting Period will be allocated among partners in proportion to the balance in their respective capital accounts at the start of such period. At the end of each Accounting Period each partner's capital account will be increased proportionately to reflect Partnership income for each Accounting Period. Income and loss for this purpose will include unrealized appreciation and depreciation on investments; if a majority of the Class A Limited Partners disputes a valuation, the dispute will be resolved by an accounting firm to be agreed on at the time. All expenses of organizing and operating the Partnership, including fees payable to Other Investment Entities, will be Partnership expenses, including those incurred by the General Partner on the Partnership's behalf. A new Accounting Period will begin on each January 1 as well as at the time new or additional capital is contributed to, or capital is withdrawn from, the Partnership.

At the end of each fiscal year of the Partnership (which will be a calendar year) and upon dissolution, an amount equal to 1% (prorated for periods of less than a year) of the sum of each Class A Limited Partner's capital account balance at the end of such year will be allocated to the General Partner.

Limited Partner Withdrawals. A Limited Partner may withdraw all or part of his capital from the Partnership on 45 days' prior notice on December 31 of any year, and will be deemed to have withdrawn from the Partnership at the end of any year (or in certain cases, 60 days later) during which he dies, becomes bankrupt or is adjudicated incompetent. The Managing Partner may cause any Limited Partner to withdraw from the Partnership on 30 days' notice. The withdrawing Partner will receive the amount of his capital account to be withdrawn (less reserves determined by the Managing Partner for contingent liabilities) within 90 days after withdrawal. All amounts remaining unpaid (less reserves) will begin to bear interest at a rate equal to a specified broker's call rate 30 days after withdrawal. Distributions may be made in the form of property valued as of the date of distribution, but no Partner will receive more than his pro rata interest in any investment. Limited Partners may not otherwise make withdrawals, and the Partnership does not plan to make pro rata distributions to Partners on an on-going basis.

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Transfer of Interests. Limited Partners may not transfer their interests without consent of the Managing Partner except by will, by operation of law or to affiliates. No transfer will be permitted if it would result in a termination of the Partnership for tax purposes, violate securities laws or require registration of the Partnership as an investment company or of the General Partner or Managing Partner as an investment adviser. No permitted transferee other than an affiliate may be substituted as Limited Partner without the Managing Partner's consent.

The General Partners and Managing Partner. The Managing Partner is required to devote substantially his entire time and effort during normal business hours to his money management activities, including (but not limited to) the affairs of the Partnership. Subject to the foregoing, he may engage in other investment activities for his own account and for the account of others, and the Partnership will have no interest therein. The General Partner will not be liable to the Partnership or the Limited Partners except for bad faith, gross negligence, recklessness, fraud, intentional misconduct or acts taken with knowledge that they exceed the Partnership's purpose and powers, and will be entitled to indemnity from the Partnership for all loss incurred by them defending claims concerning their activities as such not resulting from any of the foregoing.

Subject to the consent of the Managing Partner, any General Partner may withdraw any or all his capital accounts at any time; provided, however, that at all times the General Partners will, in the aggregate, maintain at least a 1% interest in the Partnership. In addition, subject to the consent of the Managing Partner, any General Partner may withdraw from his capital account each year, as advances against any future withdrawals by the General Partner, amounts which in the aggregate do not exceed approximately 50% of the General Partner's share of the profits of the Partnership at the time of such withdrawal, all as estimated by the Managing Partner. Withdrawals pursuant to the preceding sentence will not reduce the General Partner's capital account until the end of the year.

A General Partner will be deemed to have withdrawn upon his bankruptcy, death or adjudicated incompetency, and may be forced to withdraw at any time by the Managing Partner. The Managing Partner may admit new General Partners at any time.

Reports. The Partnership will provide to the Partners unaudited financial statements within 35 days after the end of each calendar quarter other than the last and will furnish to them annual audited financial statements within 90 days after year end, and tax information as soon thereafter as practicable.

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Dissolution. The Partnership will dissolve on December 31, 2015 or earlier if the Managing Partner so determines, and will dissolve if the Managing Partner dies, retires or becomes bankrupt or incapacitated. Upon dissolution, property remaining after satisfying Partnership liabilities will be distributed (subject to maintenance of reserves for remaining liabilities as determined by the Managing Partner) to the Partners in proportion to the balances in their capital accounts at the time of distributions. Distributions of property will be ratable among the Partners. Reserves will be released, without interest, when the Managing Partner determines they are no longer required.

Amendments. The Partnership Agreement may be amended with the consent of the majority in interest of General Partners and a majority in interest of the Limited Partners, but amendments reducing the obligations of the General Partners or increasing the obligations of the Limited Partners require unanimous consent, and no amendment may reduce the balance of a Partner's capital account or alter or modify his interest in Partnership income, distributions or losses or his rights of withdrawal without his consent.

Additional Classes of Limited Partners. Pursuant to Delaware law, the Partnership Agreement will provide for the future creation of additional classes of Limited Partners having such relative rights, powers and duties as may be established in the sole discretion of the Managing Partner, including rights, powers and duties as may be established in the sole discretion of the Managing Partner, including rights, powers and duties senior to existing classes of Limited Partners. The creation of such classes of Limited Partners and the admission of such Limited Partners, including any amendment of the Partnership Agreement, will not require the vote or approval of any existing Limited Partner or class of Limited Partners. Subject to Delaware law, future classes of Limited Partners may be granted the right to vote separately or with all or any existing classes of Limited Partners on any matter.

Federal Income Tax Consequences

The following is a general summary of some of the federal income tax consequences to Limited Partners of an investment in the Partnership. IT IS NOT INTENDED AS A COMPLETE ANALYSIS OF ALL POSSIBLE TAX CONSIDERATIONS IN ACQUIRING, HOLDING AND DISPOSING OF AN INTEREST IN THE PARTNERSHIP AND, THEREFORE, IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING BY EACH INVESTOR, PARTICULARLY SINCE THE FEDERAL, STATE AND LOCAL INCOME TAX CONSEQUENCES OF AN INVESTMENT IN PARTNERSHIPS LIKE THE PARTNERSHIP MAY NOT BE THE SAME FOR ALL TAXPAYERS. This discussion has been prepared on the assumption that a Limited Partner will be an individual who is a citizen or resident of the United States or an organization exempt from federal income taxes

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under section 501(a) of the Code. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES (INCLUDING STATE, LOCAL AND FOREIGN TAX CONSEQUENCES) OF AN INVESTMENT.

The statements contained herein are based on existing law as contained in the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations, administrative rulings and other pronouncements, and court decisions as of the date hereof. The existing law, as presently interpreted, is subject to change by either new legislation, or by new or differing interpretations in regulations, administrative pronouncements or court decisions, any of which could, by retroactive application or otherwise, adversely affect a Limited Partner's investment in the Partnership.

A. General Income Tax Consideration

Classification as a Partnership. The availability of tax benefits depends on classification of the Partnership as a partnership rather than as an association taxable as a corporation for federal income tax purposes. No tax ruling will be sought from the Internal Revenue Service ("IRS") as to the status of the Partnership as a partnership for federal income tax purposes, and no opinion of counsel to that effect will be obtained. However, the Managing Partner believes that the Partnership will be treated as a partnership for federal income tax purposes and not as an association taxable as a corporation. No assurance can be given that partnership status could not be lost because of given that partnership status could not be lost because of future changes in the law or the regulations, or due to changes in the manner in which the Partnership is operated.

In particular, a "publicly traded partnership" (as defined under Section 7704 of the Code) is treated as a corporation in any taxable year unless 90% of the partnership's gross income for said taxable year and each preceding year beginning after December 31, 1987 during which the partnership was in existence consisted of "qualifying income" (generally, interest, dividends, gain from the sale of capital assets and certain other items). It is likely, but not certain, that the Partnership will meet the "qualifying income" test. Even if the Partnership does not meet the "qualifying income" test, the Managing Partner believes that the Partnership will not be considered a publicly traded partnership. A "publicly traded partnership" is one the interests in which are (i) traded on an established securities market, or (ii) readily transferable on a secondary market or the substantial equivalent thereof. Interests in the Partnership are not traded on an established securities market. Further, in Advance Notice 88-75, issued on June 17, 1988, the Internal Revenue Service announced a number of "safe-harbors" under which a partnership is deemed not to be publicly traded. A partnership will qualify for one of the safe

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harbors so long a (i) all interests in the partnership were issued in a transaction (or transactions) that was not registered under the Securities Act of 1933 and (ii) either (A) the partnership does not have more than 500 partners or (B) the initial offering price of each unit of partnership interest is at least $20,000 and the partnership agreement provides that no unit of partnership interest may be subdivided for resale into units smaller than a unit, the initial offering price of which would have been at least $20,000. For purposes of determining the number of partners, each person indirectly owning an interest through a partnership, grantor trust or an S corporation is treated as a partner and partnerships will be aggregated where such partnerships jointly operate one or more businesses or the operations of the partnerships are interrelated and the principal purpose for the use of multiple partnerships is to permit any of the partnerships to qualify for this rule. The Managing Partner believes that the Partnership qualifies under at least one of these safe-harbor provisions.

If the Partnership were classified as an association taxable as a corporation, either at the outset, or due to a change in the way the Partnership is operated or in relevant law (including legislation, regulations, ruling or case law), the Partnership would be subject to federal income tax on any taxable income at regular corporate tax rates (reducing the return to the Limited Partner). In such event, the Limited Partners would not be entitled to take into account their distributive share of the Partnership's deductions or the Partnership's income in computing their taxable income, except to the extent distributed to them either as dividends out of current or accumulated earnings and profits or in excess of the tax basis of their Partnership interests.

Taxation of Partners on Income or Losses of the Partnership. So long as it is classified as a partnership for federal income tax purposes, no federal income tax will be payable by the Partnership as an entity. Instead, each Partner including Limited Partner will report on his federal income tax return for each year during which he is a member of the Partnership, his distributive share of the items of income, gain, loss, deduction and credit of the Partnership, whether or not cash is distributed to such Partner during the taxable year. The characterization of an item of income, gain, loss or deduction (e.g., as a capital gain or loss as opposed to ordinary income or loss) will usually be the same for the Partners as it is for the Partnership. Since Partners will be required to include Partnership income in their respective income tax returns without regard to whether there are distributions attributable to that income, Partners may become liable for federal, state and local income taxes on that income even though they have received no distributions from the Partnership with which to pay such taxes.

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Basis of Limited Partnership Interest. A Limited Partner's tax basis in his Partnership interest will include the amount of money such Partner contributes to the Partnership, increased by (i) any additional contributions made by him to the Partnership, (ii) his distributive share of any Partnership income, and (iii) the amount, if any, of his share of Partnership indebtedness; and decreased, but not below zero, principally by (x) distributions from the Partnership to him, (y) the amount of his distributive share of Partnership losses and (z) any reduction in his share of Partnership indebtedness.

Limitations on Deduction of Losses. The deduction of partnership losses by a limited partner is subject to numerous limitations. A partner's share of partnership losses and deductions in any taxable year generally may be deducted only to the extent of his tax basis in his partnership interest at the end of such year, or, if less, the amount he is considered "at risk" (i.e., generally, to the extent of the partner's investment of cash and property and borrowed amounts for which the partner is personally liable or which are secured by personal assets other than his partnership interest). The deductibility of partnership losses is also subject to the limitations contained in the "passive loss" provisions of the 1986 Tax Act. Generally, the passive loss provisions provide that the aggregate net losses from a business activity in which the taxpayer does not materially participate (i.e., "passive activities") are not allowed against "active" income, such as salary and active business income, or "portfolio" income, such as dividends, interest, royalties, and non-business capital gains. Losses from a passive activity may, however, be used to offset income generated from other passive activities. Temporary Regulations have been issued on passive activities. Under these regulations, it is likely that most of the income and loss of the Partnership will be characterized as portfolio income and loss. Portfolio losses will not be subject to the passive loss limitation. The Partnership's interest expense and its income and loss will, however, to the extent the Partnership is deemed to own portfolio assets, enter into the computation of the investment interest limitation described under the heading "Limitation on Deductibility of Certain Expenses." INVESTORS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE APPLICABILITY OF THE PASSIVE LOSS RULES TO AN INVESTMENT IN THE PARTNERSHIP.

Losses which are not deductible in any taxable year by reason of these limitations are carried forward to the next succeeding taxable year, subject to the same limitations. As a result of these limitations, a Limited Partner may not be able to deduct fully his allocable share of the Partnership losses in the year such losses are incurred.

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Limitation on Deductibility of Certain Expenses. The 1986 Tax Act limits the deductibility of interest by an individual on indebtedness incurred to purchase or carry investment property to the amount of the taxpayer's net investment income. Investment interest includes interest paid by the Partnership on its debt and would generally include interest paid by a Limited Partner on indebtedness incurred to purchase or carry his interest in the Partnership to the extent the Partnership's income constitutes "portfolio income." It is anticipated that all or most income earned by the Partnership and passed through to the Limited Partners should be included in net investment income. Subject to certain limitations, investment interest expense which is not deductible in a taxable year can be carried forward until all disallowed amounts have been deducted.

Subject to certain enumerated exceptions, beginning in 1987, an individual taxpayer's miscellaneous itemized deductions, which includes investment expenses, are deductible only to the extent they exceed two per cent of the taxpayer's adjusted gross income. Temporary and proposed regulations issued by the Treasury Department prohibit the indirect deduction through partnerships and other pass-through entities of amounts that would not be deductible if paid by the individual. An individual's itemized deductions, computed after the application of all other limitations, including the two per cent limitation described above, is further reduced if the individual's adjusted gross income exceeds $100,000 ($50,000 in the case of a married individual filing a separate return). The individual's itemized deductions are reduced by the lesser of (i) three per cent of the individual's gross income over $100,000 or (ii) 80% of the itemized deductions otherwise allowable for the taxable year. The $100,000 and $50,000 amounts are adjusted for inflation for taxable years after 1991. For purposes of this reduction, itemized deductions do not include deductions for medical expenses, casualty and theft losses and investment interest. If the Partnership is considered not to be engaged in a trade or business, the new limitations would apply to the Partnership's expenses. However, due to the uncertainty of the application of the limitations on miscellaneous itemized deductions to entities such as the Partnership, PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE POTENTIAL IMPACT OF THIS PROVISION ON THEIR PERSONAL TAX SITUATIONS.

Distributions. Generally, distributions of cash to a partner are taxable only to the extent they exceed such partner's basis in his partnership interest. The amount of such excess generally would be taxable as capital gain. It should be noted that, although gain may be recognized upon a partial redemption of an interest in the Partnership, loss will be recognized only upon a complete redemption of all of a Limited Partner's interest in the Partnership and only if the distribution consists solely of cash and property described in Section 751 of the Code

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(generally, property which, on sale, would produce ordinary income). Therefore, a Limited Partner who sustains an economic loss on partial redemption of his interest in the Partnership will not be allowed a loss for federal income tax purposes at the time of such redemption.

It is possible, under the Limited Partnership Agreement, that Partnership assets other than cash may be distributed in kind to a partner. No gain or loss is recognized in a distribution solely of property other than cash, unless the Partnership has Section 751 property and the distribution either is non-pro rata or is in complete liquidation of the Partner's interest. In such cases, the Partner or the Partnership, or both, may recognize gain or loss. The basis to a Partner of property distributed to him in liquidation of his entire interest in the Partnership will be equal to the basis of such Partner's interest in the Partnership decreased by any cash received in the distribution. In any other distribution, the basis to such Partner of the property distributed will be the lesser of its basis to the Partnership prior to the distribution or such Partner's basis for his Partnership interest. In such a distribution, the Partner's basis for such Partner's interest will be reduced by the amount of the basis of the property distributed to such Partner.

Allocations of Income and Loss. A Partner's distributive share of partnership income, gain, loss, deduction or credit for federal income tax purposes is generally determined in accordance with the provisions of the partnership agreement. However, under Section 704(b) of the Code, an allocation or portion thereof will be respected only if it either has "substantial economic effect" or is in accordance with the partner's "interest in the partnership". If the allocation or portion thereof contained in the partnership agreement does not meet either test, the IRS will make the allocation in accordance with its determination of the partner's interest in the partnership.

The Treasury Regulations under Section 704(b) of the Code are extremely complex and in many respects subject to varying interpretations. Moreover, because the regulations were promulgated relatively recently there has been little relevant administrative or judicial interpretation of them. The allocations contained in the Partnership Agreement do not comply in all respects with the regulations' requirements for having substantial economic effect or for being deemed to be in accordance with the Partners' interests in the Partnership. Therefore, in order for such allocations to be respected they must be in accordance with the Partners' interests in the Partnership. The Treasury Regulations under Section 704(b) of the Code indicate that the determination of the partners' interests in a partnership must take into account all facts and

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circumstances relating to the economic arrangement of the partners, including (i) their relative contributions to the partnership, (ii) their interests in economic profits and losses, (iii) their interests in cash flow and non-liquidating distributions, and (iv) their right to distributions upon liquidation.

Although the matter is not free from doubt, the Managing Partner believes that the allocations of income, deductions and other tax items to the Limited Partners contained in the Limited Partnership Agreement are in accordance with the Limited Partners' interests in the Partnership and will be sustained in all material respects. It should be noted, however, that there can be no assurance that the IRS will not claim that such allocations are not in accordance with the Limited Partners' interest in the Partnership and, therefore, attempt to disallow allocations to the Limited Partners.

In the event property other than cash is contributed to the capital of the Partnership, under Section 704(c) of the Code, gain (or loss) with respect to any such property in an amount equal to the difference between the basis of such property and its fair market value at the time it is contributed to the partnership shall, for federal income tax purposes, be specially allocated to the partners who contributed such property. Investors should note that the "mark-to-market" rules applicable under Code Section 1256 to regulated futures contracts, foreign currency contracts, non-equity options and dealer equity options may result in the Partnership recognizing gain for tax purposes prior to the time it has economically realized that gain.

Sale of an Interest or Withdrawal. Generally, based on the nature of the investments of the Partnership and the nature of a Partner's investment in the Partnership, a partner will recognize capital gain or loss (except to the extent gain is attributable to property described in Section 751 of the Code, in which event the gain will be treated as ordinary income) upon the sale or taxable exchange of an interest in the Partnership or upon receiving only cash from the Partnership upon withdrawal therefrom (see "Distributions" above). The amount of such gain or loss will be determined by the difference between the amount realized and the Partner's adjusted tax basis in such Partner's interest in the Partnership. For this purpose, the amount realized includes such Partner's share of the Partnership's outstanding liabilities, if any.

Certain Partnership Transactions. The Code, administrative rulings and decisions contain specific rules regarding the taxation of securities, futures and option transactions such as, for example, the rules on "wash sales", "marking to market" and "straddles" entered into by entities such as the Partnership. Such rules are complex and in certain cases

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are unclear, and may be subject to change at any time. Accordingly, each investor should consult his own tax advisor regarding the tax treatment of specific transactions entered into by the Partnership.

Elections as to Basis Adjustments. The Partnership Agreement does not require any General Partner to make an election under Section 754 of the Code, nor does it prohibit the General Partners from doing so. In general, such an election, if made, would permit the partnership to adjust the tax basis of its assets to reflect gain or loss attributable to an interest in the Partnership sold or exchanged, or transferred upon the death of a partner. Certain adjustments might also arise if property is distributed in kind. In general, in the case of a transfer, such adjustments only affect the successor partner and are beneficial to it if the property has appreciated in value, and adverse if it has decreased in value. In the case of a distribution, the adjustments, if any, benefit the partners other than the distributee. An election, once made, is normally irrevocable. If there are many transfers or distributions to which the election applies, the calculation of the adjustments and the necessary recordkeeping become extremely complicated. As a result, the General Partners, in their discretion, may choose not to make the election, even though the failure to make such an election may increase in some instances the overall taxes of the Limited Partners.

Partnership Tax Returns; Audit. The information filed by the Partnership may be audited by federal and other taxing authorities. There can be no assurance that such authorities will not make adjustments in the tax figures reported in such return. Any adjustments resulting from such audits may require each partner to file an amended tax return, pay additional income taxes and possibly result in the imposition of penalties or an audit of the partner's own return. Any audit of a partner's return could result in adjustments of non-Partnership, as well as Partnership, income and losses.

Generally, upon an IRS audit, the tax treatment of Partnership items will be determined at the Partnership level pursuant to administrative or judicial proceedings conducted at the Partnership level. Each Limited Partner will generally be required to file his tax returns in a manner consistent with the information returns filed by the Partnership or be subject to possible penalties, unless the Limited Partner files a statement with his tax return on Form 8082 describing any inconsistency. The Managing Partner will be the Partnership's "tax matters partner" and as such will have certain responsibilities with respect to any IRS audit and any court litigation relating to the Partnership, including the right to reduce somewhat the individual control that a Limited Partner will have over IRS audit and court litigation of Partnership issues.

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State and Local Income Tax. Each Partner may also be liable for state and local income taxes payable to the state and locality in which he is a resident or doing business or to a state or locality in which the Partnership conducts business. The income tax laws of each state and locality may differ from the above discussion of federal income tax laws so each prospective Limited Partner should consult his own tax counsel with respect to potential state and local income taxes payable as a result of an investment in the Partnership.

B. Taxation of Tax-Exempt Partners

Unrelated Business Taxable Income. It is anticipated that certain of the partners may be organizations exempt from federal income taxes under Section 501(a) of the Code. These organizations are subject to a tax imposed on any unrelated business taxable income by Section 511 of the Code and would be required to file federal income tax returns if they had gross unrelated business income in excess of $1,000 (whether or not tax was due). In addition to possible federal income taxation, any unrelated business taxable income might be subject to state and local taxation, which could differ in method of computation and amount from the federal tax.

Exempt organizations that are incorporated are taxable on their unrelated business taxable income at corporate rates, while charitable trusts are taxable on such income at rates applicable to estates and trusts. The organizations could also be liable for the alternative minimum tax with respect to items of tax preference which enter into the calculation of their unrelated business taxable income.

"Unrelated business taxable income" is gross income derived by an exempt organization from any trade or business unrelated to its tax exempt purpose which is regularly carried on by it (directly or through a partnership), less any deductions relating to such trade or business. However, certain types of passive income, including dividends, interest, royalties, certain rents from real property, and gains derived from the sale or exchange of property (excluding inventory and other types of "dealer" property) are excluded from the calculation of unrelated business taxable income, except to the extent that such income is derived from property financed with acquisition indebtedness. If the Partnership were to be treated as a "publicity traded partnership", but not taxed as a corporation, all income allocated to an exempt organization would be deemed unrelated business taxable income (See "Classification as a Partnership" above).

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"Acquisition indebtedness" includes indebtedness incurred by a tax-exempt organization directly or through a partnership (i) in acquiring or improving an investment, (ii) prior to acquiring or improving an investment if the indebtedness would not have been incurred but for such acquisition or improvement, or (iii) after acquiring or improving an investment, if the indebtedness would not have been incurred but for such acquisition or improvement and the incurrence was reasonably foreseeable at the time of the acquisition or improvement.

The Partnership may borrow and use credit to purchase or carry its investments (see "Investment Policy" above). Such borrowing or use of credit, if incurred, would constitute acquisition indebtedness. If an investment is financed with acquisition indebtedness, a percentage of income with respect to the investment and gain from the sale of the investment is unrelated debt-financed income, a type of unrelated business taxable income. The percentage is equal to 100% multiplied by the ratio of the average acquisition indebtedness with respect to the investment during the taxable year (or in the case of sale, the highest amount of acquisition indebtedness during the 12-month period preceding the sale) to the average adjusted tax basis of the investment during the year. Gross unrelated debt-financed income is reduced by allowable deductions directly connected with the income.

Although, in general, the receipt of unrelated business taxable income from the Partnership should not affect the exempt status of the tax-exempt partners, A TAX-EXEMPT ORGANIZATION CONSIDERING AN INVESTMENT IN THE PARTNERSHIP IS ADVISED TO CONSULT ITS OWN COUNSEL WITH RESPECT TO THE CONSEQUENCES TO IT OF THE RECEIPT OF SUCH INCOME.

The special complex rules applicable to tax-exempt organizations that are treated as private foundations are not discussed here. POTENTIAL INVESTORS THAT ARE PRIVATE FOUNDATIONS SHOULD CONSULT THEIR OWN TAX ADVISORS FOR THESE RULES.

C. ERISA Considerations

In considering an investment of a portion of the assets of a pension or profit-sharing plan or other "employee benefit plan" (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) that is subject to Title I of ERISA, and any investment funds or other collective investment vehicles that contain assets of one or more of such plans (each an "ERISA Plan"), in an interest in the Partnership, the fiduciary of the ERISA Plan who is responsible for making such investment should carefully consider, taking into account the facts and circumstances of the ERISA Plan, whether an investment in such interest is consistent with the fiduciary responsibility requirements of ERISA, including, but not limited

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to, whether: (i) such investment is consistent with the prudence and diversification requirements of ERISA taking into account, among other things, the ERISA Plan's need for sufficient liquidity to pay benefits when due, given that there is not expected to be a market in which to sell or otherwise dispose of interests in the Partnership, (ii) the fiduciary has authority to make such investment under the appropriate governing instrument and Title I of ERISA, (iii) such investment is made solely in the interest of the participants in and beneficiaries of the ERISA Plan, (iv) the acquisition or holding of such interests will result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, and (v) such investment does not violate ERISA's prohibition or improper delegation of control over or responsibility for "plan assets."

The trustee or other person who is investing assets of an individual retirement account described in Section 408 of the Code that is not subject to Title I of ERISA, or any pension, profit-sharing, Keogh or other retirement plan that is not subject to Title I of ERISA but is qualified under Section 401(a) of the Code, and any investment funds or other collective investment vehicles that contain assets of one or more of such plans (each an "Individual Plan") in an interest in the Partnership should carefully consider whether: (i) such investment is consistent with the Individual Plan's needs for sufficient liquidity to pay benefits when due, given that there is not expected to be a market to sell or dispose of interests in the Partnership; (ii) such trustee or other person has authority to make such investment under the appropriate governing instrument; and (iii) the acquisition or holding of such interest will result in a non-exempt prohibited transaction under Section 4975 of the Code.

Fiduciaries of ERISA Plans and trustees and other persons who are investing assets of Individual Plans (each such plan or account is herein referred to as a "Plan") should also carefully consider the definition of the term "plan assets" in Regulations Section 2510.3-101 promulgated by the U.S. Department of Labor on November 13, 1986 (the "Plan Assets Regulations"). The term "plan assets" is not defined in ERISA or the Code; however, the Plan Assets Regulations describe what constitutes assets of a Plan with respect to a Plan's investment in another entity for purposes of the fiduciary responsibility and prohibited transaction provisions of ERISA and the prohibited transaction rules of Section 4975 of the Code. Generally, the Plan Assets Regulations state that the term "plan assets" includes both the interest of a Plan in a limited partnership such as the Partnership and an undivided interest in the assets of the limited partnership, unless it is established that equity participation in such limited partnership by Benefit Plan Investors (as such term is defined in the Plan Assets Regulations) is not significant.

The Plan Assets Regulations state that equity participation by Benefit Plan Investors is significant on any date if, immediately after the most recent acquisition of any equity interest in the entity, twenty-five per cent or more of the value of any class of equity interests in the entity (excluding the value of any such interest held by the general partners) is held by Benefit Plan Investors (the "25% threshold"). Although the General Partners intend to restrict the acquisition of interests in the Partnership by Benefit Plan Investors to not more than ten per cent of any class of the equity of the Partnership, there can be no assurance that equity participation by Benefit Plan Investors will always remain below the 25% threshold.

If for any reason the assets of the Partnership should be deemed to be "plan assets" of an ERISA Plan which is a Limited Partner: (i) the prudence, diversification, exclusive benefit and other requirements of ERISA, which are generally applicable to investments by ERISA Plans and impose liability on fiduciaries, would extend to investments made by the Partnership; (ii) certain transactions that the Partnership might enter into, or may have entered into, in the ordinary course of its business, might constitute "prohibited transactions" under ERISA and might have to be rescinded, (iii) the fiduciary of the ERISA Plan that determined to purchase interests may be liable under ERISA for any losses to the ERISA Plan arising out of investments made by the Partnership that do not conform to the ERISA requirements, and (iv) the payment of certain of the fees payable to General Partners the Managing Partner or fees, including performance-based fees, payable to Other Investment Entities might be considered to be prohibited transactions under Section 406 of ERISA and Section 4975 of the Code. Also, if for any reason the assets of the Partnership should be deemed to be assets of an Individual Plan that is a Limited Partner, certain transactions that the Partnership might enter into, or may have entered into , in the ordinary course of its business may constitute "prohibited transactions" under Section 4975 of the Code.

This summary is based on the provisions of ERISA and the Code (and the related regulations and administrative and judicial interpretations) as of the date hereof. This summary does not purport to be complete, and no assurance can be given that future legislation, court decisions, administrative regulations, rulings or administrative pronouncements will not be significantly modify the requirements summarized herein. Any such changes may be retroactive and may thereby apply to transactions entered into prior to the date of their enactment or release. Since the application of the relevant statutory provisions of ERISA and the Code is highly dependent on the specific facts and circumstances relating to each Plan, it is the responsibility of the appropriate fiduciary of each Plan to

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determine that an investment in an interest in the Partnership is consistent with all of the applicable requirements of ERISA and Section 4975 of the Code (and the regulations, rulings and administrative pronouncements relating thereto) under the facts and circumstances of the particular Plan. **Any fiduciary of the Plan considering an investment in an interest in the Partnership should consult with its tax and legal advisors regarding these matters prior to making such investment.**

IMPORTANCE OF OBTAINING PROFESSIONAL ADVISE. THE FOREGOING ANALYSIS IS NOT INTENDED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING, PARTICULARLY SINCE THE INCOME TAX CONSEQUENCES OF AN INVESTMENT IN THE PARTNERSHIP ARE COMPLEX AND CERTAIN OF THESE CONSEQUENCES WOULD VARY SIGNIFICANTLY WITH THE PARTICULAR SITUATION OF EACH LIMITED PARTNER. ACCORDINGLY, PROSPECTIVE INVESTORS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE POSSIBLE TAX CONSEQUENCES OF AN INVESTMENT IN THE PARTNERSHIP INCLUDING THE ALTERNATIVE MINIMUM TAX.

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EXHIBIT 5

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ANY REPRODUCTION OR DISTRIBUTION OF THIS MEMORANDUM, IN WHOLE OR IN PART, OR THE DISCLOSURE OF ANY OF ITS CONTENTS, MAY VIOLATE APPLICABLE SECURITIES LAWS AND IS PROHIBITED WITHOUT THE EXPRESS PRIOR WRITTEN CONSENT OF THE MANAGING PARTNER.

Confidential Offering Memorandum
February 1996

ASCOT PARTNERS, L.P.
450 Park Avenue
32nd Floor
New York, New York 10022

The information contained herein is confidential and is furnished for informational purposes only. This Confidential Offering Memorandum does not constitute an offer to sell limited partnership interests; such an offer can be made only directly by the Managing Partner. This Confidential Offering Memorandum supersedes all earlier disclosure concerning the Partnership.

CONFIDENTIAL OFFERING MEMORANDUM

ASCOT PARTNERS, L.P.

(a Delaware Limited Partnership)

CLASS A LIMITED PARTNERSHIP INTERESTS

THIS CONFIDENTIAL OFFERING MEMORANDUM (THIS "MEMORANDUM") IS INTENDED FOR THE EXCLUSIVE USE OF THE PERSON TO WHICH IT IS ADDRESSED IN CONNECTION WITH THE OFFERING (THE "OFFERING") OF CLASS A LIMITED PARTNERSHIP INTERESTS (THE "INTERESTS") IN ASCOT PARTNERS, L.P., A DELAWARE LIMITED PARTNERSHIP (THE "PARTNERSHIP"), AND CONSTITUTES AN OFFER ONLY TO THE PERSON WHOSE NAME APPEARS ON THE COVER PAGE HEREOF. THE DISSEMINATION, DISTRIBUTION, REPRODUCTION OR OTHER USE OF ALL OR ANY PORTION OF THIS MEMORANDUM OR THE DIVULGENCE OF ANY OF ITS CONTENTS OTHER THAN TO THE PROSPECTIVE PURCHASER'S FINANCIAL OR LEGAL COUNSEL, WITHOUT THE SPECIFIC WRITTEN APPROVAL OF THE MANAGING PARTNER OF THE PARTNERSHIP (THE "MANAGING PARTNER"), IS PROHIBITED. ANY PERSON WHO RECEIVES THIS MEMORANDUM AND DOES NOT PURCHASE ANY OF THE INTERESTS IS REQUESTED TO RETURN THIS MEMORANDUM PROMPTLY TO THE MANAGING PARTNER.

PROSPECTIVE PURCHASERS OF INTERESTS SHOULD READ THIS CONFIDENTIAL OFFERING MEMORANDUM CAREFULLY BEFORE MAKING ANY INVESTMENT DECISION REGARDING THE PARTNERSHIP. THE INTERESTS OFFERED HEREBY INVOLVE A SIGNIFICANT DEGREE OF RISK. SEE "RISK FACTORS."

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, TO ANY PERSON WHO HAS NOT BEEN REQUESTED TO EXECUTE A SUBSCRIPTION AGREEMENT AND WHO HAS NOT COMPLETED AND RETURNED A COMPLETED SUBSCRIPTION AGREEMENT IN FORM AND SUBSTANCE SATISFACTORY TO THE MANAGING PARTNER. THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY INTERESTS IN ANY JURISDICTION OR TO ANY PERSON TO WHOM OR TO WHICH IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION IN SUCH JURISDICTION. THIS OFFERING IS MADE ONLY TO ACCREDITED INVESTORS, AS THAT TERM IS DEFINED IN REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT").

PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS INVESTMENT, TAX OR LEGAL ADVICE. THIS MEMORANDUM AND THE OTHER DOCUMENTS DELIVERED IN CONNECTION HEREWITH SHOULD BE REVIEWED BY EACH PROSPECTIVE INVESTOR AND SUCH INVESTOR'S FINANCIAL OR LEGAL COUNSEL.

THE INFORMATION CONTAINED HEREIN IS ACCURATE ONLY AS OF THE DATE OF THIS MEMORANDUM. THE INFORMATION IS SUBJECT TO CHANGE AT ANY TIME.

THERE IS NO PUBLIC MARKET FOR THE INTERESTS AND NONE IS LIKELY TO DEVELOP. THE PARTNERSHIP WILL BE UNDER NO OBLIGATION TO REGISTER THE INTERESTS UNDER THE ACT OR TO COMPLY WITH ANY EXEMPTION FROM REGISTRATION UNDER THE ACT.

NO PERSON HAS BEEN AUTHORIZED TO MAKE REPRESENTATIONS, OR GIVE ANY INFORMATION, WITH RESPECT TO THE INTERESTS OFFERED HEREBY, EXCEPT THE INFORMATION CONTAINED HEREIN. PROSPECTIVE INVESTORS ARE URGED TO REQUEST ANY ADDITIONAL INFORMATION THEY MAY CONSIDER NECESSARY IN MAKING AN INFORMED INVESTMENT DECISION. EACH PROSPECTIVE PURCHASER IS INVITED, PRIOR TO THE CONSUMMATION OF A SALE OF ANY INTEREST TO SUCH PURCHASER, TO ASK QUESTIONS OF, AND RECEIVE ANSWERS FROM, THE MANAGING PARTNER CONCERNING THE PARTNERSHIP AND THIS OFFERING AND TO OBTAIN ANY ADDITIONAL INFORMATION TO THE EXTENT THE MANAGING PARTNER POSSESSES THE SAME OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE, IN ORDER TO VERIFY THE ACCURACY OF THE INFORMATION SET FORTH HEREIN.

FOR CONNECTICUT RESIDENTS ONLY

THE INTERESTS OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CONNECTICUT UNIFORM SECURITIES ACT (THE "CONNECTICUT ACT") AND, THEREFORE, CANNOT BE RESOLD UNLESS THEY ARE REGISTERED UNDER THE CONNECTICUT ACT OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

FOR FLORIDA RESIDENTS ONLY

THE INTERESTS ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER SECTION 517.061 OF THE FLORIDA SECURITIES ACT AND HAVE NOT BEEN REGISTERED UNDER SAID ACT IN THE STATE OF FLORIDA. ALL FLORIDA RESIDENTS HAVE THE RIGHT TO VOID THE PURCHASE OF THE INTERESTS,

WITHOUT PENALTY, WITHIN (3) DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY SUCH PURCHASER TO THE PARTNERSHIP, AN AGENT OF THE PARTNERSHIP, OR WITHIN THREE DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO SUCH PURCHASER, WHICHEVER OCCURS LATER.

FOR PENNSYLVANIA RESIDENTS ONLY

PURSUANT TO SECTION 207(m) OF THE PENNSYLVANIA SECURITIES ACT, EACH PENNSYLVANIA RESIDENT WHO ACCEPTS AN OFFER TO PURCHASE THE INTERESTS SHALL HAVE THE RIGHT TO WITHDRAW HIS ACCEPTANCE AND RECEIVE A FULL REFUND OF ALL MONIES PAID, WITHOUT INCURRING ANY LIABILITY TO THE PARTNERSHIP OR ANY OTHER PERSON, WITHIN TWO (2) BUSINESS DAYS FROM THE RECEIPT BY THE PARTNERSHIP OF HIS WRITTEN BINDING CONTRACT OF PURCHASE OR IN THE CASE OF A TRANSACTION IN WHICH THERE IS NO WRITTEN BINDING CONTRACT OF PURCHASE, WITHIN TWO DAYS AFTER HE MAKES THE INITIAL PAYMENT FOR THE INTERESTS BEING OFFERED.

THE INTERESTS MAY NOT BE SOLD BY THE INVESTOR FOR A PERIOD OF TWELVE (12) MONTHS AFTER THE DATE OF PURCHASE.

THE INTERESTS MAY NOT BE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE REQUIREMENTS OF SECTION 203(d) OF THE PENNSYLVANIA SECURITIES ACT AND REGULATION 203.041 PROMULGATED THEREUNDER.

NASAA LEGEND

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PARTNERSHIP AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE INTERESTS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE ' THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE INTERESTS ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED

TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

This Memorandum should be read in conjunction with the Limited Partnership Agreement of ASCOT PARTNERS, L.P., dated as of November 6, 1992 (the "Partnership Agreement"), a copy of which is available upon request and will be provided to each prospective investor prior to the execution by such investor of a Subscription Agreement. Unless the context otherwise requires, all capitalized terms used in this Memorandum without definition have the respective meanings assigned to them in the Partnership Agreement.

Subscriptions will be subject to acceptance or rejection in whole or in part by the Managing Partner, which reserves the right to cease accepting subscriptions at any time without notice. Subscriptions will be accepted in the minimum amount of $500,000 or such greater or lesser amounts as may be determined in the discretion of the Managing Partner. See "The Offering".

Investment Approach

Ascot Partners, L.P., a Delaware limited partnership formed on August 17, 1992, engages primarily in the practice of index arbitrage, convertible arbitrage and options arbitrage, in which individual or baskets of securities are purchased and/or sold against related securities such as index options or individual stock options. These strategies are used to take advantage of price disparities among related securities. The Partnership also may make investments in private debt claims and publicly traded securities of bankrupt and distressed companies and in risk arbitrage as well as make indirect investments, including investments in mutual funds, private investment partnerships, closed-end funds, and other pooled investment vehicles which engage in similar investment strategies (collectively "Other Investment Entities"). The Partnership may on occasion itself initiate or actively participate in acquisition or restructuring transactions or in proxy contests. The Partnership also may invest in the securities of corporations believed to be fundamentally undervalued. The Partnership may invest in restricted securities.

When the Partnership engages in indirect investments in Other Investment Entities fees, including performance-based fees, may be payable to such pooled vehicles by the Partnership, in addition to the fees payable to the General Partners by Limited Partners discussed below. In such cases, the Managing Partner will retain overall investment responsibility for the portfolio of the Partnership (although not the investment decisions of any independent money managers managing Other Investment Entities). Such arrangements are subject to periodic review by the Managing Partner and are terminable at reasonable intervals in the Managing Partner's discretion. The Partnership may withdraw from or invest in different investment partnerships and terminate or enter into new investment advisory agreements without prior notice to or the consent of the Limited Partners. See "Risk Factors – Independent Money Managers".

The Managing Partner intends to the extent circumstances permit to adopt a selective approach in evaluating potential investment situations, generally concentrating on relatively fewer transactions he can follow more closely. The Managing Partner may often employ strategies involving derivative securities like options, futures and convertibles which may present more favorable risk-reward relationships. The Managing Partner expects to use hedging devices and will engage in short sales. There can be no assurance that any of the hoped-for benefits of the foregoing approach will be realized. Moreover, the Managing Partner reserves the right to deviate from the foregoing approach to the extent he deems appropriate. Notwithstanding the foregoing, the Partnership will not be permitted to trade in commodities and futures, including financial futures, or in options on commodities and futures, unless the Managing Partner registers as a commodity pool operator under the Commodity Exchange Act or the Partnership otherwise would become able to so trade under applicable law. The Managing Partner currently does not intend to register as a commodity pool operator, but reserves the right to so register in the future. If the Partnership registers as a commodity pool operator or if the Partnership otherwise becomes eligible to trade commodities and futures, then the Partnership shall be permitted to trade in commodities and futures. To the extent that the Partnership trades in commodities and futures and related options, the Partnership will incur additional risks. Because of the low margin deposits normally required in futures trading, the same risks as those resulting from leverage described below will be particularly present. In addition, due to market and regulatory factors commodities and futures and related options may be less liquid than other types of investments.

The Managing Partner reserves the right to alter or modify some or all of the Partnership's investment strategies in light of available investment opportunities (subject to limitations on the purchase and sale of futures and commodities), to take advantage of changing market conditions, where the Managing Partner, in its sole discretion, concludes that such alterations or modifications are consistent with the goal of maximizing returns to investors, subject to what the Managing Partner, in its sole discretion, considers an acceptable level of risk.

The Partnership will execute its trades through unaffiliated brokers, who may be selected on a basis other than that which will necessarily result in the lowest cost for each trade. Clearing, settlement and custodial services will be provided by one or more unaffiliated brokerage firms.

The Partnership may borrow money and use credit to purchase or carry its investments.

Managing and General Partner

The Managing Partner and General Partner of the Partnership is J. Ezra Merkin. Mr. Merkin is currently the Managing and General Partner of Gabriel Capital, L.P., and was formerly the Managing and General Partner of Ariel Capital, L.P. from January 1, 1989 until

December 31, 1991. Prior to that, Mr. Merkin served as managing partner of Gotham Capital, an investment partnership, from 1985 to 1988. Mr. Merkin was associated with Halcyon Investments from 1982 to 1985 and with the law firm of Milbank, Tweed, Hadley & McCloy from 1979 to 1982. Mr. Merkin graduated from Columbia College magna cum laude and is a member of Phi Beta Kappa. He is an honors graduate of Harvard Law School. Mr. Merkin served on the faculty of The Benjamin N. Cardozo School of Law from 1981 to 1992.

Risk Factors. The principal activity of the Partnership will be index arbitrage and investments in other securities. Because of the inherently speculative nature of these activities, the results of the Partnership's operations may be expected to fluctuate from period to period.

Options Transactions. The Partnership engages in various types of options transactions, including arbitrage and hedging in options on securities and indexes of securities. This activity is designed to reduce the risks attendant in short-selling and in taking long positions in certain transactions and may involve stock options on a registered option exchange and offsetting transactions in the underlying stock, or offsetting transactions in one or more options for stock. The Partnership also may take positions in options on stock of companies which may, in the judgment of the Managing Partner, be potential acquisition candidates in merger, exchange offer or cash tender offer transactions. If the potential acquisition candidate does not become the subject of a merger, exchange offer or cash tender offer, the Partnership may suffer a loss.

When the Partnership purchases an option, it must pay the price of the option and transaction charges to the broker effecting the transaction. If the option is exercised by the Partnership, the total cost of exercising the option may be more than the brokerage costs which would have been payable had the underlying security been purchased directly. If the option expires, the Partnership will lose the cost of the option.

In certain transactions the Partnership may not be "hedged" against market fluctuations or, in liquidation situations, the hedge may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

Arbitrage Transactions. The Partnership may purchase securities at prices often only slightly below the anticipated value to be paid or exchanged for such securities in a merger, exchange offer or cash tender offer which the Partnership determines is probable and substantially above the prices at which such securities traded immediately prior to announcement of the merger, exchange offer or cash tender offer. If the proposed transaction appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the security to be tendered or exchanged may be expected to decline sharply, which would result in a loss to the Partnership. Moreover, where a security to be issued in a merger or exchange offer has been sold short as a hedge in the expectation that the short position will be covered by delivery of such security when issued, failure of the merger or exchange offer to

be consummated may force an arbitrageur to cover his short position in the market at a higher price than his short sale, with a resulting loss.

Offerors in tender or exchange offers customarily reserve the right to cancel such offers in the above circumstances and in a variety of other circumstances, including an insufficient response from shareholders of the target company. Defensive activities of a target company or the actions of regulatory authorities may result in significant delays, during which the Partnership's capital will be committed to the transaction and significant interest charges on funds borrowed to finance its arbitrage activities in connection with the transaction may be incurred, and ultimately may defeat an acquisition.

In addition, if the Partnership determines that the offer price for a security which is the subject of a tender offer is likely to be increased, either by the original bidder or by another party, the Partnership may purchase securities above the offer price; such purchases are subject to a high degree of risk.

Bankruptcy Situations. Investments in debt claims and the securities of companies that have filed for bankruptcy (under U.S. law or the laws of foreign jurisdictions) may be made at various stages in the bankruptcy process based on the Managing Partner's judgment that there is sufficient profit potential. The Partnership may invest in the debt instruments which have been issued by foreign countries or in the debt instruments of defaulted obligors where the instruments are guaranteed by a foreign government. Such investee entities generally are highly leveraged and substantial doubts exist as to whether the entity will be able to service its debt (i.e., pay interest for borrowed money when interest payments are due) or retire its debt upon maturity. In liquidations (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Partnership of the security in respect of which such distribution is received. These investments are generally illiquid and have a high risk profile.

Other Transactions. The Partnership may also make certain purchases of securities as to which no extraordinary corporate transaction has been announced. Such purchases may include securities which the Managing Partner believes to be undervalued, or where a significant position in the securities of the particular company has been taken by one or more other persons or where other companies in the same or a related industry have been the subject of acquisition attempts. If the Partnership purchases securities in anticipation of an acquisition attempt or reorganization, and an acquisition attempt or reorganization does not in fact occur, the Partnership may sell the securities at a substantial loss. Further, when securities are purchased in anticipation of an acquisition attempt or reorganization, a substantial period of time may elapse between the Partnership's purchase of the securities and the acquisition attempt or reorganization. During this period, a portion of the Partnership's funds would be committed to the securities purchased, and the Partnership may finance such purchases with borrowed funds on which it will have to pay interest.

Proxy Contests. The Partnership may invest in securities of a company which is the subject of a proxy contest in the expectation that new management will be able to improve the company's performance or effect a sale or liquidation of its assets so that the price of the subject company's securities will increase to a price above that paid for the securities by the Partnership. If the incumbent management of the subject company is not defeated or if new management is unable to improve the company's performance or sell or liquidate the company, the market price of the securities of the subject company will typically fall to a price below that paid for the securities by the Partnership, causing the Partnership to suffer a loss. In addition, even upon the successful completion of a proxy contest, the market price of the securities of the subject company may not rise to a price above that paid for the securities by the Partnership.

Commodities. The Managing Partner may decide to register as a commodity pool operator under the Commodity Exchange Act and seek certain exemptive letters thereunder, so as to enable the Partnership to trade in commodities and financial futures and related options. Because of the very low margin, deposits normally required in futures trading, the risks resulting from leverage described below are particularly present in such trading. In addition, due to market and regulatory factors, futures may be less liquid then other types of investments.

Short Selling. Where the Partnership determines that it is probable that a transaction will not be consummated, the Partnership may sell the securities of the target company short, at prices below the announced price for the securities in the transaction. If the transaction (or another transaction, such as a "defensive" merger or a friendly tender offer) is consummated, the Partnership may be forced to cover the short position in the market at a higher price than the short sale price, with a resulting loss. There is in theory no limit to the loss which the Partnership could incur in covering a short sale.

Market Risk and Lack of Diversification. Substantial risks are involved in the acquisition or disposition of securities. Securities and their issuers are affected by, among other things: changing supply and demand; federal, state and governmental laws, regulations and enforcement activities; trade, fiscal and monetary programs and policies; and national and international political and economic developments. Given the Partnership's relatively small size, with a majority of the Partnership's assets expected to be invested in relatively few situations, portfolio diversification may be limited. The Partnership's investment plan does not constitute a balanced investment plan. The securities in which the Partnership may invest may be regarded as of high risk. Such securities are subject to a number of risk factors, including market volatility, creditworthiness of the issuer, liquidity of the secondary trading market, and availability of market quotations.

Leverage. The Partnership is permitted to borrow funds in order to be able to make additional investments. Consequently, fluctuations in the value of the Partnership's portfolio will have a significant effect in relation to the Partnership's capital. The risk of loss and the

possibility of gain is therefore increased. The amount of borrowings which the Partnership may have outstanding at any time may be large in relation to its capital. In addition, the level of interest rates generally, and the rates at which the Partnership can borrow in particular, will be an expense of the Partnership and therefore affect the operating results of the Partnership.

Lending of Portfolio Securities. The Partnership may from time to time lend securities from its portfolio to brokers, dealers and financial institutions such as banks and trust, companies. The borrower may fail to return the securities involved in such transactions, particularly if such borrower is in financial distress, in which event the Partnership may incur a loss.

Portfolio Turnover. The Partnership anticipates that its portfolio turnover rate may be very high. Typically, high portfolio turnover results in correspondingly high transaction costs, including brokerage commission expenses.

Effect of Limited Partner Withdrawal. The exercise by Limited Partners of their right to withdraw under the Partnership Agreement may cause the Partnership to be unable to carry out a particular investment strategy. The obligation of the Partnership to honor one or more withdrawal requests may adversely affect the Partnership's ability to accomplish its economic objectives and may cause the Managing Partner to dissolve the Partnership as a means of overriding withdrawal requests of Limited Partners.

Lack of Management Control. The management of the affairs of the Partnership will be vested exclusively in the General Partners. They will have wide latitude in making investment decisions and may withdraw their own capital, admit new Limited Partners or terminate the Partnership at any time. Generally, the Limited Partners will have no right to participate in the decisions of the Managing Partner or General Partners or otherwise in the affairs of the Partnership, to remove the Managing Partner or any General Partner, to approve the admission of any new General Partner or to dissolve the Partnership. The Managing Partner may require any Limited Partner to withdraw from the Partnership at any time.

Independent Money Managers. The Managing Partner may delegate investment discretion for all or a portion of the Partnership's funds to money managers, other than the Managing Partner, or make investments with other private investment partnerships, closed-end funds or other pooled vehicles ("Other Investment Entities"). Although the Managing Partner will exercise reasonable care in selecting such independent money managers or Other Investment Entities and will monitor the results of those money managers and Other Investment Entities, the Managing Partner and the General Partners may not have custody over the funds invested with the other money managers or with Other Investment Entities. The risk of loss of the funds invested with other money managers or with Other Investment Entities may not be insured by any insurance company, bonding company, governmental agency, or other entity and the General Partners and Managing Partner are not liable for any such loss. Independent money managers and managers of Other Investment Entities selected by the

Managing Partner may receive compensation based on the performance of their investments. Performance-based compensation usually is calculated on a basis which includes unrealized appreciation of the Partnership's assets, and may be greater than if such compensation were based solely on realized gains. Further, a particular independent money manager or manager of an Other Investment Entity may receive incentive compensation in respect of its portfolio for a period even though the Partnership's overall portfolio depreciated during such period. The independent money managers and Other Investment Entities will trade wholly independently of one another and may at times hold economically offsetting positions.

Exculpation of the General Partners from Liability. The Partnership Agreement provides that the General Partners will not be liable for, and will be indemnified by the Partnership against, any act or omission unless such act or omission constitutes gross negligence, fraud or willful misconduct. As a result, Limited Partners may be entitled to a more limited right of action against the General Partners than they would otherwise have had absent such a limitation in the Partnership Agreement.

Conflicts of Interest. The General Partners have broad powers to conduct investment and money management activities outside the Partnership. These activities, which will include management of other partnerships one or more offshore managed funds (the "Managed Funds"), may create conflicts of interest with the Partnership with regard to such matters as allocation of opportunities to participate in particular investments. Other accounts affiliated with the General Partners may hold positions opposite to positions maintained on behalf of the Partnership. The Partnership will obtain no interest in any such outside investments or activities. The Partnership Agreement does not require the General Partners, their officers or directors to devote all or any specified portion of their time to managing the Partnership's affairs, but only to devote so much of their time to the Partnership's affairs as they reasonably believe necessary in good faith. The Partnership Agreement does not prohibit the General Partners or their affiliates from engaging in any other existing or future business, and the General Partners or their affiliates currently provide and anticipate continuing to provide investment management services to other clients. In addition, the General Partners, their officers or directors may invest for their own accounts in various investment opportunities, including in investment partnerships. The General Partners may determine that an investment opportunity in a particular investment partnership is appropriate for a particular account, or for itself, but not for the Partnership.

The Managing Partner will allocate overhead expenses among the Partnership and the Managed Funds on a fair basis, as determined by the Managing Partner. These other activities will require a substantial amount of the Managing Partner's time and effort.

Liability for Return of Distributions. Under Delaware law, any Limited Partner who receives a distribution from the Partnership shall be liable to the Partnership for the amount of the distribution to the extent such amount was distributed at a time that the liabilities of the

Partnership exceeded the fair value of its assets and the Limited Partner knew of the state of the Partnership's financial condition at the time of such distribution.

Tax and Other Risks. Although the Managing Partner believes that the Partnership will be treated as a partnership for federal income tax purposes, no ruling has been, or will be, obtained from the Internal Revenue Service, to that effect and no opinion of counsel has been sought. If the Partnership is taxed not as a partnership but as a corporation it will, among other things, have to pay income tax on its earnings in the same manner and at the same rates as a corporation, and Partners would be subject to an additional tax on earnings distributed. If the Partnership is treated as such for tax purposes, Partners will be taxed on the Partnership's taxable income whether or not it is distributed. The Managing Partner does not intend to make distributions to the Limited Partners that reflect the taxable income of the Partnership and is not required to mare any distributions except upon the withdrawal of capital by a Partner pursuant to the Partnership Agreement. Furthermore, a Limited Partner who withdraws capital from the Partnership in accordance with the Partnership Agreement may receive the amount so withdrawn in kind. Accordingly, in either such event, a Limited Partner may not receive sufficient liquid assets to pay income taxes attributable to his distributive share of Partnership income.

Restrictions on Transferability and Withdrawal. Each investor who becomes a Limited Partner will be required to represent that he is acquiring the interest for investment and not with a view to distribution or resale; that he understands he must bear the economic risk of an investment for an indefinite period of time because the securities have not been registered with the Securities and Exchange Commission or any other state or governmental agency; and that he understands the interests cannot be sold unless an exemption from such registration is available. Transfers of Limited Partnership interests without consent of the Managing Partner will be permitted only in limited circumstances. In no event may transfers be made which would cause a violation of any federal or state securities laws or which are likely to result in a termination of the Partnership for federal income tax purposes. Consequently, the purchase of interests should be considered only as a long-term and illiquid investment.

A Limited Partner generally will not be permitted to withdraw any part or all of his Capital Account balance from the Partnership except on December 31 of each year, and then only upon 45 days' prior written notice. Withdrawn amounts may be paid to Limited Partners in cash or securities in the discretion of the Managing Partner, and payment will be subject to delay and to retention of reserves.

Registration and Qualification. Neither the Partnership nor any of its General Partners has registered with any governmental or regulatory agency. The Managing Partner, in the course of the conduct of the Partnership's activities, will evaluate his obligations to register or comply with any rules which may be imposed upon the Partnership, or its General Partners, by any governmental or regulatory agency having jurisdiction over the activities being pursued by or on behalf of the Partnership. However, no assurance can be given that compliance with all

such rules will be undertaken or if undertaken will comply fully with such requirements. Compliance with such rules could adversely affect the Partnership's operations and the Partners' ability to withdraw capital from the Partnership.

PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. NO ASSURANCE CAN BE MADE THAT PROFITS WILL BE ACHIEVED OR THAT SUBSTANTIAL LOSSES WILL NOT BE INCURRED.

The Offering

Class A Limited Partnership interests are being offered on a private placement basis to persons who would qualify as "accredited investors" under the securities laws. Unless the Managing Partner determines otherwise, the minimum investment will be $500,000. No minimum amount of capital is required to be raised in order for the offering to be consummated.

Subscription agreements have been furnished to prospective investors along with this Memorandum. Subscriptions will be accepted at the discretion of the Managing Partner. If a subscription is accepted, the subscriber will be expected to deliver immediately available funds to the Partnership as per the instructions of the Managing Partner. Subscribing Limited Partners will represent that they are "accredited investors" under the Act, that they have had the opportunity to ask questions and receive answers concerning the terms and conditions of the offering and to obtain any information which the Managing Partner possesses or can acquire without unreasonable effort or expense concerning the Partnership and that they are aware that their Partnership interests have not been registered under the securities laws and will be subject to restrictions on transfer.

Summary of the Restated Partnership Agreement

The following summary of the Restated Partnership Agreement is qualified by reference to the actual terms of the Restated Partnership Agreement, a copy of which will be furnished upon request.

Capital Accounts; Allocations. Each Partner will have a capital account equal initially to the amount of cash or the value of property contributed by him. The Managing Partner may permit additional capital contributions and may admit new limited partners. The General Partners will not be personally liable for the return of capital contributions, and no interest will be payable thereon.

Partnership loss for each Accounting Period will be allocated among Partners in proportion to the balance in their respective capital accounts at the start of such period. At the end of each Accounting Period each Partner's capital account will be increased proportionately to reflect Partnership income for each Accounting Period. Income and loss for this purpose

will include unrealized appreciation and depreciation on investments; if a majority of the Class A Limited Partners disputes a valuation, the dispute will be resolved by an accounting firm to be agreed on at the time. All expenses of organizing and operating the Partnership, including administrative expenses such as rent and salaries of personnel other than the Managing Partner, will be Partnership expenses, including those incurred by the General Partners on the Partnership's behalf. A new Accounting Period will begin on each January 1 as well as at the time new or additional capital is contributed to, or capital is withdrawn from, the Partnership.

At the end of each fiscal year of the Partnership (which will be a calendar year) and upon dissolution, an amount equal to 1% (prorated for periods of less than a year) of the sum of each Class A Limited Partner's capital account balance at the end of such year will be allocated to the General Partners or their designees.

Limited Partner Withdrawals. A Limited Partner may withdraw all or part of his capital from the Partnership on 45 days' prior notice on December 31 of any year, and will be deemed to have withdrawn from the Partnership at the end of any year (or in certain cases, 60 days later) during which he dies, becomes bankrupt or is adjudicated incompetent. The Managing Partner may cause any Limited Partner to withdraw from the Partnership on 30 days' notice. The withdrawing Partner will receive the amount of his capital account to be withdrawn (less reserves determined by the Managing Partner for contingent liabilities) within 90 days after withdrawal. All amounts remaining unpaid (less reserves) will begin to bear interest at a rate equal to a specified broker's call rate 30 days after withdrawal. Distributions may be made in the form of property valued as of the date of distribution, but no Partner will receive more than his pro rata interest in any investment. Limited Partners may not otherwise make withdrawals, and the Partnership does not plan to make pro rata distributions to Partners on an on-going basis.

Transfer of Interests. Limited Partners may not transfer their interests without consent of the Managing Partner except by will, by operation of law or to affiliates. No transfer will be permitted if it would result in a termination of the Partnership for tax purposes, violate securities laws or require registration of the Partnership as an investment company or of any General Partner as an investment adviser. (See also "The Offering".) No permitted transferee other than an affiliate may be substituted as a Limited Partner without the Managing Partner's consent.

The General Partners; Exculpation; Indemnity. The Managing Partner is required to devote substantially his entire time and effort during normal business hours to his money management activities, including (but not limited to) the affairs of the Partnership. Subject to the foregoing, he may engage, with certain limited exceptions, in other investment activities for his own account and for the account of others, and the Partnership will have no interest therein. The General Partners will not be liable to the Partnership or the Limited Partners except for bad faith, gross negligence, recklessness, fraud, intentional misconduct or acts taken with knowledge that they exceed the Partnership's purposes and powers, and will be entitled to

indemnity from the Partnership for all loss incurred by them defending claims concerning their activities as such not resulting from any of the foregoing.

Subject to the consent of the Managing Partner, the General Partners may withdraw any or all of their capital accounts at any time; provided, however, that at all times the General Partners, in the aggregate, will maintain at least a 1% interest in the Partnership. In addition, subject to the consent of the General Partner, each of the General Partners may withdraw from its capital account each year, as advances against any future withdrawals by the General Partner, amounts which in the aggregate do not exceed approximately 50% of the General Partner's share of the profits of the Partnership at the time of such withdrawal, all as estimated by the Managing Partner. Withdrawals pursuant to the preceding sentence will not reduce the General Partner's capital account until the end of the year.

A General Partner will be deemed to have withdrawn upon his bankruptcy, death or adjudicated incompetency, and may be forced to withdraw at any time by the Managing Partner. The Managing Partner may admit new General Partners at any time.

Reports. The Partnership will provide to the Partners unaudited financial statements within 35 days after the end of each calendar quarter (other than the last) and will furnish to them annual audited financial statements within 90 days after year end, and tax information as soon thereafter as practicable.

Dissolution. The Partnership will dissolve on December 31, 2015 or earlier if the Managing Partner so determines, and will dissolve if the Managing Partner dies, retires or becomes bankrupt or incapacitated. Upon dissolution, property remaining after satisfying Partnership liabilities will be distributed (subject to maintenance of reserves for remaining liabilities as determined by the Managing Partner) to the Partners in proportion to the balances in their capital accounts at the time of distribution. Distributions of property will be ratable among the Partners. Reserves will be released, without interest, when the Managing Partner determines they are no longer required.

Amendments. The Partnership Agreement may be amended with the consent of the General Partners and a majority in interest of the Limited Partners, but amendments reducing the obligations of the General Partners or increasing the obligations of the Limited Partners require unanimous consent, and no amendment may reduce the balance of a Partner's capital account or alter or modify his interest in Partnership income, distributions or losses or his rights of withdrawal without his consent.

Additional Classes of Limited Partners. Pursuant to Delaware law, the Partnership Agreement provides for the future creation of additional classes of Limited Partners having such relative rights, powers and duties as may be established in the sole discretion of the Managing Partner, including rights, powers and duties senior to existing classes of Limited Partners. The creation of such classes of Limited Partners and the admission of such Limited

Partners, including any amendment of the Partnership Agreement, will not require the vote or approval of any existing Limited Partner or class of Limited Partners. Subject to Delaware law, future classes of Limited Partners may be granted the right to vote separately or with all or any existing classes of Limited Partners on any matter.

Federal Income Tax Consequences

The following is a general summary of some of the federal income tax consequences to Limited Partners of an investment in the Partnership. IT IS NOT INTENDED AS A COMPLETE ANALYSIS OF ALL POSSIBLE TAX CONSIDERATIONS IN ACQUIRING, HOLDING AND DISPOSING OF AN INTEREST IN THE PARTNERSHIP AND, THEREFORE, IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING BY EACH INVESTOR, PARTICULARLY SINCE THE FEDERAL, STATE AND LOCAL INCOME TAX CONSEQUENCES OF AN INVESTMENT, IN PARTNERSHIPS LIKE THE PARTNERSHIP MAY NOT BE THE SAME FOR ALL TAXPAYERS. This discussion has been prepared on the assumption that a Limited Partner will be an individual who is a citizen or resident of the United States. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES (INCLUDING STATE, LOCAL AND FOREIGN TAX CONSEQUENCES) OF AN INVESTMENT IN THE PARTNERSHIP.

The statements contained herein are based on existing law as contained in the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations, administrative rulings and other pronouncements, and court decisions as of the date hereof. The existing law, as presently interpreted, is subject to change by either new legislation, or by new or differing interpretations in regulations, administrative pronouncements or court decisions, any of which could, by retroactive application or otherwise, adversely affect a Limited Partner's investment in the Partnership.

Classification as a Partnership. The availability of certain tax benefits depends on classification of the Partnership as a partnership rather than as an association taxable as a corporation for federal income tax purposes. No tax ruling will be sought from the Internal Revenue Service ("IRS") as to the status of the Partnership as a partnership for federal income tax purposes, and no opinion of counsel to that effect will be obtained. However, the Managing Partner believes that the Partnership will be treated as a partnership for federal income tax purposes and not as an association taxable as a corporation. No assurance can be given that partnership status could not be lost because of future changes in the law or the regulations, or due to changes in the manner in which the Partnership is operated.

In particular, a "publicly traded partnership" (as defined under Section 7704 of the Code) is treated as a corporation in any taxable year unless 90% of the partnership's gross income for said taxable year and each preceding year during which the partnership was in existence consisted of "qualifying income" (generally, interest, dividends, gain from the sale

of capital assets and certain other items). It is likely, but not certain, that the Partnership will meet the "qualifying income" test. Even if the Partnership does not meet the "qualifying income" test, the Managing Partner believes that the Partnership will not be considered a publicly traded partnership because (i) interests in the Partnership are not traded on an established securities market, and (ii) interests in the Partnership are not expected to be considered to be readily tradable on a secondary market or the substantial equivalent thereof.

If the Partnership were classified as an association taxable as a corporation, either at the outset, or due to a change in the way the Partnership is operated or in relevant law (including legislation, regulations, rulings or case law), the Partnership would be subject to federal income tax on any taxable income at regular corporate tax rates (reducing the return to the Partner). In such event, the Partners would not be entitled to take into account their distributive share of the Partnership's deductions, and would take into account the Partnership's income in computing their taxable income only to the extent distributed to them either as dividends or as non-dividend distributions in excess of the tax basis of their Partnership interests.

Taxation of Partners on Income or Losses of the Partnership. So long as the Partnership is classified as a partnership for federal income tax purposes, it will not be required to pay federal income tax as an entity. Instead, each Partner will report on his federal income tax return for each year during which he is a member of the Partnership, his distributive share of the items of income, gain, loss, deduction and credit of the Partnership, whether or not cash is distributed to such Partner during the taxable year. The characterization of an item of income, gain, loss or deduction (e.g., as a capital gain or loss as opposed to ordinary income or loss) will usually be the same for the Partners as it is for the Partnership. Since Partners will be required to include Partnership income in their respective income tax returns without regard to whether there are distributions attributable to that income, Partners may become liable for federal, state and local income taxes on that income even though they have received no distributions from the Partnership with which to pay such taxes.

Basis of Limited Partnership Interest. A Limited Partner's tax basis in his Partnership interest will include the amount of money such Partner contributes to the Partnership, increased by (i) any additional contributions made by him to the Partnership, (ii) his distributive share of any Partnership income, and (iii) the amount, if any, of his share of Partnership indebtedness; and decreased, but not below zero, principally by (x) distributions from the Partnership to him, (y) the amount of his distributive share of Partnership losses and (z) any reduction in his share of Partnership indebtedness.

Limitations on Deduction of Losses. The deduction of partnership losses by a Limited Partner is subject to numerous limitations. A Partner's share of partnership losses and deductions in any taxable year generally may be deducted only to the extent of his tax basis in his partnership interest at the end of such year, or, in the case of individuals and certain closely-held corporations, if less, the amount he is considered "at risk" (i.e., generally, to the

extent of the partner's investment of cash and property and borrowed amounts for which the partner is personally liable or which are secured by personal assets other than his partnership interest). Additionally, it is likely that most of the income and loss of the Partnership will be characterized as portfolio income and loss, and, thus, Limited Partners subject to the passive activity loss limitations will not be entitled to offset passive losses against their distributive shares of Partnership portfolio income.

Limitation on Deductibility of Certain Expenses. The Code limits the deductibility of interest paid by an individual on indebtedness incurred to purchase or carry investment property to the amount of the taxpayer's net investment income. Investment interest includes interest paid by the Partnership on its debt and would generally include interest paid by a Limited Partner on indebtedness incurred to purchase or carry his interest in the Partnership to the extent the Partnership's income constitutes "portfolio income." It is anticipated that all or most income earned by the Partnership and passed through to the Limited Partners should be included in net investment income. Subject to certain limitations, investment interest expense which is not deductible in a taxable year can be carried forward until all disallowed amounts have been deducted.

Subject to certain enumerated exceptions, an individual taxpayer's miscellaneous itemized deductions (including miscellaneous itemized deductions derived through a partnership), which includes investment expenses, are deductible only to the extent they exceed two percent of the taxpayer's adjusted gross income. An individual's itemized deductions, computed after the application of all other limitations, including the two percent limitation described above is further reduced if the individual's adjusted gross income exceeds certain thresholds. The individual's itemized deductions are reduced by the lesser of (i) three percent of the individual's gross income over the applicable income threshold or (ii) 80% of the itemized deductions otherwise allowable for the taxable year. For purposes of this reduction, itemized deductions do not include deductions for medical expenses, casualty and theft losses and investment interest. If the Partnership is considered not to be engaged in a trade or business, these limitations would apply to the Partnership's expenses.

Due to the uncertainty of the application of the limitations on miscellaneous itemized deductions to entities such as the Partnership, prospective investors should consult their tax advisors regarding the potential impact of this provision on their personal tax situations.

Distributions. Generally, distributions of cash to a partner are taxable only to the extent they exceed such partner's basis in his partnership interest. The amount of such excess generally would be taxable as capital gain. It should be noted that, although gain may be recognized upon a partial redemption of an interest in the Partnership, loss will be recognized only upon a complete redemption of all of a Limited Partner's interest in the Partnership and only if the distribution consists solely of cash and property described in Section 751 of the Code (generally, property which, on sale, would produce ordinary income). Therefore, a Limited Partner who sustains an economic loss on partial redemption of his interest in the

Partnership will not be allowed a loss for federal income tax purposes at the time of such redemption.

It is possible, under the Limited Partnership Agreement, that Partnership assets other than cash may be distributed in kind to a Partner. No gain or loss is recognized in a distribution solely of property other than cash, unless the Partnership has Section 751 property and the distribution either is non-pro rata or is in complete liquidation of the Partner's interest. In such cases, the Partner or the Partnership, or both, may recognize gain or loss. The basis to a Partner of property distributed to him in liquidation of his entire interest in the Partnership will be equal to the basis of such Partner's interest in the Partnership decreased by any cash received in the distribution. In any other distribution, the basis to such Partner of the property distributed will be the lesser of its basis to the Partnership prior to the distribution or such Partner's basis for his Partnership interest. In such a distribution, the Partner's basis for such Partner's interest will be reduced by the amount of the basis of the property distributed to such Partner.

Allocations of Income and Loss. A Partner's distributive share of partnership income, gain, loss, deduction or credit for federal income tax purposes is generally determined in accordance with the provisions of the partnership agreement. However, under Section 704(b) of the Code, an allocation or portion thereof will be respected only if it either has "substantial economic effect" or is in accordance with the partner's "interest in the partnership".

Although the matter is not free from doubt, the Managing Partner believes that the allocations of income, deductions and other tax items to the Limited Partners contained in the Limited Partnership Agreement are in accordance with the Limited Partners' interests in the Partnership and will be sustained in all material respects. It should be noted, however, that there can be no assurance that the IRS will not claim that such allocations are not in accordance with the Limited Partners' interest in the Partnership and, therefore, attempt to alter allocations to the Limited Partners.

In the event property other than cash is contributed to the capital of the Partnership, under Section 704(c) of the Code, gain (or loss) with respect to any such property in an amount equal to the difference between the basis of such property and its fair market value at the time it is contributed to the Partnership shall, for federal income tax purposes, be specially allocated to the partners who contributed such property.

Investors should note that the "mark-to-market" rules applicable under Code Section 1256 to regulated futures contracts, foreign currency contracts, non-equity options and dealer equity options may result in the Partnership recognizing gain for tax purposes prior to the time it has economically realized that gain.

Sale of an Interest or Withdrawal. Generally, based on the nature of the investments of the Partnership and the nature of a Partner's investment in the Partnership, a Partner will

recognize capital gain or loss (except to the extent gain is attributable to property described in Section 751 of the Code, in which event the gain will be treated as ordinary income) upon the sale or taxable exchange of an interest in the Partnership or upon receiving only cash from the Partnership upon withdrawal therefrom (see "Distributions" above). The amount of such gain or loss will be determined by the difference between the amount realized and the Partner's adjusted tax basis in such Partner's interest in the Partnership. For this purpose, the amount realized includes such Partner's share of the Partnership's outstanding liabilities, if any.

Certain Partnership Transactions. The Code, administrative rulings and decisions contain specific rules regarding the taxation of securities, futures and option transactions such as, for example, the rules on "wash sales", "marking to market", conversion transactions and "straddles" entered into by entities such as the Partnership. Such rules are complex and in certain cases are unclear, and may be subject to change at any time. Accordingly, each investor should consult his own tax advisor regarding the tax treatment of specific transactions entered into by the Partnership.

Elections as to Basis Adjustments. The Partnership Agreement does not require the General Partners to make an election under Section 754 of the Code, nor does it prohibit the General Partners from doing so. In general, such an election, if made, would permit the Partnership to adjust the tax basis of its assets to reflect gain or loss attributable to an interest in the Partnership sold or exchanged, or transferred upon the death of a partner. Certain adjustments might also arise if property is distributed in kind. In general, in the case of a transfer, such adjustments only affect the successor partner and are beneficial to it if the property has appreciated in value, and adverse if it has decreased in value. In the case of a distribution, the adjustments, if any, affect the Partners other than the distributee. An election, once made, is normally irrevocable. If there are many transfers or distributions to which the election applies, the calculation of the adjustments and the necessary record keeping become extremely complicated. As a result, the General Partners, in their discretion, may choose not to make the election, even though the failure to make such an election may increase in some instances the overall taxes of the Partners.

Partnership Tax Returns; Audit. The information filed by the Partnership may be audited by federal and other taxing authorities. There can be no assurance that such authorities will not make adjustments in the tax figures reported in such return. Any adjustments resulting from such audits may require each Partner to file an amended tax return, pay additional income taxes and interest and possibly result in the imposition of penalties or an audit of the partner's own return. Any audit of a Partner's return could result in adjustments of non-Partnership, as well as Partnership, income and losses.

Generally, upon an IRS audit, the tax treatment of Partnership items will be determined at the Partnership level pursuant to administrative or judicial proceedings conducted at the Partnership level. Each Limited Partner will generally be required to file his tax returns in a manner consistent with the information returns filed by the Partnership or be subject to

possible penalties, unless the Limited Partner files a statement with his tax return on Form 8082 describing any inconsistency. The Managing Partner will be the Partnership's "tax matters partner" and as such will have certain responsibilities with respect to any IRS audit and any court litigation relating to the Partnership.

State and Local Income Tax. Each Partner may also be liable for state and local income taxes payable to the state and locality in which he is a resident or doing business or to a state or locality in which the Partnership conducts business. The income tax laws of each state and locality may differ from the above discussion of federal income tax laws so each prospective Limited Partner should consult his own tax counsel with respect to potential state and local income taxes payable as a result of an investment in the Partnership.

Unrelated Business Taxable Income

Code Section 511(a)(1) provides for a tax on the unrelated business taxable income ("UBTI") of a tax-exempt organization or trust. Generally, interest, dividends and gains or losses from the sale, exchange or other disposition of property (other than stock in trade or other property which would be treated as inventory or property held primarily for sale to customers in the ordinary course of the trade or business) are not treated as UBTI, provided that, notwithstanding these exceptions, in the case of debt-financed property, income derived from such property is treated as UBTI to the extent provided for in Code Section 514 or, with respect to interest, if received from an organization which is "controlled" by the tax-exempt organization. For this latter purpose, "control" means ownership of stock possessing at least eighty percent of the total combined voting power of all classes of stock entitled to vote and at least eighty percent of the total number of shares of all other classes of stock of the corporation. The Partnership may utilize leverage in furtherance of its goals and purposes.

Based upon the foregoing, it is not anticipated that a Limited Partner's purchase, holding or disposition of an interest in the Partnership will give rise to UBTI unless such Limited Partner incurs indebtedness in order to purchase its interest, the Partnership incurs indebtedness which constitutes "acquisition indebtedness" with respect to its income generating assets or, with respect to interest income, such income is received from an organization which is "controlled" by the Partnership or any of the Partners. It is unclear whether the "control test" is to be applied at the Partnership level or at the Limited Partner level. At present, it cannot be determined how much Partnership income will constitute UBTI as a result of the Partnership's use of leverage or the receipt of interest from controlled organizations.

It should be noted that, for several years, there have been announcements by members of the House of Representatives Ways and Means Committee that they would like to introduce legislation to alter the taxation of UBTI of tax-exempt organizations generally.

IMPORTANCE OF OBTAINING PROFESSIONAL ADVICE. THE FOREGOING ANALYSIS IS NOT INTENDED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING,

PARTICULARLY SINCE THE INCOME TAX CONSEQUENCES OF AN INVESTMENT IN THE PARTNERSHIP ARE COMPLEX AND CERTAIN OF THESE CONSEQUENCES WOULD VARY SIGNIFICANTLY WITH THE PARTICULAR SITUATION OF EACH LIMITED PARTNER. ACCORDINGLY, PROSPECTIVE INVESTORS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE POSSIBLE TAX CONSEQUENCES OF AN INVESTMENT IN THE PARTNERSHIP INCLUDING THE ALTERNATIVE MINIMUM TAX.

ERISA CONSIDERATIONS

In considering an investment of a portion of the assets of a pension or profit-sharing plan or other "employee benefit plan" (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) that is subject to Title I of ERISA, and any investment funds or other collective investment vehicles that contain assets of one or more of such plans (each an "ERISA Plan"), in an interest in the Partnership, the fiduciary of the ERISA Plan who is responsible for making such investment should carefully consider, taking into account the facts and circumstances of the ERISA Plan, whether an investment in such interest is consistent with the fiduciary responsibility requirements of ERISA, including, but not limited to, whether: (i) such investment is consistent with the prudence and diversification requirements of ERISA taking into account, among other things, the ERISA Plan's need for sufficient liquidity to pay benefits when due, given that there is not expected to be a market in which to sell or otherwise dispose of interests in the Partnership, (ii) the fiduciary has authority to make such investment under the appropriate governing instrument and Title I of ERISA, (iii) such investment is made solely in the interest of the participants in and beneficiaries of the ERISA Plan, (iv) the acquisition or holding of such interests will result in a non-exempt, prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, and (v) such investment does not violate ERISA's prohibition or improper delegation of control over or responsibility for "plan assets."

The trustee or other person who is investing assets of an individual retirement account described in Section 408 of the Code that is not subject to Title I of ERISA, or any pension, profit-sharing, Keogh or other retirement plan that is not subject to Title I of ERISA but is qualified under Section 401(a) of the Code, and any investment funds or other collective investment vehicles that contain assets of one or more of such plans (each an "Individual Plan") in an interest in the Partnership should carefully consider whether: (i) such investment is consistent with the Individual Plan's needs for sufficient liquidity to pay benefits when due, given that there is not expected to be a market to sell or dispose bf interests in the Partnership; (ii) such trustee or other person has authority to make such investment under the appropriate governing instrument; and (iii) the acquisition or holding of such interest will result in a non-exempt prohibited transaction under Section 4975 of the Code.

Fiduciaries of ERISA Plans and trustees and other persons who are investing assets of Individual Plans (each such plan or account is herein referred to as a "Plan") should

also carefully consider the definition of the term "plan assets" in Regulations Section 2510.3-101 promulgated by the U.S. Department of Labor on November 13, 1986 (the "Plan Assets Regulations"). The term "plan assets" is not defined in ERISA or the Code; however, the Plan Assets Regulations describe what constitutes assets of a Plan with respect to a Plan's investment in another entity for purposes of the fiduciary responsibility and prohibited transaction provisions of ERISA and the prohibited transaction rules of Section 4975 of the Code. Generally, the Plan Assets Regulations state that the term "plan assets" includes both the interest of a Plan in a limited partnership such as the Partnership and an undivided interest in the assets of the limited partnership, unless it is established that equity participation in such limited partnership by Benefit Plan Investors (as such term is defined in the Plan Assets Regulations) is not significant.

The Plan Assets Regulations state that equity participation by Benefit Plan Investors is significant on any date if, immediately after the most recent acquisition of any equity interest in the entity, twenty-five per cent or more of the value of any class of equity interests in the entity (excluding the value of any such interest held by the general partners) is held by Benefit Plan Investors (the "25% threshold"). Although the General Partners intend to restrict the acquisition of interests in the Partnership by Benefit Plan Investors to not more than ten per cent of any class of the equity of the Partnership, there can be no assurance that equity participation by Benefit Plan Investors will always remain below the 25% threshold.

If for any reason the assets of the Partnership should be deemed to be "plan assets" of an ERISA Plan which is a Limited Partner: (i) the prudence, diversification, exclusive benefit and other requirements of ERISA, which are generally applicable to investments by ERISA Plans and impose liability on fiduciaries, would extend to investments made by the Partnership; (ii) certain transactions that the Partnership might enter into, or may have entered into, in the ordinary course of its business, might constitute "prohibited transactions" under ERISA and might have to be rescinded, (iii) the fiduciary of the ERISA Plan that determined to purchase interests may be liable under ERISA for any losses to the ERISA Plan arising out of investments made by the Partnership that do not conform to the ERISA requirements, and (iv) the payment of certain of the fees payable to the General Partners or their designees or fees, including performance-based fees, payable to Other Investment Entities might be considered to be prohibited transactions under Section 406 of ERISA and Section 4975 of the Code. Also, if for any reason the assets of the Partnership should be deemed to be assets of an Individual Plan that is a Limited Partner, certain transactions that the Partnership might enter into, or may have entered into in the ordinary course of its business may constitute "prohibited transactions" under Section 4975 of the Code.

This summary is based on the provisions of ERISA and the Code (and the related regulations and administrative and judicial interpretations) as of the date hereof. This summary does not purport to be complete, and no assurance can be given that future legislation, court decisions, administrative regulations, rulings or administrative pronouncements will not significantly modify the requirements summarized herein. Any such

changes may be retroactive and may thereby apply to transactions entered into prior to the date of their enactment or release. Since the application of the relevant statutory provisions of ERISA and the Code is highly dependent on the specific facts and circumstances relating to each Plan, it is the responsibility of the appropriate fiduciary of each Plan to determine that an investment in an interest in the Partnership is consistent with all of the applicable requirements of ERISA and Section 4975 of the Code (and the regulations, rulings and administrative pronouncements relating thereto) under the facts and circumstances of the particular Plan. **Any fiduciary of the Plan considering an investment in an interest in the Partnership should consult with its tax and legal advisors regarding these matters prior to making such investment.**

EXHIBIT 6

COPY NO._____
NAME:_____

ANY REPRODUCTION OR DISTRIBUTION OF THIS MEMORANDUM, IN WHOLE OR IN PART, OR THE DISCLOSURE OF ANY OF ITS CONTENTS, MAY VIOLATE APPLICABLE SECURITIES LAWS AND IS PROHIBITED WITHOUT THE EXPRESS PRIOR WRITTEN CONSENT OF THE MANAGING PARTNER.

Confidential Offering Memorandum
December 2002

ASCOT PARTNERS, L.P.
450 Park Avenue
32nd Floor
New York, New York 10022

The information contained herein is confidential and is furnished for informational purposes only. This Confidential Offering Memorandum does not constitute an offer to sell limited partnership interests; such an offer can be made only directly by the Managing Partner. This Confidential Offering Memorandum supersedes all earlier disclosure concerning the Partnership.

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CONFIDENTIAL OFFERING MEMORANDUM

ASCOT PARTNERS, L.P.

(a Delaware Limited Partnership)

CLASS A LIMITED PARTNERSHIP INTERESTS

THIS CONFIDENTIAL OFFERING MEMORANDUM (THIS "MEMORANDUM") IS INTENDED FOR THE EXCLUSIVE USE OF THE PERSON TO WHICH IT IS ADDRESSED IN CONNECTION WITH THE OFFERING (THE "OFFERING") OF CLASS A LIMITED PARTNERSHIP INTERESTS (THE "INTERESTS") IN ASCOT PARTNERS, L.P., A DELAWARE LIMITED PARTNERSHIP (THE "PARTNERSHIP"), AND CONSTITUTES AN OFFER ONLY TO THE PERSON WHOSE NAME APPEARS ON THE COVER PAGE HEREOF. THE DISSEMINATION, DISTRIBUTION, REPRODUCTION OR OTHER USE OF ALL OR ANY PORTION OF THIS MEMORANDUM OR THE DIVULGENCE OF ANY OF ITS CONTENTS OTHER THAN TO THE PROSPECTIVE PURCHASER'S FINANCIAL, TAX OR LEGAL ADVISORS, WITHOUT THE SPECIFIC WRITTEN APPROVAL OF THE MANAGING PARTNER OF THE PARTNERSHIP (THE "MANAGING PARTNER"), IS PROHIBITED. ANY PERSON WHO RECEIVES THIS MEMORANDUM AND DOES NOT PURCHASE ANY OF THE INTERESTS IS REQUESTED TO RETURN THIS MEMORANDUM PROMPTLY TO THE MANAGING PARTNER.

PROSPECTIVE PURCHASERS OF INTERESTS SHOULD READ THIS MEMORANDUM CAREFULLY BEFORE MAKING ANY INVESTMENT DECISION REGARDING THE PARTNERSHIP. THE INTERESTS OFFERED HEREBY INVOLVE A SIGNIFICANT DEGREE OF RISK. SEE "RISK FACTORS." THERE IS NO GUARANTEE THAT AN INVESTMENT IN THE PARTNERSHIP WILL EARN ANY POSITIVE RETURN IN THE SHORT OR LONG TERM. AN INVESTMENT IN THE PARTNERSHIP IS APPROPRIATE ONLY FOR SOPHISTICATED INVESTORS WHO HAVE A CAPACITY TO ABSORB A LOSS OF SOME OR ALL OF THEIR INVESTMENT.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, TO ANY PERSON WHO HAS NOT BEEN REQUESTED TO EXECUTE A SUBSCRIPTION AGREEMENT AND WHO HAS NOT COMPLETED AND RETURNED A COMPLETED SUBSCRIPTION AGREEMENT IN FORM AND SUBSTANCE SATISFACTORY TO THE MANAGING PARTNER. THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY INTERESTS IN ANY JURISDICTION OR TO ANY PERSON TO WHOM OR TO WHICH IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION IN SUCH JURISDICTION. THIS OFFERING IS MADE ONLY TO ACCREDITED INVESTORS, AS SUCH TERM IS DEFINED IN REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), WHO ARE ALSO QUALIFIED PURCHASERS, AS THAT TERM IS DEFINED IN SECTION 2(a)(51) UNDER THE INVESTMENT COMPANY ACT OF 1940,

AS AMENDED (THE "INVESTMENT COMPANY ACT"), AND THE RULES PROMULGATED THEREUNDER.

PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS INVESTMENT, TAX OR LEGAL ADVICE. THIS MEMORANDUM AND THE OTHER DOCUMENTS DELIVERED IN CONNECTION HEREWITH SHOULD BE REVIEWED BY EACH PROSPECTIVE INVESTOR AND SUCH INVESTOR'S FINANCIAL, TAX OR LEGAL ADVISORS.

THE INFORMATION CONTAINED HEREIN IS ACCURATE ONLY AS OF THE DATE OF THIS MEMORANDUM. THE INFORMATION IS SUBJECT TO CHANGE AT ANY TIME.

THE INTERESTS WILL NOT BE LISTED ON ANY EXCHANGE AND THE FURTHER SALE OR DISTRIBUTION OF INTERESTS WILL BE RESTRICTED. THERE IS NO PUBLIC MARKET FOR THE INTERESTS AND NONE IS LIKELY TO DEVELOP. THE INTERESTS OFFERED HEREBY ARE BEING SOLD IN A PRIVATE PLACEMENT AND ACCORDINGLY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES LAWS OF ANY JURISDICTION AND ARE BEING OFFERED AND SOLD IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION AND QUALIFICATION REQUIREMENTS OF SUCH LAWS.

NO PERSON HAS BEEN AUTHORIZED TO MAKE REPRESENTATIONS, OR GIVE ANY INFORMATION, WITH RESPECT TO THE INTERESTS OFFERED HEREBY, EXCEPT THE INFORMATION CONTAINED HEREIN. ANY INFORMATION OR REPRESENTATION NOT CONTAINED HEREIN MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE MANAGING PARTNER. PROSPECTIVE INVESTORS ARE URGED TO REQUEST ANY ADDITIONAL INFORMATION THEY MAY CONSIDER NECESSARY IN MAKING AN INFORMED INVESTMENT DECISION. EACH PROSPECTIVE PURCHASER IS INVITED, PRIOR TO THE CONSUMMATION OF A SALE OF ANY INTEREST TO SUCH PURCHASER, TO ASK QUESTIONS OF, AND RECEIVE ANSWERS FROM, THE MANAGING PARTNER CONCERNING THE PARTNERSHIP AND THIS OFFERING AND TO OBTAIN ANY ADDITIONAL INFORMATION TO THE EXTENT THE MANAGING PARTNER POSSESSES THE SAME OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE, IN ORDER TO VERIFY THE ACCURACY OF THE INFORMATION SET FORTH HEREIN. A PROSPECTIVE INVESTOR SHOULD NOT SUBSCRIBE FOR INTERESTS OF THE PARTNERSHIP UNLESS SATISFIED THAT THE INVESTOR HAS ASKED FOR AND RECEIVED ALL INFORMATION THAT WOULD ENABLE HIM TO EVALUATE THE MERITS AND RISKS OF THE PROPOSED INVESTMENT.

FOR CONNECTICUT RESIDENTS ONLY

THE INTERESTS OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CONNECTICUT UNIFORM SECURITIES ACT (THE "CONNECTICUT ACT") AND, THEREFORE, CANNOT BE RESOLD UNLESS THEY ARE

REGISTERED UNDER THE CONNECTICUT ACT OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE BANKING COMMISSIONER OF THE STATE OF CONNECTICUT OR HAS THE COMMISSIONER PASSED ON THE ACCURACY OR ADEQUACY OF THE OFFERING.

FOR FLORIDA RESIDENTS ONLY

THE INTERESTS ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER SECTION 517.061 OF THE FLORIDA SECURITIES ACT AND HAVE NOT BEEN REGISTERED UNDER SAID ACT IN THE STATE OF FLORIDA. ALL FLORIDA RESIDENTS HAVE THE RIGHT TO VOID THE PURCHASE OF THE INTERESTS, WITHOUT PENALTY, WITHIN THREE (3) DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY SUCH PURCHASER TO THE PARTNERSHIP, AN AGENT OF THE PARTNERSHIP, OR WITHIN THREE DAYS (3) AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO SUCH PURCHASER, WHICHEVER OCCURS LATER.

FOR PENNSYLVANIA RESIDENTS ONLY

NEITHER THE PENNSYLVANIA SECURITIES COMMISSION NOR ANY OTHER AGENCY HAS PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING AND ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

PURSUANT TO SECTION 207(m) OF THE PENNSYLVANIA SECURITIES ACT, EACH PENNSYLVANIA RESIDENT WHO ACCEPTS AN OFFER TO PURCHASE THE INTERESTS SHALL HAVE THE RIGHT TO WITHDRAW HIS ACCEPTANCE AND RECEIVE A FULL REFUND OF ALL MONIES PAID, WITHOUT INCURRING ANY LIABILITY TO THE PARTNERSHIP OR ANY OTHER PERSON, WITHIN TWO (2) BUSINESS DAYS FROM THE RECEIPT BY THE PARTNERSHIP OF HIS WRITTEN BINDING CONTRACT OF PURCHASE OR IN THE CASE OF A TRANSACTION IN WHICH THERE IS NO WRITTEN BINDING CONTRACT OF PURCHASE, WITHIN TWO (2) DAYS AFTER HE MAKES THE INITIAL PAYMENT FOR THE INTERESTS BEING OFFERED.

THE INTERESTS MAY NOT BE SOLD BY THE INVESTOR FOR A PERIOD OF TWELVE (12) MONTHS AFTER THE DATE OF PURCHASE.

THE INTERESTS MAY NOT BE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE REQUIREMENTS OF SECTION 203(d) OF THE PENNSYLVANIA SECURITIES ACT AND REGULATION 203.041 PROMULGATED THEREUNDER.

NASAA LEGEND

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PARTNERSHIP AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE INTERESTS HAVE NOT BEEN

APPROVED OR RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE INTERESTS ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

This Memorandum should be read in conjunction with the Amended and Restated Limited Partnership Agreement of ASCOT PARTNERS, L.P., dated as of December 31, 2002 (as amended from time to time, the "Partnership Agreement"), a copy of which is available upon request and will be provided to each prospective investor prior to the execution by such investor of a Subscription Agreement. Unless the context otherwise requires, all capitalized terms used in this Memorandum without definition have the respective meanings assigned to them in the Partnership Agreement.

Subscriptions will be subject to acceptance or rejection, in whole or in part, by the Managing Partner, who reserves the right to cease accepting subscriptions at any time without notice. Subscriptions will be accepted in the minimum amount of $500,000 or such greater or lesser amounts as may be determined in the discretion of the Managing Partner. See "The Offering."

Investment Approach

Ascot Partners, L.P., a Delaware limited partnership formed on August 17, 1992, engages primarily in the practice of index arbitrage, convertible arbitrage and options arbitrage, in which individual or baskets of securities are purchased and/or sold against related securities such as index options or individual stock options. These strategies are used to take advantage of price disparities among related securities. The Partnership also may make investments in private debt claims and publicly traded securities of bankrupt and distressed companies and in risk arbitrage as well as make indirect investments, including investments in private investment partnerships, closed-end funds, and other pooled investment vehicles which engage in similar investment strategies (collectively "Other Investment Entities"). The Partnership may on occasion itself initiate or actively participate in acquisition or restructuring transactions or in proxy contests. The Partnership also may invest in the securities of corporations believed to be fundamentally undervalued. The Partnership may invest in restricted securities.

The Partnership will act as a "master fund" for Ascot Fund Limited (the "Offshore Fund"), an exempted company incorporated in the Cayman Islands, which will invest substantially all of its capital in the Partnership. The Offshore Fund is an investment vehicle established to facilitate investment by foreign and U.S. tax exempt investors in the Partnership.

When the Partnership engages in indirect investments in Other Investment Entities, fees, including performance-based fees, may be payable to such pooled vehicles by the Partnership, in addition to the fees payable to the Managing Partner by Limited Partners discussed below. In such cases, the Managing Partner will retain overall investment responsibility for the portfolio of the Partnership (although not the investment decisions of any independent money managers managing Other Investment Entities). Such arrangements are subject to periodic review by the Managing Partner and are terminable at reasonable intervals in the Managing Partner's discretion. The Partnership may withdraw from or invest in different investment partnerships and terminate or enter into new investment advisory agreements without prior notice to or the consent of the Limited Partners. See "Risk Factors – Independent Money Managers."

The Managing Partner, to the extent circumstances permit, utilizes a selective approach in evaluating potential investment situations, generally concentrating on relatively fewer transactions he can follow more closely. The Managing Partner may often employ strategies involving derivative securities like options, futures and convertibles, which may present more favorable risk-reward relationships. The Managing Partner uses hedging devices frequently and engages in short sales. There can be no assurance that any of the hoped-for benefits of the foregoing approach will be realized. Moreover, the Managing Partner reserves the right to deviate from the foregoing approach to the extent he deems appropriate. Notwithstanding the foregoing, the Partnership will not trade in commodities and futures, including financial futures, or in options on commodities and futures, unless the Managing Partner registers as a commodity pool operator under the Commodity Exchange Act, as amended (the "CEA"), or the Partnership otherwise avails itself of an exemption from registration. The Managing Partner does not currently intend to use futures or options thereon, but reserves the right to do so in the future. If the Managing Partner registers as a commodity pool operator or if the Partnership otherwise becomes eligible to trade commodities and futures, then the Partnership shall be permitted to trade in commodities and futures. To the extent that the Partnership trades in commodities and futures and related options, the Partnership will incur additional risks. Because of the low margin deposits normally required in futures trading, the same risks as those resulting from leverage described below will be particularly present. In addition, due to market and regulatory factors commodities and futures and related options may be less liquid than other types of investments.

The Managing Partner reserves the right to alter or modify some or all of the Partnership's investment strategies in light of available investment opportunities (subject to limitations on the purchase and sale of futures and commodities), to take advantage of changing market conditions, where the Managing Partner, in his sole discretion, concludes that such alterations or modifications are consistent with the goal of maximizing returns to investors, subject to what the Managing Partner, in his sole discretion, considers an acceptable level of risk.

The Partnership will execute its trades through unaffiliated brokers, who may be selected on a basis other than that which will necessarily result in the lowest cost for each trade. Clearing, settlement and custodial services will be provided by one or more unaffiliated brokerage firms.

The Partnership may borrow money and use credit to purchase or carry its investments.

Managing and General Partner

The Managing Partner and General Partner of the Partnership is J. Ezra Merkin. Mr. Merkin is currently the Managing and General Partner of Gabriel Capital, L.P. and is involved in managing several offshore funds. Mr. Merkin was formerly the Managing and General Partner of Ariel Capital, L.P. from January 1, 1989 until December 31, 1991. Prior to that, Mr. Merkin served as managing partner of Gotham Capital, L.P., an investment partnership, from 1985 to 1988. Mr. Merkin was associated with Halcyon Investments from 1982 to 1985 and with the law firm of Milbank, Tweed, Hadley & McCloy from 1979 to 1982. Mr. Merkin graduated from Columbia College magna cum laude and is a member of Phi Beta Kappa. He is an honors graduate of Harvard Law School. Mr. Merkin currently serves as chairman of the investment committees of two private endowment funds.

RISK FACTORS

PARTICIPATION BY INVESTORS IN THE PARTNERSHIP SHOULD BE CONSIDERED A HIGH RISK INVESTMENT. THE FOLLOWING SPECIAL CONSIDERATIONS AND RISKS TOGETHER WITH OTHER MATTERS SET FORTH ELSEWHERE IN THIS MEMORANDUM SHOULD BE CONSIDERED CAREFULLY, BUT ARE NOT INTENDED TO BE AN EXHAUSTIVE LISTING OF ALL POTENTIAL RISKS ASSOCIATED WITH AN INVESTMENT IN THE PARTNERSHIP.

Independent Money Managers. The Managing Partner may delegate investment discretion for all or a portion of the Partnership's funds to money managers, other than the Managing Partner, or make investments with Other Investment Entities. Consequently, the success of the Partnership may also be dependent upon other money managers or investment advisors to Other Investment Entities. Although the Managing Partner will exercise reasonable care in selecting such independent money managers or Other Investment Entities and will monitor the results of those money managers and Other Investment Entities, the Managing Partner and the General Partners may not have custody over the funds invested with the other money managers or with Other Investment Entities. Hence, the actions or inactions on the part of other money managers or the investment advisors to Other Investment Entities may affect the profitability of the Partnership. The risk of loss of the funds invested with other money managers or with Other Investment Entities may not be insured by any insurance company, bonding company, governmental agency, or other entity and the General Partners and Managing Partner are not liable for any such loss. Independent money managers and managers of Other Investment Entities selected by the Managing Partner may receive compensation based on the performance of their investments. Performance-based compensation usually is calculated on a basis which includes unrealized appreciation of the Partnership's assets, and may be greater than if such compensation were based solely on realized gains. Further, a particular independent money manager or manager of an Other Investment Entity may receive incentive compensation in respect of its portfolio for a period even though the Partnership's overall portfolio depreciated during such period. The independent money managers and Other Investment Entities may trade wholly independently of one another and may at times hold economically offsetting positions.

Risk Factors. The principal activity of the Partnership will be index arbitrage and investments in other securities. Because of the inherently speculative nature of these activities, the results of the Partnership's operations may be expected to fluctuate from period to period. There can be no assurance that the Partnership's investments will generate a profit or that material losses may not be incurred.

Options Transactions. The Partnership may engage from time to time in various types of options transactions, including hedging and arbitrage in options on securities. This activity is designed to reduce the risks attendant in short-selling and in taking long positions in certain transactions and may involve stock options on a registered option exchange and offsetting transactions in the underlying stock, or offsetting transactions in one or more options for stock. The Partnership also may take positions in options on stock of companies which may, in the judgment of the Managing Partner, be potential acquisition candidates in merger, exchange offer or cash tender offer transactions. If the potential acquisition candidate does not become the subject of a merger, exchange offer or cash tender offer, the Partnership may suffer a loss.

When the Partnership purchases an option, it must pay the price of the option and transaction charges to the broker effecting the transaction. If the option is exercised by the Partnership, the total cost of exercising the option may be more than the brokerage costs which would have been payable had the underlying security been purchased directly. If the option expires, the Partnership will lose the cost of the option. The ability to trade in or exercise options may be restricted in the event that trading in the underlying issue becomes restricted. Options trading may also be illiquid with respect to contracts with extended expirations.

In certain transactions the Partnership may not be "hedged" against market fluctuations or, in liquidation situations, the hedge may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

Arbitrage Transactions. The Partnership may purchase securities at prices often only slightly below the anticipated value to be paid or exchanged for such securities in a merger, exchange offer or cash tender offer which the Partnership determines is probable and substantially above the prices at which such securities traded immediately prior to announcement of the merger, exchange offer or cash tender offer. If the proposed transaction appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the security to be tendered or exchanged may be expected to decline sharply, which would result in a loss to the Partnership. Moreover, where a security to be issued in a merger or exchange offer has been sold short as a hedge in the expectation that the short position will be covered by delivery of such security when issued, failure of the merger or exchange offer to be consummated may force an arbitrageur to cover his short position in the market at a higher price than his short sale, with a resulting loss.

Offerors in tender or exchange offers customarily reserve the right to cancel such offers in the above circumstances and in a variety of other circumstances, including an insufficient response from shareholders of the target company. Even if the defensive activities of a target company or the actions of regulatory authorities fail to defeat an acquisition, they may result in significant delays, during which the Partnership's capital will be committed to the

transaction and significant interest charges on funds borrowed to finance its arbitrage activities in connection with the transaction may be incurred.

Bankruptcy Situations. Investments in debt claims and the securities of companies that have filed for bankruptcy (under U.S. law or the laws of foreign jurisdictions) may be made at various stages in the bankruptcy process based on the Managing Partner's judgment that there is sufficient profit potential. The Partnership may invest in the debt instruments which have been issued by foreign countries or in the debt instruments of defaulted obligors where the instruments are guaranteed by a foreign government. An entity in this situation generally is highly leveraged and substantial doubts exist as to whether the entity will be able to service its debt (i.e., pay interest for borrowed money when interest payments are due) or retire its debt upon maturity. These investments are generally illiquid and have a high risk profile.

In liquidations (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Partnership of the security in respect of which such distribution is received. It may be difficult to obtain accurate information concerning a company in financial distress, with the result that analysis and valuation are especially difficult. The market for securities of such companies tends to be less liquid.

Other Transactions. The Partnership may also make certain purchases of securities as to which no extraordinary corporate transaction has been announced. Such purchases may include securities which the Managing Partner believes to be undervalued, or where a significant position in the securities of the particular company has been taken by one or more other persons or where other companies in the same or a related industry have been the subject of acquisition attempts. If the Partnership purchases securities in anticipation of an acquisition attempt or reorganization, and an acquisition attempt or reorganization does not in fact occur, the Partnership may sell the securities at a substantial loss. Further, when securities are purchased in anticipation of an acquisition attempt or reorganization, a substantial period of time may elapse between the Partnership's purchase of the securities and the acquisition attempt or reorganization. During this period, a portion of the Partnership's capital would be committed to the securities purchased, and the Partnership may finance such purchases with borrowed funds on which it will have to pay interest.

Proxy Contests. The Partnership may invest in securities of a company which is the subject of a proxy contest in the expectation that new management will be able to improve the company's performance or effect a sale or liquidation of its assets so that the price of the subject company's securities will increase to a price above that which was paid for by the Partnership. If the incumbent management of the subject company is not defeated or if new management is unable to improve the company's performance or sell or liquidate the company, the market price of the securities of the subject company will typically fall to a price below that paid for the securities by the Partnership, causing the Partnership to suffer a loss. In addition, even upon the successful completion of a proxy contest, the market price of the securities of the subject company may not rise to a price above that paid for the securities by the Partnership.

Commodities. The Managing Partner may at a later dater decide to trade in futures and options. Because of the very low margin, deposits normally required in futures trading, the risks resulting from leverage described below are particularly present in such trading. In addition, due to market and regulatory factors, futures may be less liquid then other types of investments.

Short Selling. Where the Partnership determines that it is probable that a transaction will not be consummated, the Partnership may sell the securities of the target company short, at prices below the announced price for the securities in the transaction. If the transaction (or another transaction, such as a "defensive" merger or a friendly tender offer) is consummated, the Partnership may be forced to cover the short position in the market at a higher price than the short sale price, with a resulting loss. There is in theory no limit to the loss which the Partnership could incur in covering a short sale.

Market Risk and Lack of Diversification. Substantial risks are involved in the acquisition or disposition of securities. Securities and their issuers are affected by, among other things: changing supply and demand; federal, state and governmental laws, regulations and enforcement activities; trade, fiscal and monetary programs and policies; and national and international political and economic developments. The concentration of assets in particular types of investments could subject the assets of the Partnership to increased volatility. The Partnership's investment plan does not constitute a balanced investment plan. The securities in which the Partnership may invest may be regarded as of high risk. Such securities are subject to a number of risk factors, including market volatility, creditworthiness of the issuer, liquidity of the secondary trading market, and availability of market quotations.

Leverage. The Partnership is permitted to borrow funds in order to be able to make additional investments. The use of leverage may increase the Partnership's risk of loss of capital or securities, as relatively small price movement in an instrument may result in immediate and substantial loss. Consequently, fluctuations in the value of the Partnership's portfolio will have a significant effect in relation to the Partnership's capital. The amount of borrowings which the Partnership may have outstanding at any time may be large in relation to its capital. In addition, the level of interest rates generally, and the rates at which the Partnership can borrow in particular, will be an expense of the Partnership and therefore affect the operating results of the Partnership.

Derivatives. Derivative securities, in addition to being highly volatile and speculative, may be internally leveraged such that each percentage change in interest rates will have a multiple effect on the derivative security. Certain positions therefore may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. Certain transactions in derivatives may expose the Partnership to potential losses that exceed the amount originally invested by the Partnership. Repurchase agreements are structured so that the Partnership sells securities to another party, usually a bank or other securities firm, and agrees to repurchase them at an agreed-upon price and date. A repurchase agreement is the equivalent of borrowing money and pledging securities as collateral.

Lending of Portfolio Securities. The Partnership may from time to time lend securities from its portfolio to brokers, dealers and financial institutions such as banks and trust,

companies. The borrower may fail to return the securities involved in such transactions, particularly if such borrower is in financial distress or fails, in which event the Partnership may incur a loss.

Portfolio Turnover. The Partnership anticipates that its portfolio turnover rate may be very high. Typically, high portfolio turnover results in correspondingly high transaction costs, including brokerage commission expenses.

Overall Investment Risk. All securities investments risk the loss of capital. The nature of the securities to be purchased and traded by the Partnership and the investment techniques and strategies to be employed by it may increase such risk. Moreover, the identification of investment opportunities is a difficult task, and there can be no assurance that such opportunities will be successfully recognized by the Partnership. While the Managing Partner will devote his best efforts to the management of the Partnership's portfolio, there can be no assurance that the Partnership will not incur losses. Returns generated from the Partnership's investments may not adequately compensate Limited Partners for the business and financial risks assumed. A Limited Partner should be aware that it may lose all or a substantial part of its investment in the Partnership. Many unforeseeable events, including actions by various government agencies and domestic and international economic and political developments, may cause sharp market fluctuations that could adversely affect the Partnership's portfolio and performance.

Effect of Limited Partner Withdrawal. The exercise by Limited Partners of their right to withdraw under the Partnership Agreement may cause the Partnership to be unable to carry out a particular investment strategy. The obligation of the Partnership to honor one or more withdrawal requests may adversely affect the Partnership's ability to accomplish its economic objectives and may cause the Managing Partner to dissolve the Partnership as a means of meeting the withdrawal requests of Limited Partners.

Lack of Management Control. The management of the affairs of the Partnership will be vested exclusively in the General Partners. They will have wide latitude in making investment decisions and may withdraw their own capital, admit new Limited Partners or terminate the Partnership at any time. Generally, the Limited Partners will have no right to participate in the decisions of the Managing Partner or General Partners or otherwise in the affairs of the Partnership, to remove the Managing Partner or any General Partner, to approve the admission of any new General Partner or to dissolve the Partnership. The Managing Partner may require any Limited Partner to withdraw from the Partnership at any time.

Exculpation of the Managing Partner from Liability. The Partnership Agreement provides that the Managing Partner will not be liable for, and will be indemnified by the Partnership against, any act or omission unless such act or omission constitutes gross negligence, fraud or willful misconduct. As a result, Limited Partners may be entitled to a more limited right of action against the Managing Partner than they would otherwise have had absent such a limitation in the Partnership Agreement.

Conflicts of Interest. The Managing Partner has broad powers to conduct investment and money management activities outside the Partnership. These activities, which

include management of one or more other domestic investment partnerships and one or more offshore managed funds (the "Managed Funds"), may create conflicts of interest with the Partnership with regard to such matters as allocation of opportunities to participate in particular investments. Other accounts affiliated with the Managing Partner may hold positions opposite to positions maintained on behalf of the Partnership. The Partnership will obtain no interest in any such outside investments or activities. The Partnership Agreement does not require the Managing Partner or his employees to devote all or any specified portion of their time to managing the Partnership's affairs, but only to devote so much of their time to the Partnership's affairs as they reasonably believe necessary in good faith. The Partnership Agreement does not prohibit the Managing Partner or his affiliates from engaging in any other existing or future business, and the Managing Partner or his affiliates currently provide and anticipate continuing to provide investment management services to other clients. In addition, the Managing Partner or his employees may invest for their own accounts in various investment opportunities, including in investment partnerships. The Managing Partner may determine that an investment opportunity in a particular investment partnership is appropriate for a particular account, or for him, but not for the Partnership.

Other Activities. In addition to managing the Partnership, the Managing Partner manages the Managed Funds, which may have similar or different investment objectives to the Partnership. The Managing Partner may allocate overhead expenses among the Partnership and the Managed Funds on a fair basis, as determined by the Managing Partner. These other activities will require a substantial amount of the Managing Partner's time and effort.

Liability for Return of Distributions. Under Delaware law, any Limited Partner who receives a distribution from the Partnership shall be liable to the Partnership for the amount of the distribution to the extent such amount was distributed at a time that the liabilities of the Partnership exceeded the fair value of its assets and the Limited Partner knew of the state of the Partnership's financial condition at the time of such distribution.

Tax and Other Risks. Although the Managing Partner believes that the Partnership will be treated as a partnership for federal income tax purposes, no ruling has been, or will be, obtained from the Internal Revenue Service, to that effect and no opinion of counsel has been sought. If the Partnership is taxed not as a partnership but as a corporation it will, among other things, have to pay income tax on its earnings in the same manner and at the same rates as a corporation, and Limited Partners would be subject to an additional tax on earnings distributed. If the Partnership is treated as a partnership for tax purposes, Limited Partners will be taxed on the Partnership's taxable income whether or not it is distributed. The Managing Partner does not intend to make distributions to the Limited Partners that reflect the taxable income of the Partnership and is not required to make any distributions except upon the withdrawal of capital by a Limited Partner pursuant to the Partnership Agreement. Furthermore, a Limited Partner who withdraws capital from the Partnership in accordance with the Partnership Agreement may receive the amount so withdrawn in kind. Accordingly, in either such event, a Limited Partner may not receive sufficient liquid assets to pay income taxes attributable to his distributive share of Partnership income. Thus, Limited Partners may have to rely upon resources independent of their Interests to pay their obligations to the federal, state and local tax authorities.

Restrictions on Transferability and Withdrawal. Each investor who becomes a Limited Partner will be required to represent that he is acquiring the Interests for investment and not with a view to distribution or resale; that he understands he must bear the economic risk of an investment for an indefinite period of time because the Interests have not been registered with the Securities and Exchange Commission ("SEC") or any other state or governmental agency; and that he understands the Interests cannot be sold unless an exemption from such registration is available. Transfers of Interests without consent of the Managing Partner will be permitted only in limited circumstances. None of the Partnership, other than pursuant to a withdrawal as described herein, the Managing Partner or any of his affiliates has agreed to purchase or otherwise acquire from any Limited Partner any Interests or assumes the responsibility for locating prospective purchasers of such Interests. In no event may transfers be made which would cause a violation of any federal or state securities laws or which are likely to result in a termination of the Partnership for federal income tax purposes. Consequently, the purchase of Interests should be considered only as a long-term and illiquid investment.

A Limited Partner generally will not be permitted to withdraw any part or all of his Capital Account balance from the Partnership except on December 31 of each year, and then only upon 45 days' prior written notice. Withdrawn amounts may be paid to Limited Partners in cash or securities in the discretion of the Managing Partner, and payment will be subject to delay and to retention of reserves.

Registration and Qualification. Neither the Partnership nor the Managing Partner has registered with any governmental or regulatory agency. Therefore, the Partnership will not be subject to the limitations imposed on entities regulated under the various federal securities laws, which include, among other limitations, restrictions on transactions between a fund, its adviser or other affiliates, the use of leverage and limitations on borrowing. In addition, private rights of action against the Partnership arising under various federal securities laws may not be available to investors in the Partnership. The Managing Partner, in the course of the conduct of the Partnership's activities, will evaluate his obligations to register or comply with any rules which may be imposed upon the Partnership, or its Managing Partner, by any governmental or regulatory agency having jurisdiction over the activities being pursued by or on behalf of the Partnership. However, no assurance can be given that compliance with all such rules will be undertaken or if undertaken will comply fully with such requirements. Compliance with such rules could adversely affect the Partnership's operations and the Limited Partners' ability to withdraw capital from the Partnership.

Absence of Regulatory Oversight. The Partnership is not required nor does it intend to register as an investment company under the Investment Company Act, and, accordingly, the provisions of the Investment Company Act (which, among other protections, require investment companies to have a majority of disinterested directors, require securities held in custody at all times to be individually segregated from the securities of any other person and marked to clearly identify such securities as the property of such investment company, and regulate the relationship between the adviser and the investment company) will not be applicable.

Dependence on the Managing Partner. All decisions with respect to the management of the capital of the Partnership are made exclusively by J. Ezra Merkin.

Consequently, the Partnership's success depends to a great degree on the skill and experience of Mr. Merkin.

PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. NO ASSURANCE CAN BE MADE THAT PROFITS WILL BE ACHIEVED OR THAT SUBSTANTIAL LOSSES WILL NOT BE INCURRED.

The Offering

Class A Limited Partnership interests are being offered on a private placement basis to persons who would qualify as both "accredited investors" as defined under Regulation D of the Securities Act and "qualified purchasers" as defined under Section 2(a)(51) of the Investment Company Act. The Partnership will not be registered as an "investment company," and therefore will not be required to adhere to certain investment policies under the Investment Company Act, which provides generally that an issuer, the outstanding securities of which are owned exclusively by "qualified purchasers" or "knowledgeable employees" (as such terms are defined in the Investment Company Act), is not an investment company regardless of the number of persons owning outstanding securities of the issuer. Certain Limited Partners who were admitted prior to September 1, 1996, nevertheless may continue as Limited Partners regardless of whether they meet the definition of a "qualified purchaser." Unless the Managing Partner determines otherwise, the minimum investment will be $500,000. No minimum amount of capital is required to be raised in order for the offering to be consummated.

Subscription Agreements have been furnished to prospective investors along with this Memorandum. Subscriptions will be accepted at the discretion of the Managing Partner. If a subscription is accepted, the subscriber will be expected to deliver immediately available funds to the Partnership as per the instructions of the Managing Partner. Subscribing Limited Partners will represent, among other things, that they are "accredited investors" under the Securities Act and "qualified purchasers" under the Investment Company Act, that they have had the opportunity to ask questions and receive answers concerning the terms and conditions of the offering and to obtain any information which the Managing Partner possesses or can acquire without unreasonable effort or expense concerning the Partnership and that they are aware that their Partnership Interests have not been registered under the securities laws and will be subject to restrictions on transfer.

Summary of the Partnership Agreement

The following summary of the Partnership Agreement is qualified by reference to the actual terms of the Partnership Agreement, a copy of which will be furnished upon request.

Capital Accounts; Allocations. Each Limited Partner will have a capital account equal initially to the amount of cash or the value of property contributed by him. The Managing Partner may permit additional capital contributions and may admit new limited partners. The Managing Partner will not be personally liable for the return of capital contributions, and no interest will be payable thereon.

Partnership loss for each Accounting Period will be allocated among Partners in proportion to the balance in their respective capital accounts at the start of such period. At the

end of each Accounting Period each Partner's capital account will be increased proportionately to reflect Partnership income for each Accounting Period. Income and loss for this purpose will include unrealized appreciation and depreciation on investments; if a majority of the Class A Limited Partners disputes a valuation, the dispute will be resolved by an accounting firm to be agreed on at the time. All expenses of organizing and operating the Partnership, including administrative expenses such as rent and salaries of personnel other than the Managing Partner, will be Partnership expenses, including those incurred by the Managing Partner on the Partnership's behalf. A new Accounting Period will begin on each January 1 as well as at the time new or additional capital is contributed to, or capital is withdrawn from, the Partnership.

At the end of each fiscal year of the Partnership (which will be a calendar year) and upon dissolution, an amount equal to 1.5% (prorated for periods of less than a year) of each Limited Partner's capital account balance at the end of such year, as adjusted to take account of capital contributed or withdrawn by such Limited Partner during such period, will be charged against each Limited Partner's Capital Account and paid to the Managing Partner (or to a designee as he shall direct).

Limited Partner Withdrawals. A Limited Partner may withdraw all or part of his capital from the Partnership on 45 days' prior notice on December 31 of any year, and will be deemed to have withdrawn from the Partnership at the end of any year (or in certain cases, 60 days later) during which he dies, becomes bankrupt or is adjudicated incompetent. The Managing Partner may cause any Limited Partner to withdraw from the Partnership on 30 days' notice. The withdrawing Limited Partner will receive the amount of his capital account to be withdrawn (less reserves determined by the Managing Partner for contingent liabilities) within 90 days after withdrawal. All amounts remaining unpaid (less reserves) will begin to bear interest at a rate equal to a specified broker's call rate 30 days after withdrawal. Distributions may be made in the form of property valued as of the date of distribution, but no Limited Partner will receive more than his pro rata interest in any investment. Limited Partners may not otherwise make withdrawals, and the Partnership does not plan to make pro rata distributions to Limited Partners on an on-going basis.

Transfer of Interests. Limited Partners may not transfer their interests without the consent of the Managing Partner except by will, by operation of law or to affiliates. A transferee must be a "qualified purchaser" as defined under Section 2(a)(51) of the Investment Company Act. No transfer will be permitted if it would result in a termination of the Partnership for tax purposes, violate securities laws or require registration of the Partnership as an investment company or of the Managing Partner as an investment adviser. (See also "The Offering".) No permitted transferee other than an affiliate may be substituted as a Limited Partner without the Managing Partner's consent.

The Managing Partner: Exculpation; Indemnity. The Managing Partner is required to devote substantially his entire time and effort during normal business hours to his money management activities, including (but not limited to) the affairs of the Partnership. Subject to the foregoing, he may engage in other investment activities for his own account and for the account of others, and the Partnership will have no interest therein. The Managing Partner will not be liable to the Partnership or the Limited Partners except for bad faith, gross negligence, recklessness, fraud, intentional misconduct or acts taken with knowledge that they

exceed the Partnership's purposes and powers, and will be entitled to indemnity from the Partnership for all loss incurred by him defending claims concerning his activities as such not resulting from any of the foregoing.

Subject to the consent of the Managing Partner, the General Partner may withdraw any or all of his capital account at any time; provided, however, that at all times the General Partner, will maintain at least a 1% interest in the Partnership. In addition, subject to the consent of the Managing Partner, the General Partner may withdraw from his capital account each year, as advances against any future withdrawals by the General Partner, amounts which in the aggregate do not exceed approximately 50% of the General Partner's share of the profits of the Partnership at the time of such withdrawal, all as estimated by the Managing Partner. Withdrawals pursuant to the preceding sentence will not reduce the General Partner's capital account until the end of the year.

A General Partner will be deemed to have withdrawn upon his bankruptcy, death or adjudicated incompetency. The Managing Partner may admit new General Partners at any time and references herein to the General Partner shall be deemed to refer to the General Partners collectively if there is more than one.

Withdrawal Restrictions Due to Anti-Money Laundering Regulations. The Managing Partner, by written notice to any Limited Partner, may suspend the withdrawal rights of such Limited Partner if the Managing Partner reasonably deems it necessary to do so to comply with anti-money laundering laws and regulations applicable to the Partnership, the Managing Partner or any of the Partnership's other service partners.

Reports. The Partnership will provide to the Partners unaudited financial statements within 35 days after the end of each calendar quarter (other than the last) and will furnish to them annual audited financial statements within 90 days after year end, and tax information as soon thereafter as practicable.

Dissolution. The Partnership will dissolve on December 31, 2015 or earlier if the Managing Partner so determines, and will dissolve if the Managing Partner dies, retires or becomes bankrupt or incapacitated. Upon dissolution, property remaining after satisfying Partnership liabilities will be distributed (subject to maintenance of reserves for remaining liabilities as determined by the Managing Partner) to the Partners in proportion to the balances in their capital accounts at the time of distribution. Distributions of property will be ratable among the Partners. Reserves will be released, without interest, when the Managing Partner determines they are no longer required.

Amendments. The Partnership Agreement may be amended with the consent of the Managing Partner and a majority in interest of the Limited Partners, but amendments reducing the obligations of the Managing Partner or increasing the obligations of the Limited Partners require unanimous consent, and no amendment may reduce the balance of a Limited Partner's capital account or alter or modify his interest in Partnership income, distributions or losses or his rights of withdrawal without his consent.

Additional Classes of Limited Partners. Pursuant to Delaware law, the Partnership Agreement provides for the creation of additional classes of Limited Partners having such relative rights, powers and duties as may be established in the sole discretion of the Managing Partner, including rights, powers and duties senior to existing classes of Limited Partners. The creation of such classes of Limited Partners and the admission of such Limited Partners, including any amendment of the Partnership Agreement, will not require the vote or approval of any existing Limited Partner or class of Limited Partners. Subject to Delaware law, classes of Limited Partners may be granted the right to vote separately or with all or any existing classes of Limited Partners on any matter. The Offshore Fund currently holds Class B Interests in the Partnership.

U.S. Anti-Money Laundering Regulations

As part of the Partnership's responsibility for the prevention of money laundering, the Managing Partner and his affiliates may require a detailed verification of a Limited Partner's identity, any beneficial owner underlying the account and the source of the payment.

The Managing Partner reserves the right to request such information as is necessary to verify the identity of a subscriber and the underlying beneficial owner of a subscriber's or a Limited Partner's Interest in the Partnership. In the event of delay or failure by the subscriber or Limited Partner to produce any information required for verification purposes, the Managing Partner may refuse to accept a subscription or may cause the withdrawal of any such Limited Partner from the Partnership. The Managing Partner, by written notice to any Limited Partner, may suspend the withdrawal rights of such Limited Partner if the Managing Partner reasonably deems it necessary to do so to comply with anti-money laundering regulations applicable to the Partnership, the Managing Partner or any of the Partnership's other service providers.

Each subscriber and Limited Partner shall be required to make such representations to the Partnership as the Partnership and the General Partner shall require in connection with such anti-money laundering programs, including without limitation, representations to the Partnership that such subscriber or Limited Partner is not a prohibited country, territory, individual or entity listed on the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC") website and that it is not directly or indirectly affiliated with, any country, territory, individual or entity named on an OFAC list or prohibited by any OFAC sanctions programs. Such Limited Partner shall also represent to the Partnership that amounts contributed by it to the Partnership were not directly or indirectly derived from activities that may contravene U.S. federal, state or international laws and regulations, including anti-money laundering laws and regulations.

Federal Income Tax Consequences

The following is a general summary of some of the federal income tax consequences to Limited Partners of an investment in the Partnership. IT IS NOT INTENDED AS A COMPLETE ANALYSIS OF ALL POSSIBLE TAX CONSIDERATIONS IN ACQUIRING, HOLDING AND DISPOSING OF AN INTEREST IN THE PARTNERSHIP

AND, THEREFORE, IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING BY EACH INVESTOR, PARTICULARLY SINCE THE FEDERAL, STATE AND LOCAL INCOME TAX CONSEQUENCES OF AN INVESTMENT, IN PARTNERSHIPS LIKE THE PARTNERSHIP MAY NOT BE THE SAME FOR ALL TAXPAYERS. This discussion has been prepared on the assumption that a Limited Partner will be an individual who is a citizen or resident of the United States. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES (INCLUDING STATE, LOCAL AND FOREIGN TAX CONSEQUENCES) OF AN INVESTMENT IN THE PARTNERSHIP.

The statements contained herein are based on existing law as contained in the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations, administrative rulings and other pronouncements, and court decisions as of the date hereof. The existing law, as presently interpreted, is subject to change by either new legislation, or by new or differing interpretations in regulations, administrative pronouncements or court decisions, any of which could, by retroactive application or otherwise, adversely affect a Limited Partner's investment in the Partnership.

Tax Treatment of Partnership Operations

Classification of the Partnership. The Partnership operates as a partnership for Federal income tax purposes and is not a publicly traded partnership taxable as a corporation. If it were determined that the Partnership should be taxable as a corporation for Federal income tax purposes (as a result of changes in the Code, the Regulations or judicial interpretations thereof, a material adverse change in facts or otherwise), the taxable income of the Partnership would be subject to corporate income tax when recognized by the Partnership; distributions of such income, other than in certain redemptions of Interests, would be treated as dividend income when received by the Partners to the extent of the current or accumulated earnings and profits of the Partnership; and Partners would not be entitled to report profits or losses realized by the Partnership.

As a partnership, the Partnership is not itself subject to Federal income tax. The Partnership files an annual partnership information return with the Internal Revenue Service (the "Service") which reports the results of operations. Each Partner is required to report separately on its income tax return its distributive share of the Partnership's net long-term capital gain or loss, net short-term capital gain or loss and all other items of ordinary income or loss. Each Partner is taxed on its distributive share of the Partnership's taxable income and gain regardless of whether it has received or will receive a distribution from the Partnership.

Allocation of Profits and Losses. Under the Partnership Agreement, the Partnership's net capital appreciation or net capital depreciation for each accounting period is allocated among the Partners and to their capital accounts without regard to the amount of income or loss actually recognized by the Partnership for Federal income tax purposes. The Partnership Agreement provides that items of income, deduction, gain, loss or credit actually recognized by the Partnership for each fiscal year generally are to be allocated for income tax purposes among the Partners pursuant to the principles of Regulations issued under Sections 704(b) and 704(c) of the Code.

Under the Partnership Agreement, the Managing Partner has the discretion to allocate income, gains, losses, deductions and credits to take into account the differences between income for tax purposes and for Partnership book purposes. There can be no assurance that, if the Managing Partner makes such a special allocation, the Service will accept such allocation. If such allocation is successfully challenged by the Service, the Partnership's gains allocable to the Partners would be increased.

Tax Elections; Returns; Tax Audits. The Code provides for optional adjustments to the basis of partnership property upon distributions of partnership property to a partner and transfers of partnership interests (including by reason of death) provided that a partnership election has been made pursuant to Section 754. Under the Partnership Agreement, the Managing Partner, in its sole discretion, may cause the Partnership to make such an election. Any such election, once made, cannot be revoked without the Service's consent. As a result of the complexity and added expense of the tax accounting required to implement such an election, the Managing Partner presently does not intend to make such election.

The Managing Partner decides how to report the partnership items on the Partnership's tax returns, and all Partners are required under the Code to treat the items consistently on their own returns, unless they file a statement with the Service disclosing the inconsistency. Given the uncertainty and complexity of the tax laws, it is possible that the Service may not agree with the manner in which the Partnership's items have been reported. In the event the income tax returns of the Partnership are audited by the Service, the tax treatment of the Partnership's income and deductions generally is determined at the limited partnership level in a single proceeding rather than by individual audits of the Partners. The Managing Partner, designated as the "Tax Matters Partner," has considerable authority to make decisions affecting the tax treatment and procedural rights of all Partners. In addition, the Tax Matters Partner has the authority to bind certain Partners to settlement agreements and the right on behalf of all Partners to extend the statute of limitations relating to the Partners' tax liabilities with respect to Partnership items.

Tax Consequences to a Withdrawing Limited Partner

A Limited Partner receiving a cash liquidating distribution from the Partnership, in connection with a complete withdrawal from the Partnership, generally will recognize capital gain or loss to the extent of the difference between the proceeds received by such Limited Partner and such Limited Partner's adjusted tax basis in its partnership interest. Such capital gain or loss will be short-term, long-term, or some combination of both, depending upon the timing of the Limited Partner's contributions to the Partnership. However, a withdrawing Limited Partner will recognize ordinary income to the extent such Limited Partner's allocable share of the Partnership's "unrealized receivables" exceeds the Limited Partner's basis in such unrealized receivables (as determined pursuant to the Regulations). For these purposes, accrued but untaxed market discount, if any, on securities held by the Partnership will be treated as an unrealized receivable, with respect to which a withdrawing Limited Partner would recognize ordinary income. A Limited Partner receiving a cash nonliquidating distribution will recognize

income in a similar manner only to the extent that the amount of the distribution exceeds such Limited Partner's adjusted tax basis in its partnership interest.

Distributions of Property. A partner's receipt of a distribution of property from a partnership is generally not taxable. However, under Section 731 of the Code, a distribution consisting of marketable securities generally is treated as a distribution of cash (rather than property) unless the distributing partnership is an "investment partnership" within the meaning of Section 731(c)(3)(C)(i) and the recipient is an "eligible partner" within the meaning of Section 731(c)(3)(C)(iii). The Partnership will determine at the appropriate time whether it qualifies as an "investment partnership." Assuming it so qualifies, if a Limited Partner is an "eligible partner," which term should include a Limited Partner whose contributions to the Partnership consisted solely of cash, the recharacterization rule described above would not apply.

Tax Treatment of Partnership Investments

In General. The Partnership expects to act as a trader, and not as a dealer, with respect to its securities transactions. A trader is a person who buys and sells securities for its own account. A dealer, on the other hand, is a person who purchases securities for resale to customers rather than for investment or speculation. The Partnership has taken the position that its securities trading activity constitutes a trade or business for Federal income tax purposes.

Generally, the gains and losses realized by a trader on the sale of securities are capital gains and losses. Thus, subject to the treatment of certain currency exchange gains as ordinary income (see "Currency Fluctuations - 'Section 988' Gains or Losses" below) and certain other transactions described below, the Partnership expects that its gains and losses from its securities transactions typically will be capital gains and capital losses. These capital gains and losses may be long-term or short-term depending, in general, upon the length of time the Partnership maintains a particular investment position and, in some cases, upon the nature of the transaction. Property held for more than one year generally will be eligible for long-term capital gain or loss treatment. The application of certain rules relating to short sales, to so-called "straddle" and "wash sale" transactions and to Section 1256 Contracts (defined below) may serve to alter the manner in which the Partnership's holding period for a security is determined or may otherwise affect the characterization as short-term or long-term, and also the timing of the realization, of certain gains or losses. Moreover, the straddle rules and short sale rules may require the capitalization of certain related expenses of the Partnership.

The maximum ordinary income tax rate for individuals is 38.6%[1] and, in general, the maximum individual income tax rate for long-term capital gains is 20%[2] (unless the taxpayer elects to be taxed at ordinary rates - see "Limitation on Deductibility of Interest and Short Sale Expenses" below), although in all cases the actual rates may be higher due to the phase out of certain tax deductions, exemptions and credits. The excess of capital losses over capital gains

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[1] Under recently enacted legislation, this rate is reduced in stages until calendar year 2006 when the maximum rate will be 35%. However, this legislation contains a "sunset" provision that will result in the top rate being restored to 39.6% in 2011.

[2] The maximum individual long-term capital gains tax rate is 18% for certain property purchased after December 31, 2000 and held for more than five years.

may be offset against the ordinary income of an individual taxpayer, subject to an annual deduction limitation of $3,000. For corporate taxpayers, the maximum income tax rate is 35%. Capital losses of a corporate taxpayer may be offset only against capital gains, but unused capital losses may be carried back three years (subject to certain limitations) and carried forward five years.

The Partnership may realize ordinary income from dividends and accruals of interest on securities. The Partnership may hold debt obligations with "original issue discount." In such case, the Partnership would be required to include amounts in taxable income on a current basis even though receipt of such amounts may occur in a subsequent year. The Partnership may also acquire debt obligations with "market discount." Upon disposition of such an obligation, the Partnership generally would be required to treat gain realized as interest income to the extent of the market discount which accrued during the period the debt obligation was held by the Partnership. The Partnership may realize ordinary income or loss with respect to its investments in partnerships engaged in a trade or business, or in certain private claims, or in certain fundings of reorganization plans. Income or loss from transactions involving certain derivative instruments, such as swap transactions, will also generally constitute ordinary income or loss. Moreover, gain recognized from certain "conversion transactions" will be treated as ordinary income.[3]

Currency Fluctuations - "Section 988" Gains or Losses. To the extent that its investments are made in securities denominated in a foreign currency, gain or loss realized by the Partnership frequently will be affected by the fluctuation in the value of such foreign currencies relative to the value of the dollar. Generally, gains or losses with respect to the Partnership's investments in common stock of foreign issuers will be taxed as capital gains or losses at the time of the disposition of such stock. However, under Section 988 of the Code, gains and losses of the Partnership on the acquisition and disposition of foreign currency (e.g., the purchase of foreign currency and subsequent use of the currency to acquire stock) will be treated as ordinary income or loss. Moreover, under Section 988, gains or losses on disposition of debt securities denominated in a foreign currency to the extent attributable to fluctuation in the value of the foreign currency between the date of acquisition of the debt security and the date of disposition will be treated as ordinary income or loss. Similarly, gains or losses attributable to fluctuations in exchange rates that occur between the time the Partnership accrues interest or other receivables or accrues expenses or other liabilities denominated in a foreign currency and the time the Partnership actually collects such receivables or pays such liabilities may be treated as ordinary income or ordinary loss.

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[3] Generally, a conversion transaction is one of several enumerated transactions where substantially all of the taxpayer's return is attributable to the time value of the net investment in the transaction. The enumerated transactions are (i) the holding of any property (whether or not actively traded) and entering into a contract to sell such property (or substantially identical property) at a price determined in accordance with such contract, but only if such property was acquired and such contract was entered into on a substantially contemporaneous basis, (ii) certain straddles, (iii) generally any other transaction that is marketed or sold on the basis that it would have the economic characteristics of a loan but the interest-like return would be taxed as capital gain or (iv) any other transaction specified in Regulations.

As indicated above, the Partnership may acquire foreign currency forward contracts, enter into foreign currency futures contracts and acquire put and call options on foreign currencies. Generally, foreign currency regulated futures contracts and option contracts that qualify as "Section 1256 Contracts" (see "Section 1256 Contracts" below), will not be subject to ordinary income or loss treatment under Section 988. However, if the Partnership acquires currency futures contracts or option contracts that are not Section 1256 Contracts, or any currency forward contracts, any gain or loss realized by the Partnership with respect to such instruments will be ordinary, unless (i) the contract is a capital asset in the hands of the Partnership and is not a part of a straddle transaction and (ii) the Partnership makes an election (by the close of the day the transaction is entered into) to treat the gain or loss attributable to such contract as capital gain or loss.

Section 1256 Contracts. In the case of Section 1256 Contracts, the Code generally applies a "mark to market" system of taxing unrealized gains and losses on such contracts and otherwise provides for special rules of taxation. A Section 1256 Contract includes certain regulated futures contracts, certain foreign currency forward contracts and certain options contracts. Under these rules, Section 1256 Contracts held by the Partnership at the end of each taxable year of the Partnership are treated for Federal income tax purposes as if they were sold by the Partnership for their fair market value on the last business day of such taxable year. The net gain or loss, if any, resulting from such deemed sales (known as "marking to market"), together with any gain or loss resulting from actual sales of Section 1256 Contracts, must be taken into account by the Partnership in computing its taxable income for such year. If a Section 1256 Contract held by the Partnership at the end of a taxable year is sold in the following year, the amount of any gain or loss realized on such sale will be adjusted to reflect the gain or loss previously taken into account under the "mark to market" rules.

Capital gains and losses from such Section 1256 Contracts generally are characterized as short-term capital gains or losses to the extent of 40% thereof and as long-term capital gains or losses to the extent of 60% thereof. Such gains and losses will be taxed under the general rules described above. Gains and losses from certain foreign currency transactions will be treated as ordinary income and losses. (See "Currency Fluctuations - 'Section 988' Gains or Losses.") If an individual taxpayer incurs a net capital loss for a year, the portion thereof, if any, which consists of a net loss on Section 1256 Contracts may, at the election of the taxpayer, be carried back three years. Losses so carried back may be deducted only against net capital gain to the extent that such gain includes gains on Section 1256 Contracts.

Mixed Straddle Election. The Code allows a taxpayer to elect to offset gains and losses from positions which are part of a "mixed straddle." A "mixed straddle" is any straddle in which one or more but not all positions are Section 1256 Contracts. Pursuant to Temporary Regulations, the Partnership may be eligible to elect to establish one or more mixed straddle accounts for certain of its mixed straddle trading positions. The mixed straddle account rules require a daily "marking to market" of all open positions in the account and a daily netting of gains and losses from positions in the account. At the end of a taxable year, the annual net gains or losses from the mixed straddle account are recognized for tax purposes. The application of the Temporary Regulations' mixed straddle account rules is not entirely clear. Therefore, there is

no assurance that a mixed straddle account election by the Partnership will be accepted by the Service.

Possible "Mark to Market" Election. To the extent that the Partnership is directly engaged in a trade or business as a trader in "securities," it may elect under Section 475 of the Code to "mark to market" the securities held in connection with such trade or business. Under such election, securities held by the Partnership at the end of each taxable year will be treated as if they were sold by the Partnership for their fair market value on the last day of such taxable year, and gains or losses recognized thereon will be treated as ordinary income or loss.

Short Sales. Gain or loss from a short sale of property is generally considered as capital gain or loss to the extent the property used to close the short sale constitutes a capital asset in the Partnership's hands. Except with respect to certain situations where the property used to close a short sale has a long-term holding period on the date the short sale is entered into, gains on short sales generally are short-term capital gains. A loss on a short sale will be treated as a long-term capital loss if, on the date of the short sale, "substantially identical property" has been held by the Partnership for more than one year. In addition, these rules may also terminate the running of the holding period of "substantially identical property" held by the Partnership.

Gain or loss on a short sale will generally not be realized until such time that the short sale is closed. However, if the Partnership holds a short sale position with respect to stock, certain debt obligations or partnership interests that has appreciated in value and then acquires property that is the same as or substantially identical to the property sold short, the Partnership generally will recognize gain on the date it acquires such property as if the short sale were closed on such date with such property. Similarly, if the Partnership holds an appreciated financial position with respect to stock, certain debt obligations or partnership interests and then enters into a short sale with respect to the same or substantially identical property, the Partnership generally will recognize gain as if the appreciated financial position were sold at its fair market value on the date it enters into the short sale. The subsequent holding period for any appreciated financial position that is subject to these constructive sale rules will be determined as if such position were acquired on the date of the constructive sale.

Effect of Straddle Rules on Limited Partners' Securities Positions. The Service may treat certain positions in securities held (directly or indirectly) by a Partner and its indirect interest in similar securities held by the Partnership as "straddles" for Federal income tax purposes. The application of the "straddle" rules in such a case could affect a Partner's holding period for the securities involved and may defer the recognition of losses with respect to such securities.

Limitation on Deductibility of Interest and Short Sale Expenses. For noncorporate taxpayers, Section 163(d) of the Code limits the deduction for "investment interest" (i.e., interest or short sale expenses for "indebtedness properly allocable to property held for investment"). Investment interest is not deductible in the current year to the extent that it exceeds the taxpayer's "net investment income," consisting of net gain and ordinary income derived from investments in the current year less certain directly connected expenses (other than interest or short sale expenses). For this purpose, any long-term capital gain is excluded from net

investment income unless the taxpayer elects to pay tax on such amount at ordinary income tax rates.

For purposes of this provision, the Partnership's activities will be treated as giving rise to investment income for a Limited Partner, and the investment interest limitation would apply to a noncorporate Limited Partner's share of the interest and short sale expenses attributable to the Partnership's operation. In such case, a noncorporate Limited Partner would be denied a deduction for all or part of that portion of its distributive share of the Partnership's ordinary losses attributable to interest and short sale expenses unless it had sufficient investment income from all sources including the Partnership. A Limited Partner that could not deduct losses currently as a result of the application of Section 163(d) would be entitled to carry forward such losses to future years, subject to the same limitation. The investment interest limitation would also apply to interest paid by a noncorporate Limited Partner on money borrowed to finance its investment in the Partnership. Potential investors are advised to consult with their own tax advisers with respect to the application of the investment interest limitation in their particular tax situations.

Deductibility of Partnership Investment Expenditures by Noncorporate Limited Partners. Investment expenses (e.g., investment advisory fees) of an individual, trust or estate are deductible only to the extent they exceed 2% of adjusted gross income.[4] In addition, the Code further restricts the ability of an individual with an adjusted gross income in excess of a specified amount (for 2003, $139,500 or $69,750 for a married person filing a separate return) to deduct such investment expenses. Under such provision, investment expenses in excess of 2% of adjusted gross income may only be deducted to the extent such excess expenses (along with certain other itemized deductions) exceed the lesser of (i) 3% of the excess of the individual's adjusted gross income over the specified amount or (ii) 80% of the amount of certain itemized deductions otherwise allowable for the taxable year.[5] Moreover, such investment expenses are miscellaneous itemized deductions which are not deductible by a noncorporate taxpayer in calculating its alternative minimum tax liability.

Pursuant to Temporary Regulations issued by the Treasury Department, these limitations on deductibility should not apply to a noncorporate Limited Partner's share of the expenses of the Partnership to the extent that the Partnership is engaged, as it expects to be, in a trade or business within the meaning of the Code. Although the Partnership intends to treat its expenses as not being subject to the foregoing limitations on deductibility, there can be no

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[4] However, Section 67(e) of the Code provides that, in the case of a trust or an estate, such limitation does not apply to deductions or costs which are paid or incurred in connection with the administration of the estate or trust and would not have been incurred if the property were not held in such trust or estate. There is a disagreement between two Federal Courts of Appeals on the question of whether the investment advisory fees incurred by a trust are exempt (under Section 67(e)) from the 2% of adjusted gross income floor on deductibility. Limited Partners that are trusts or estates should consult their tax advisors as to the applicability of these cases to the investment expenses that are allocated to them.

[5] Under recently enacted legislation, the latter limitation on itemized deductions will be reduced starting in calendar year 2006 and will be completely eliminated by 2010. However, this legislation contains a "sunset" provision that will result in the limitation on itemized deductions being restored in 2011.

assurance that the Service may not treat such expenses as investment expenses which are subject to the limitations.

The consequences of these limitations will vary depending upon the particular tax situation of each taxpayer. Accordingly, noncorporate Limited Partners should consult their tax advisers with respect to the application of these limitations.

Application of Rules for Income and Losses from Passive Activities. The Code restricts the deductibility of losses from a "passive activity" against certain income which is not derived from a passive activity. This restriction applies to individuals, personal service corporations and certain closely held corporations. Pursuant to Temporary Regulations issued by the Treasury Department, income or loss from the Partnership's securities investment and trading activity generally will not constitute income or loss from a passive activity. Therefore, passive losses from other sources generally could not be deducted against a Limited Partner's share of such income and gain from the Partnership. Income or loss attributable to the Partnership's investments in partnerships engaged in certain trades or businesses, certain private claims or certain fundings of reorganization plans may constitute passive activity income or loss.

"Phantom Income" From Partnership Investments. Pursuant to various "anti-deferral" provisions of the Code (the "Subpart F," "passive foreign investment company" and "foreign personal holding company" provisions), investments (if any) by the Partnership in certain foreign corporations may cause a Limited Partner to (i) recognize taxable income prior to the Partnership's receipt of distributable proceeds, (ii) pay an interest charge on receipts that are deemed as having been deferred or (iii) recognize ordinary income that, but for the "anti-deferral" provisions, would have been treated as long-term or short-term capital gain.

Foreign Taxes

It is possible that certain dividends and interest received by the Partnership from sources within foreign countries will be subject to withholding taxes imposed by such countries. In addition, the Partnership may also be subject to capital gains taxes in some of the foreign countries where it purchases and sells securities. Tax treaties between certain countries and the United States may reduce or eliminate such taxes. It is impossible to predict in advance the rate of foreign tax the Partnership will pay since the amount of the Partnership's assets to be invested in various countries is not known.

The Limited Partners will be informed by the Partnership as to their proportionate share of the foreign taxes paid by the Partnership, which they will be required to include in their income. The Limited Partners generally will be entitled to claim either a credit (subject, however, to various limitations on foreign tax credits) or, if they itemize their deductions, a deduction (subject to the limitations generally applicable to deductions) for their share of such foreign taxes in computing their Federal income taxes. A Limited Partner that is tax-exempt will not ordinarily benefit from such credit or deduction.

Unrelated Business Taxable Income

Generally, an exempt organization is exempt from Federal income tax on its passive investment income, such as dividends, interest and capital gains, whether realized by the organization directly or indirectly through a partnership in which it is a partner.[6] This type of income is exempt even if it is realized from securities trading activity which constitutes a trade or business.

This general exemption from tax does not apply to the "unrelated business taxable income" ("UBTI") of an exempt organization. Generally, except as noted above with respect to certain categories of exempt trading activity, UBTI includes income or gain derived (either directly or through partnerships) from a trade or business, the conduct of which is substantially unrelated to the exercise or performance of the organization's exempt purpose or function. UBTI also includes "unrelated debt-financed income," which generally consists of (i) income derived by an exempt organization (directly or through a partnership) from income-producing property with respect to which there is "acquisition indebtedness" at any time during the taxable year, and (ii) gains derived by an exempt organization (directly or through a partnership) from the disposition of property with respect to which there is "acquisition indebtedness" at any time during the twelve-month period ending with the date of such disposition. With respect to its investments in partnerships engaged in a trade or business, or in certain private claims, or in certain fundings of reorganization plans, the Partnership's income (or loss) from these investments may constitute UBTI.

The Partnership may incur "acquisition indebtedness" with respect to certain of its transactions, such as the purchase of securities on margin. Based upon a published ruling issued by the Service which generally holds that income and gain with respect to short sales of publicly traded stock does not constitute income from debt financed property for purposes of computing UBTI, the Partnership will treat its short sales of securities as not involving "acquisition indebtedness" and therefore not resulting in UBTI.[7] To the extent the Partnership recognizes income (i.e., dividends and interest) from securities with respect to which there is "acquisition indebtedness" during a taxable year, the percentage of such income which will be treated as UBTI generally will be based on the percentage which the "average acquisition indebtedness" incurred with respect to such securities is of the "average amount of the adjusted basis" of such securities during the taxable year.

To the extent the Partnership recognizes gain from securities with respect to which there is "acquisition indebtedness" at any time during the twelve-month period ending with the date of their disposition, the percentage of such gain which will be treated as UBTI will be based on the percentage which the highest amount of such "acquisition indebtedness" is of the "average amount of the adjusted basis" of such securities during the taxable year. In determining

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[6] With certain exceptions, tax-exempt organizations which are private foundations are subject to a 2% Federal excise tax on their "net investment income." The rate of the excise tax for any taxable year may be reduced to 1% if the private foundation meets certain distribution requirements for the taxable year. A private foundation will be required to make payments of estimated tax with respect to this excise tax.

[7] Moreover, income realized from option writing and futures contract transactions generally would not constitute UBTI.

the unrelated debt-financed income of the Partnership, an allocable portion of deductions directly connected with the Partnership's debt-financed property is taken into account. Thus, for instance, a percentage of losses from debt-financed securities (based on the debt/basis percentage calculation described above) would offset gains treated as UBTI.

Since the calculation of the Partnership's "unrelated debt-financed income" is complex and will depend in large part on the amount of leverage , if any, used by the Partnership from time to time,[8] it is impossible to predict what percentage of the Partnership's income and gains will be treated as UBTI for a Limited Partner which is an exempt organization. An exempt organization's share of the income or gains of the Partnership which is treated as UBTI may not be offset by losses of the exempt organization either from the Partnership or otherwise, unless such losses are treated as attributable to an unrelated trade or business (e.g., losses from securities for which there is acquisition indebtedness).

To the extent that the Partnership generates UBTI, the applicable Federal tax rate for such a Limited Partner generally would be either the corporate or trust tax rate depending upon the nature of the particular exempt organization. An exempt organization may be required to support, to the satisfaction of the Service, the method used to calculate its UBTI. The Partnership will be required to report to a Partner which is an exempt organization information as to the portion, if any, of its income and gains from the Partnership for each year which will be treated as UBTI. The calculation of such amount with respect to transactions entered into by the Partnership is highly complex, and there is no assurance that the Partnership's calculation of UBTI will be accepted by the Service.

In general, if UBTI is allocated to an exempt organization such as a qualified retirement plan or a private foundation, the portion of the Partnership's income and gains which is not treated as UBTI will continue to be exempt from tax, as will the organization's income and gains from other investments which are not treated as UBTI. Therefore, the possibility of realizing UBTI from its investment in the Partnership generally should not affect the tax-exempt status of such an exempt organization.[9] However, a charitable remainder trust will not be exempt from Federal income tax under Section 664(c) of the Code for any year in which it has UBTI. A title-holding company will not be exempt from tax if it has certain types of UBTI. Moreover, the charitable contribution deduction for a trust under Section 642(c) of the Code may be limited for any year in which the trust has UBTI. A prospective investor should consult its tax adviser with respect to the tax consequences of receiving UBTI from the Partnership. (See "ERISA Considerations.")

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[8] The calculation of a particular exempt organization's UBTI would also be affected if it incurs indebtedness to finance its investment in the Partnership. An exempt organization is required to make estimated tax payments with respect to its UBTI.

[9] Certain exempt organizations which realize UBTI in a taxable year will not constitute "qualified organizations" for purposes of Section 514(c)(9)(B)(vi)(I) of the Code, pursuant to which, in limited circumstances, income from certain real estate partnerships in which such organizations invest might be treated as exempt from UBTI. A prospective tax-exempt Limited Partner should consult its tax adviser in this regard.

Certain Issues Pertaining to Specific Exempt Organizations

Private Foundations. Private foundations and their managers are subject to excise taxes if they invest "any amount in such a manner as to jeopardize the carrying out of any of the foundation's exempt purposes." This rule requires a foundation manager, in making an investment, to exercise "ordinary business care and prudence" under the facts and circumstances prevailing at the time of making the investment, in providing for the short-term and long-term needs of the foundation to carry out its exempt purposes. The factors which a foundation manager may take into account in assessing an investment include the expected rate of return (both income and capital appreciation), the risks of rising and falling price levels, and the need for diversification within the foundation's portfolio.

In order to avoid the imposition of an excise tax, a private foundation may be required to distribute on an annual basis its "distributable amount," which includes, among other things, the private foundation's "minimum investment return," defined as 5% of the excess of the fair market value of its nonfunctionally related assets (assets not used or held for use in carrying out the foundation's exempt purposes), over certain indebtedness incurred by the foundation in connection with such assets. It appears that a foundation's investment in the Partnership would most probably be classified as a nonfunctionally related asset. A determination that an interest in the Partnership is a nonfunctionally related asset could conceivably cause cash flow problems for a prospective Limited Partner which is a private foundation. Such an organization could be required to make distributions in an amount determined by reference to unrealized appreciation in the value of its interest in the Partnership. Of course, this factor would create less of a problem to the extent that the value of the investment in the Partnership is not significant in relation to the value of other assets held by a foundation.

In some instances, an investment in the Partnership by a private foundation may be prohibited by the "excess business holdings" provisions of the Code. For example, if a private foundation (either directly or together with a "disqualified person") acquires more than 20% of the capital interest or profits interest of the Partnership, the private foundation may be considered to have "excess business holdings." If this occurs, such foundation may be required to divest itself of its interest in the Partnership in order to avoid the imposition of an excise tax. However, the excise tax will not apply if at least 95% of the gross income from the Partnership is "passive" within the applicable provisions of the Code and Regulations.

A substantial percentage of investments of certain "private operating foundations" may be restricted to assets directly devoted to their tax-exempt purposes. Otherwise, generally, rules similar to those discussed above govern their operations.

Qualified Retirement Plans. Employee benefit plans subject to the provisions of ERISA, Individual Retirement Accounts and Keogh Plans should consult their counsel as to the implications of such an investment under ERISA. (See "ERISA Considerations.")

Endowment Funds. Investment managers of endowment funds should consider whether the acquisition of an Interest is legally permissible. This is not a matter of Federal law, but is determined under state statutes. It should be noted, however, that under the Uniform

Management of Institutional Funds Act, which has been adopted, in various forms, by a large number of states, participation in investment partnerships or similar organizations in which funds are commingled and investment determinations are made by persons other than the governing board of the endowment fund is allowed.

Tax Shelter Reporting Requirements

The Managing Partner has organized the Partnership to utilize the investment program described herein and not to create tax benefits for the Limited Partners. Under recently issued Temporary Regulations, however, the activities of the Partnership may create one or more "reportable transactions," requiring the Partnership and each Limited Partner to file information returns as described below. In addition, the Managing Partner and other material advisors to the Partnership would each be required to maintain for a specified period of time a list containing certain information regarding the "reportable transactions" and the Partnership's investors, and the Service could inspect such lists upon request. In the case of a partnership, a "reportable transaction" is one that is generally entered into on or after January 1, 2003 and includes, among others, a transaction or series of substantially similar transactions entered into in the same taxable year that (i) generates, or reasonably can be expected to generate, a loss claimed under Section 165 of the Code (computed without taking into account offsetting income or gain items, and without regard to limitations on its deductibility) of at least $5 million in any one taxable year or $10 million in any combination of taxable years,[10] or (ii) results in a difference of more than $10 million on a gross basis between the federal tax treatment and book treatment of one or more items in such transaction, provided that the partnership has at least $100 million in gross assets.[11]

The Temporary Regulations will require the Partnership, if it participates in a "reportable transaction," to complete and file Form 8886 ("Reportable Transaction Disclosure Statement") with its income tax return for each taxable year in which such "reportable transaction" affects, or could reasonably be expected to affect, the Partnership's taxable income, and to file a copy of the completed form with the Service's Office of Tax Shelter Analysis. In such case, each Limited Partner will also be required to file Form 8886 regarding the Partnership's "reportable transaction" with the Limited Partner's income tax return, and to submit a copy of the completed form to the Office of Tax Shelter Analysis. The Partnership intends to provide the Limited Partners with the information needed to complete and submit the form.

The Service has stated that it is considering exemptions for certain transactions, such as losses resulting from a sale of securities on an established securities market and losses claimed under a mark-to-market method of tax accounting (which the Partnership may elect to use (see "Tax Treatment of Partnership Investments—Possible 'Mark to Market' Election" above)), but there can be no assurance that any such exemptions from the reporting requirements will be adopted. Tax-exempt Limited Partners should consult with their own advisors concerning the application of these reporting obligations to their specific situations.

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[10] In addition, a Partner which is an individual or a trust will have engaged in a reportable transaction if it claims a loss from a foreign currency transaction (see "Currency Fluctuations – 'Section 988' Gains or Losses" above), either directly or through a pass-through entity such as a Partnership or a Subchapter S corporation, of at least $50,000 in any year. The amount of any such loss claimed is determined without taking into account offsetting income or gain items, and without regard to limitations on its deductibility.

[11] The Temporary Regulations also list other "reportable transactions" which may be applicable to the Partnership.

State and Local Income Tax.

Each Limited Partner may also be liable for state and local income taxes payable to the state and locality in which he is a resident or doing business or to a state or locality in which the Partnership conducts business. The income tax laws of each state and locality may differ from the above discussion of federal income tax laws so each prospective Limited Partner should consult his own tax counsel with respect to potential state and local income taxes payable as a result of an investment in the Partnership.

ERISA CONSIDERATIONS

THE FOLLOWING SUMMARY OF CERTAIN ASPECTS OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), IS BASED UPON ERISA, JUDICIAL DECISIONS, DEPARTMENT OF LABOR REGULATIONS AND RULINGS IN EXISTENCE ON THE DATE HEREOF. THIS SUMMARY IS GENERAL IN NATURE AND DOES NOT ADDRESS EVERY ERISA ISSUE THAT MAY BE APPLICABLE TO THE PARTNERSHIP, OR A PARTICULAR INVESTOR. ACCORDINGLY, EACH PROSPECTIVE INVESTOR SHOULD CONSULT WITH ITS OWN COUNSEL IN ORDER TO UNDERSTAND THE ERISA ISSUES AFFECTING THE PARTNERSHIP AND THE INVESTOR.

General

Persons who are fiduciaries with respect to a U.S. employee benefit plan or trust within the meaning of and subject to the provisions of ERISA (an "ERISA Plan"), an individual retirement account or a Keogh plan subject solely to the provisions of the Code[12] (an "Individual Retirement Fund") should consider, among other things, the matters described below before determining whether to invest in the Partnership.

ERISA imposes certain general and specific responsibilities on persons who are fiduciaries with respect to an ERISA Plan, including prudence, diversification, prohibited transaction and other standards. In determining whether a particular investment is appropriate for an ERISA Plan, U.S. Department of Labor ("DOL") regulations provide that a fiduciary of an ERISA Plan must give appropriate consideration to, among other things, the role that the investment plays in the ERISA Plan's portfolio, taking into consideration whether the investment is designed reasonably to further the ERISA Plan's purposes, the risk and return factors of the potential investment, the portfolio's composition with regard to diversification, the liquidity and current return of the total portfolio relative to the anticipated cash flow needs of the ERISA Plan, the projected return of the total portfolio relative to the ERISA Plan's funding objectives, and the limitation on the rights of Limited Partner to redeem all or any part of their Interests or to transfer their Interests. Before investing the assets of an ERISA Plan in the Partnership, a fiduciary should determine whether such an investment is consistent with its fiduciary responsibilities and the foregoing regulations. For example, a fiduciary should consider whether an investment in the Partnership may be too illiquid or too speculative for a particular ERISA Plan and whether the

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[12] References hereinafter made to ERISA include parallel references to the Code.

assets of the ERISA Plan would be sufficiently diversified. If a fiduciary with respect to any such ERISA Plan breaches its responsibilities with regard to selecting an investment or an investment course of action for such ERISA Plan, the fiduciary may be held personally liable for losses incurred by the ERISA Plan as a result of such breach.

Plan Assets Regulations

The DOL has published a regulation (the "Regulation") describing when the underlying assets of an entity in which certain benefit plan investors ("Benefit Plan Investors") invest constitute "plan assets" for purposes of ERISA. Benefit Plan Investors include employee benefit plans as defined in Section 3(3) of ERISA, whether or not subject to Title I of ERISA, plans described in Section 4975(e)(1) of the Code, government plans, church plans, non-U.S. employee benefit plans, certain insurance company general and separate accounts and entities, the underlying assets of which include plan assets by reason of investment therein by Benefit Plan Investors. The effect of the Regulation is to treat certain entities as pooled funds for the collective investment of plan assets.

The Regulation provides that, as a general rule, when an ERISA Plan invests assets in another entity, the ERISA Plan's assets include its investment, but do not, solely by reason of such investment, include any of the underlying assets of the entity. However, when an ERISA Plan acquires an "equity interest" in an entity that is neither: (a) a "publicly offered security;" nor (b) a security issued by an investment fund registered under the Company Act, then the ERISA Plan's assets include both the equity interest and an interest in each of the underlying assets of the entity, unless it is established that:

(i) the entity is an "operating company;" or

(ii) the equity participation in the entity by Benefit Plan Investors is not "significant."

Equity participation in an entity by Benefit Plan Investors is considered "significant" if 25% or more of the value of any class of equity interests in the entity is held by such Benefit Plan Investors.

Limitation on Investments by Benefit Plan Investors

It is the current intent of the Managing Partner to monitor the investments in the Partnership to ensure that the aggregate investment by Benefit Plan Investors does not equal or exceed 25% of the value of any class of the Interests in the Partnership so that equity participation by Benefit Plan Investors in the Partnership will not be considered "significant" under the Regulation and, as a result, the underlying assets of the Partnership will not be deemed "plan assets" for purposes of the Regulation. Interests held by the Managing Partner and its affiliates are not considered for purposes of determining whether equity participation by Benefit Plan Investors is significant. If the assets of the Partnership were regarded as "plan assets" of a Benefit Plan Investor, the Managing Partner would be a "fiduciary" (as defined in ERISA and the Code) with respect to such Benefit Plan Investor and would be subject to the obligations and liabilities imposed on fiduciaries by ERISA. Moreover, the Partnership would be subject to various other requirements of ERISA and the Code. In particular, the Partnership would be

subject to rules restricting transactions with "parties in interest" and prohibiting transactions involving conflicts of interest on the part of fiduciaries which might result in a violation of ERISA and the Code unless the Partnership obtained appropriate exemptions from the DOL allowing the Partnership to conduct its operations as described herein. The Managing Partner reserves the right to redeem all or a part of the Interests held by any Limited Partner, subject to the aforesaid, including, without limitation, to ensure compliance with the above percentage limitation. In addition, the Managing Partner reserves the right, however, to waive the 25% limitation and thereafter to comply with ERISA.

Representations by Plans

An ERISA Plan proposing to invest in the Partnership will be required to represent that it is, and any fiduciaries responsible for the ERISA Plan's investments are, aware of and understand the Partnership's investment objective, policies and strategies, that the decision to invest plan assets in the Partnership was made with appropriate consideration of relevant investment factors with regard to the ERISA Plan and is consistent with the duties and responsibilities imposed upon fiduciaries with regard to their investment decisions under ERISA.

WHETHER OR NOT THE UNDERLYING ASSETS OF THE PARTNERSHIP ARE DEEMED PLAN ASSETS UNDER THE REGULATION, AN INVESTMENT IN THE PARTNERSHIP BY AN ERISA PLAN IS SUBJECT TO ERISA. ACCORDINGLY, FIDUCIARIES OF ERISA PLANS SHOULD CONSULT WITH THEIR OWN COUNSEL AS TO THE CONSEQUENCES UNDER ERISA OF AN INVESTMENT IN THE PARTNERSHIP.

ERISA Plans and Individual Retirement Funds Having Prior Relationships with the Managing Partner or its Affiliates

Certain prospective ERISA Plan and Individual Retirement Funds investors may currently maintain relationships with the Managing Partner or other entities which are affiliated with the Managing Partner. Each of such entities may be deemed to be a party in interest to and/or a fiduciary of any ERISA Plan or Individual Retirement Fund to which any of the Managing Partner or its affiliates provides investment management, investment advisory or other services. ERISA prohibits ERISA Plan assets from being used for the benefit of a party in interest and also prohibits an ERISA Plan fiduciary from using its position to cause the ERISA Plan to make an investment from which it or certain third parties in which such fiduciary has an interest would receive a fee or other consideration. Similar provisions are imposed by the Code with respect to Individual Retirement Funds. ERISA Plan and Individual Retirement Fund investors should consult with counsel to determine if participation in the Partnership is a transaction which is prohibited by ERISA or the Code.

The provisions of ERISA are subject to extensive and continuing administrative and judicial interpretation and review. The discussion of ERISA contained herein is, of necessity, general and may be affected by future publication of regulations and rulings. Potential Investors should consult with their legal advisors regarding the consequences under ERISA of the acquisition and ownership of Interests.

EXHIBIT 7

ASCOT PARTNERS, L.P.

A Delaware Limited Partnership

CONFIDENTIAL OFFERING MEMORANDUM

March 2006

450 Park Avenue
32nd Floor
New York, New York 10022

ANY REPRODUCTION OR DISTRIBUTION OF THIS CONFIDENTIAL OFFERING MEMORANDUM, IN WHOLE OR IN PART, OR THE DISCLOSURE OF ANY OF ITS CONTENTS, MAY VIOLATE APPLICABLE SECURITIES LAWS AND IS PROHIBITED WITHOUT THE EXPRESS PRIOR WRITTEN CONSENT OF THE GENERAL PARTNER. NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, EACH INVESTOR (AND EACH EMPLOYEE, REPRESENTATIVE, OR OTHER AGENT OF SUCH INVESTOR) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF (I) THE PARTNERSHIP AND (II) ANY OF ITS TRANSACTIONS, AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO THE INVESTOR RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE.

The information contained herein is confidential and is furnished for informational purposes only. This Confidential Offering Memorandum supersedes all earlier disclosure concerning the Partnership.

10105509.11

CONFIDENTIAL OFFERING MEMORANDUM

ASCOT PARTNERS, L.P.

450 Park Avenue
32nd Floor
New York, New York 10022

Ascot Partners, L.P., a Delaware limited partnership formed on August 17, 1992 (the "Partnership"), was organized to operate as a private investment partnership for the benefit of U.S. taxable investors and U.S. Tax-Exempt U.S. Persons (as defined herein) including entities subject to the U.S. Employee Retirement Income Security Act of 1974, as amended, and other entities exempt from payment of U.S. Federal income tax, and entities substantially all of the ownership interests in which are held by Tax-Exempt U.S. Persons. The Partnership's investment objective is to provide limited partners with a total return on their investment consisting of capital appreciation and income by investing in a diverse portfolio of securities. Generally, the Partnership engages primarily in the practice of index arbitrage and options arbitrage, in which individual or baskets of securities are purchased and/or sold against related securities such as index options or individual stock options. These strategies are used to take advantage of price disparities among related securities. The Partnership will make investments through third-party managers using managed accounts, mutual funds, private investment partnerships, closed-end funds and other pooled investment vehicles (including special purpose vehicles), each of which is intended to engage in investment strategies similar to the Partnership's (collectively, "Other Investment Entities"). The Partnership may utilize leverage when deemed appropriate by the General Partner (as defined below), including to enhance the Partnership's returns and meet redemptions that would otherwise result in the premature liquidation of investments. **There can be no assurance that the Partnership's investment objective will be achieved.** (See "Investment Program.")

The Partnership will act as a "master fund" for Ascot Fund Limited (the "Offshore Fund"), an exempted company incorporated in the Cayman Islands, which will invest substantially all of its capital in the Partnership. The Offshore Fund is an investment vehicle established to facilitate investment by foreign investors in the Partnership. The Offshore Fund has invested in the Class B limited partnership interests of the Partnership (the "Class B Interests").

J. Ezra Merkin serves as the general partner of the Partnership (the "General Partner"). The General Partner has ultimate responsibility for the management, operations and investment decisions made on behalf of the Partnership.

This Confidential Offering Memorandum relates to an offering of Class C limited partnership interests in the Partnership (the "Interests") to certain investors that, if accepted, will become limited partners of the Partnership. Class A limited partnership interests were issued to certain investors prior to February 1, 2006 and will no longer be offered to prospective investors.

The Partnership may offer Interests to prospective new Limited Partners as of the beginning of each quarter (or at such other times as the General Partner in its sole discretion may allow).

Investors in the Partnership must be "accredited investors" as defined in Rule 501 under the Securities Act of 1933, as amended, "qualified purchasers" as such term is defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended, (the "Company Act"), and must meet other suitability requirements. Interests may not be purchased by nonresident aliens, foreign corporations, foreign partnerships, foreign trusts or foreign estates, all as defined in the Internal Revenue Code of 1986, as amended (the "Code"). Such investors may be eligible to invest in the Offshore Fund. The General Partner, in its sole discretion, may decline to admit a prospective investor for any reason or for no reason, even if it satisfies the Partnership's suitability requirements.

Interests in the Partnership are suitable only for sophisticated investors (i) that do not require immediate liquidity for their investments; (ii) for which an investment in the Partnership does not constitute a complete investment program; and (iii) that fully understand and are willing to assume the risks involved in the Partnership's investment program. The Partnership's investment practices, by their nature, may be considered to involve a substantial degree of risk. (See "Investment Program" and "Certain Risk Factors").

Prospective investors should carefully read this Confidential Offering Memorandum. The contents of this Confidential Offering Memorandum, however, should not be considered legal or tax advice, and each prospective investor should consult its own counsel and advisers as to all matters concerning an investment in the Partnership.

There will be no public offering of the Interests. No offer to sell (or solicitation of an offer to buy) will be made in any jurisdiction in which such offer or solicitation would be unlawful.

This Confidential Offering Memorandum has been prepared solely for the information of the person to whom it has been delivered on behalf of the Partnership and may not be reproduced or used for any other purpose. The dissemination, distribution, reproduction or other use of all or any portion of this Confidential Offering Memorandum or the divulgence of any of its contents other than to the prospective investor's financial, tax or legal advisors, without the prior written approval of the General Partner, is prohibited. Any person that receives this Confidential Offering Memorandum and does not purchase Interests is requested to promptly return this Confidential Offering Memorandum to the General Partner. Notwithstanding anything herein to the contrary, each investor (and each employee, representative, or other agent of such investor) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of (i) the Partnership and (ii) any transactions described herein, and all materials of any kind (including opinions or other tax analyses) that are provided to the investor relating to such tax treatment and tax structure. Each person accepting this Confidential Offering Memorandum agrees to return it to the General Partner promptly upon request. This Confidential Offering Memorandum is accurate as of its date, and no representation or warranty is made as to its continued accuracy after such date.

The Partnership will not be registered as an investment company under the Company Act and, therefore, will not be required to adhere to certain operational restrictions and requirements under the Company Act. The General Partner is not registered as an investment adviser under the Investment Advisers Act of 1940, as amended.

WHILE THE PARTNERSHIP MAY TRADE COMMODITY FUTURES AND/OR COMMODITY OPTIONS CONTRACTS, THE GENERAL PARTNER IS EXEMPT FROM REGISTRATION WITH THE COMMODITY FUTURES TRADING COMMISSION ("CFTC") AS A COMMODITY POOL OPERATOR ("CPO") PURSUANT TO CFTC RULE 4.13(a)(4). THEREFORE, UNLIKE A REGISTERED CPO, THE GENERAL PARTNER IS NOT REQUIRED TO DELIVER A CFTC DISCLOSURE DOCUMENT TO PROSPECTIVE LIMITED PARTNERS, NOR IS HE REQUIRED TO PROVIDE LIMITED PARTNERS WITH CERTIFIED ANNUAL REPORTS THAT SATISFY THE REQUIREMENTS OF CFTC RULES APPLICABLE TO REGISTERED CPOs.

THE GENERAL PARTNER QUALIFIES FOR THE EXEMPTION UNDER CFTC RULE 4.13(a)(4) ON THE BASIS THAT, AMONG OTHER THINGS (I) EACH LIMITED PARTNER IS EITHER (A) A NATURAL PERSON WHO IS A "QUALIFIED ELIGIBLE PERSON" AS DEFINED IN CFTC RULE 4.7(a)(2) OR (B) A NON-NATURAL PERSON THAT IS EITHER AN "ACCREDITED INVESTOR" AS DEFINED UNDER SECURITIES AND EXCHANGE COMMISSION RULES OR A "QUALIFIED ELIGIBLE PERSON" AS DEFINED UNDER CFTC RULE 4.7; AND (II) INTERESTS IN THE PARTNERSHIP ARE EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933 AND OFFERED AND SOLD WITHOUT MARKETING TO THE PUBLIC IN THE UNITED STATES.

NO OFFERING LITERATURE OR ADVERTISING IN WHATEVER FORM WILL BE EMPLOYED IN THE OFFERING OF THE INTERESTS EXCEPT FOR THIS CONFIDENTIAL OFFERING MEMORANDUM, STATEMENTS CONTAINED HEREIN AND WRITTEN MATERIALS SPECIFICALLY APPROVED BY THE GENERAL PARTNER. NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY REPRESENTATION OR GIVE ANY INFORMATION WITH RESPECT TO THE INTERESTS, EXCEPT FOR THE INFORMATION CONTAINED HEREIN.

THE INTERESTS HAVE NOT BEEN FILED WITH OR APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER GOVERNMENTAL AGENCY OR REGULATORY AUTHORITY OR ANY NATIONAL SECURITIES EXCHANGE. NO SUCH AGENCY, AUTHORITY OR EXCHANGE HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS CONFIDENTIAL OFFERING MEMORANDUM OR THE MERITS OF AN INVESTMENT IN THE PARTNERSHIP INTERESTS OFFERED HEREBY. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY UPON THEIR OWN EXAMINATION OF THE PARTNERSHIP AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

EACH PROSPECTIVE INVESTOR IS INVITED TO MEET WITH THE GENERAL PARTNER TO DISCUSS WITH, ASK QUESTIONS OF, AND RECEIVE ANSWERS FROM, THE GENERAL PARTNER CONCERNING THE TERMS AND CONDITIONS OF THIS OFFERING OF THE INTERESTS, AND TO OBTAIN ANY ADDITIONAL INFORMATION, TO THE EXTENT THE GENERAL PARTNER POSSESS SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE, NECESSARY TO VERIFY THE INFORMATION CONTAINED HEREIN.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

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TABLE OF CONTENTS

ASCOT PARTNERS, L.P.

SUMMARY OF TERMS

The following is a summary of the principal terms of the Partnership (as defined below). The following summary is qualified in its entirety by the more detailed information set forth in this Confidential Offering Memorandum and by the terms and conditions of the Limited Partnership Agreement of the Partnership, as the same may be amended from time to time. This summary should be read in conjunction with such detailed information.

THE PARTNERSHIP:

Ascot Partners, L.P., a Delaware limited partnership formed on August 17, 1992 (the "Partnership"), was organized to operate as a private investment partnership for the benefit of U.S. taxable investors and Tax-Exempt U.S. Persons (as defined herein) including entities subject to the U.S. Employee Retirement Income Security Act of 1974, as amended, and other entities exempt from payment of U.S. Federal income tax, and entities substantially all of the ownership interests in which are held by Tax-Exempt U.S. Persons. (See "The Partnership.")

The Partnership will act as a "master fund" for Ascot Fund Limited (the "Offshore Fund"), an exempted company incorporated in the Cayman Islands, which will invest substantially all of its capital in the Partnership. The Offshore Fund is an investment vehicle established to facilitate investment by foreign investors in the Partnership. The Offshore Fund has invested in the Class B limited partnership interests of the Partnership (the "Class B Interests").

INVESTMENT PROGRAM:

The Partnership's investment objective is to provide limited partners with a total return on their investment consisting of capital appreciation and income by investing in a diverse portfolio of securities. Generally, the Partnership engages primarily in the practice of index arbitrage and options arbitrage, in which individual or baskets of securities are purchased and/or sold against related securities such as index options or individual stock options. These strategies are used to take advantage of price disparities among related securities.

The Partnership primarily follows a strategy in which the Partnership purchases a portfolio of large-cap U.S.

equities drawn from the S&P 100. In order to hedge its exposure to these securities, the Partnership simultaneously purchases a put option and sells a call option on the S&P 100, each with a notional value that approximates the value of the Partnership's long portfolio. The purchase of the put option allows the Partnership to partially hedge its portfolio against downward movement in the S&P 100. The sale of the call option allows the Partnership to partially finance the purchase of the put option while at the same time partially hedging the Partnership's portfolio against any downward movement in the S&P 100.

The Partnership will make investments through third-party managers, using managed accounts, mutual funds, private investment partnerships, closed-end funds and other pooled investment vehicles (including special purpose vehicles), each of which is intended to engage in investment strategies similar to the Partnership's (collectively, "Other Investment Entities"). The Partnership may utilize leverage when deemed appropriate by the General Partner (as defined below), including to enhance the Partnership's returns and meet redemptions that would otherwise result in the premature liquidation of investments. **There can be no assurance that the Partnership's investment objective will be achieved.** (See "Investment Program" and "Certain Risk Factors.")

When the Partnership engages in investments through Other Investment Entities, fees, including performance-based fees, may be payable by the Partnership, in addition to the fees payable to the General Partner (as defined below) discussed below. In such cases, the General Partner will retain overall investment responsibility for the portfolio of the Partnership (although not the investment decisions of any independent money managers managing Other Investment Entities). Such arrangements are subject to periodic review by the General Partner and are terminable at reasonable intervals in the General Partner's discretion. The Partnership may withdraw from or invest in different investment funds and terminate or enter into new investment advisory agreements without prior notice to or consent of the Limited Partners (as defined below). (See "Certain Risk

Factors – Independent Money Managers.")

The General Partner reserves the right to alter or modify some or all of the Partnership's investment strategies in light of available investment opportunities to take advantage of changing market conditions, where the General Partner, in his sole discretion, concludes that such alterations or modifications are consistent with the goal of maximizing returns to investors.

The Partnership's investment program is speculative and may entail substantial risks. Since market risks are inherent in all investments to varying degrees, there can be no assurance that the Partnership's investment objectives will be achieved. In fact, certain investment practices described above can, in some circumstances, substantially increase the adverse impact on the Partnership's investment portfolios. (See "Certain Risk Factors.")

THE GENERAL PARTNER:

J. Ezra Merkin will serve as the general partner of the Partnership (the "General Partner"). The General Partner has ultimate responsibility for the management, operations and investment decisions made on behalf of the Partnership.

THE INTERESTS:

This Confidential Offering Memorandum relates to an offering of Class C limited partnership interests in the Partnership (the "Interests") to certain investors that, if accepted, will become limited partners of the Partnership (each, a "Class C Limited Partner").

Class A limited partnership interests ("Class A Interests") were issued to certain investors (each, a "Class A Limited Partner) prior to February 1, 2006. Class A Interests will no longer be issued by the Partnership.

Class B Interests are held solely by the Offshore Fund (the "Class B Limited Partner" and collectively with Class A Limited Partners and Class C Limited Partners, the "Limited Partners").

The General Partner may issue other classes of interests in the future that differ in terms of, among other things, rights, powers and duties, including rights, powers and duties senior to existing classes of Limited Partners. The

	General Partner may establish new classes of interests, and determine the terms of such classes, without approval of the existing Limited Partners. (See "The Interests.")
MINIMUM SUBSCRIPTION:	The Partnership may offer Class C Interests to prospective new Class C Limited Partners as of the beginning of each quarter (or at such other times as the General Partner in its sole discretion may allow). The minimum initial subscription is $500,000 for Class C Interests, subject to the discretion of the General Partner to accept lesser amounts.
ADDITIONAL CAPITAL CONTRIBUTIONS:	Class C Limited Partners of the Partnership may make additional capital contributions in amounts of at least $250,000 with the consent of the General Partner and subject to his discretion to accept other amounts. Each capital contribution of a Limited Partner will be credited to such Limited Partner's capital account (each, a "Capital Account").
SALES CHARGES:	There are no sales charges payable to the General Partner or the Partnership in connection with the offering of Interests. (See "Sales Charges.")
FISCAL YEAR:	The fiscal year of the Partnership will end on December 31 of each calendar year.
ALLOCATION OF GAINS AND LOSSES:	Partnership loss for each accounting period will be allocated among the Partners in proportion to the balance in their respective Capital Accounts at the start of such period. At the end of each accounting period, each Partner's Capital Account will be increased proportionately to reflect Partnership income for each accounting period. Income and loss for this purpose will include unrealized appreciation and depreciation on investments.
MANAGEMENT FEE; OPERATING AND OTHER EXPENSES:	On the last Business Day of each fiscal year of the Partnership and upon dissolution, an amount equal to 1.5% (prorated for periods of less than a year) of each Limited Partner's Capital Account balance at the end of such year will be charged against such Limited Partner's Capital Account and paid to the General Partner (or to a designee as he shall direct) (the "Management Fee").

If a withdrawal occurs as of any date other than the end of the year, a Management Fee will be charged and paid to the General Partner in respect of the withdrawal proceeds as if such withdrawal occurred as of the end of such year.

At his discretion, the General Partner may waive or modify the Management Fee with respect to any particular Limited Partner.

The Partnership shall (i) pay, or cause to be paid, all costs, fees (including the Management Fee), operating expenses and other expenses of the Partnership (including the costs, fees and expenses of attorneys, accountants or other professionals incurred in organizing the Partnership and in pursuing and conducting;, or otherwise related to, the activities of the Partnership; and (ii) reimburse the General Partner for any out-of-pocket costs, fees and expenses incurred by him in connection therewith. The amount of any direct costs, fees and expenses incurred in connection with the purchase, sale or carrying of any security, including, but not limited to, brokerage and other transaction costs and margin interest expenses and fees, including performance-based fees payable to investment managers or partners of private investment partnerships, closed-end funds or other pooled investment vehicles, will be paid by the Partnership.

If any of the above expenses are incurred jointly for the account of the Partnership and any other investment funds or trading accounts sponsored or managed by the General Partner or his affiliates, such expenses will be allocated to the Partnership and such other funds or accounts in proportion to the size of the investment made by each in the activity or entity to which the expense relates, or in such other manner as the General Partner considers fair and reasonable. (See "Management Fee; Expenses.")

WITHDRAWALS:

A Class C Limited Partner may withdraw all or part of such Class C Limited Partner's Capital Account at the end of the calendar quarter after the two year anniversary of the date such Interests were purchased (the "First Withdrawal Date"), and, thereafter, on each anniversary of the First Withdrawal Date upon 45 days prior written notice to the General Partner.

A Class A Limited Partner may withdraw all or part of his Capital Account from the Partnership on 45 days prior written notice on December 31 of any year.

A Class B Limited Partner may withdraw all or part of its Capital Account from the Partnership on 25 days prior written notice on the last Business Day of each March, June, September and December of any fiscal year.

Each date as of which a Limited Partner withdraws all or a portion of its Capital Account or withdraws from the Partnership is herein referred to as a "Withdrawal Date."

The withdrawing Limited Partner will receive the amount of his Capital Account to be withdrawn (less reserves determined by the General Partner for contingent liabilities) within 90 days after withdrawal. All amounts remaining unpaid (less reserves) will begin to bear interest at a rate equal to a specified broker's call rate for the period beginning 30 days after the effective date of such withdrawal and ending 90 days after the effective date of such withdrawal.

A distribution in respect of a withdrawal may be made in cash or in kind, as determined by the General Partner in its discretion. In-kind distributions will be made to withdrawing Limited Partners on a *pro rata* basis valued as of the date of distribution. The General Partner may waive notice requirements or permit withdrawals under such other circumstances and conditions as it, in its sole discretion, deems appropriate.

Limited Partners may not otherwise make withdrawals, and the Partnership does not plan to make *pro rata* distributions to Partners on an on going basis.

COMPULSORY WITHDRAWAL; SUSPENSION OF WITHDRAWAL RIGHTS:

The General Partner may, in its sole discretion, terminate the Interest of any Limited Partner, in whole or in part, upon at least thirty days prior written notice.

In addition, the General Partner, by written notice to any Limited Partner, may suspend the withdrawal rights of such Limited Partner if the General Partner reasonably deems it necessary to do so to comply with anti-money laundering laws and regulations applicable to the

	Partnership, the General Partner or any of the Partnership's other service providers. (See "Anti-Money Laundering Regulations" and "Outline of Partnership Agreement.")
DISSOLUTION:	The Partnership will dissolve upon the first to occur of the following: (i) a determination by the General Partner that the Partnership should be dissolved or (ii) the death, bankruptcy, retirement or insanity of the General Partner which prevents him from devoting substantially his entire time, skill and attention to the Partnership and other funds and managed accounts for a period of 90 days; (iii) December 31, 2015; or (d) any event causing the dissolution of the Partnership under the laws of the State of Delaware. Upon dissolution of the Partnership, no further business shall be done in the Partnership's name except completion of any incomplete transactions and the taking of such action as shall be necessary for the winding up of the affairs of the Partnership and the distributions of its assets.
RESTRICTIONS ON TRANSFER:	No Limited Partner or transferee thereof shall, without the prior written consent of the General Partner, which may be withheld in his sole and absolute discretion, create, or suffer the creation of, a security interest in such Limited Partner's Interest. Except for sales, transfers, assignments or other dispositions (i) by last will and testament, (ii) by operation of law, or (iii) to an affiliate of a Limited Partner, without the prior written consent of the General Partner, which may be withheld in his sole and absolute discretion, no Limited Partner shall sell, transfer, assign, or in any manner dispose of such Limited Partner's Interest, in whole or in part, nor enter into any agreement as the result of which any person shall become interested with such Limited Partner therein. (See "Limitations on Transferability; Suitability Requirements.")
CERTAIN RISK FACTORS:	There can be no assurance that the investment objective of the Partnership will be achieved. Investments in illiquid securities and the use of short sales, options, leverage, futures, swaps and other derivative instruments may create special risks and substantially increase the impact of adverse price movements on the Partnership's portfolio. Moreover, an investment in the Partnership provides limited liquidity since the Interests

are not freely transferable, and the Partners will have limited withdrawal rights. (See "Certain Risk Factors.")

LEVERAGE:

The Partnership has the power to borrow and may do so when deemed appropriate by the General Partner, including to enhance the Partnership's returns and meet withdrawals that would otherwise result in the premature liquidation of investments. The use of leverage can, in certain circumstances, substantially increase the losses to which the Partnership's investment portfolios may be subject. Currently, the General Partner does not intend to employ leverage. (See "Certain Risk Factors.")

BROKERAGE COMMISSIONS:

Portfolio transactions for the Partnership will be allocated to brokers on the basis of best execution and in consideration of a broker's ability to effect the transactions, its facilities, reliability and financial responsibility and the provision or payment by the broker of the costs of research and research-related services which are of benefit to the Partnership, the General Partner or related funds and accounts. Accordingly, the commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to the Partnership by brokers in the foregoing circumstances may be higher than those charged by other brokers who may not offer such services. The General Partner has not entered into, and does not expect to enter into, any written soft dollar arrangements.

The Partnership will execute its trades through unaffiliated brokers, who may be selected on a basis other than that which will necessarily result in the lowest cost for each trade. Clearing, settlement and custodial services will be provided by one or more unaffiliated brokerage firms. Morgan Stanley & Co., Inc. and Bernard L. Madoff Investment Securities, LLC (the "Prime Brokers") currently serve as the principal prime brokers and custodians for the Partnership, and clear (generally on the basis of payment against delivery) the Partnership's securities transactions that are effected through other brokerage firms. The Partnership is not committed to continue its relationship with the Prime Brokers for any minimum period and the General Partner may select other or additional brokers

to act as prime brokers for the Partnership. (See "Brokerage Commissions.")

CONFLICTS OF INTEREST:

The General Partner and his affiliates will provide investment management services to managed accounts and other investment partnerships or funds, some of which have similar investment objectives to those of the Partnership. Such activities may raise conflicts of interest. However, the General Partner or his affiliates, as applicable, will undertake to provide such investment management services in a manner that is consistent with their respective fiduciary duties to the Partnership. (See "Conflicts of Interest.")

REGULATORY MATTERS:

The Partnership is not registered as an investment company and, therefore, is not required to adhere to certain operational restrictions and requirements under the Investment Company Act of 1940, as amended (the "Company Act").

The Partnership relies on the exclusion provided in Section 3(c)(7) of the Company Act, which permits private investment companies to sell their interests, on a private placement basis, to an unlimited number of "qualified purchasers," as defined in Section 2(a)(51) of the Company Act.

The General Partner has claimed an exemption under Commodity Futures Trading Commission ("CFTC") Rule 4.13(a)(4) from registration with the CFTC as a commodity pool operator and, accordingly, is not subject to certain regulatory requirements with respect to the Partnership that would otherwise be applicable absent such an exemption.

The General Partner is not registered as an investment adviser under the Investment Advisers Act of 1940, as amended. (See "The General Partner" and "Limitations on Transferability; Suitability Requirements.")

SUITABILITY:

Investors in the Partnership must be "accredited investors" as defined in Rule 501 under the Securities Act of 1933, as amended, "qualified purchasers" as such term is defined in Section 2(a)(51) of the Company Act and must meet other suitability requirements. Interests may not be purchased by nonresident aliens, foreign corporations, foreign partnerships, foreign trusts or

	foreign estates, all as defined in the Internal Revenue Code of 1986, as amended (the "Code"). Such investors may be eligible to invest in the Offshore Fund which maintains a substantially similar investment program as that of the Partnership. The General Partner, in its sole discretion, may decline to admit a prospective investor for any other reason or for no reason, even if it satisfies the Partnership's suitability requirements. (See "Limitations on Transferability; Suitability Requirements.")
TAXATION:	The Partnership operates as a partnership and not as an association or a publicly traded partnership taxable as a corporation for Federal tax purposes. Accordingly, the Partnership should not be subject to Federal income tax, and each Limited Partner will be required to report on its own annual tax return such Limited Partner's distributive share of the Partnership's taxable income or loss. (See "Tax Aspects.")
ERISA AND OTHER TAX-EXEMPT ENTITIES:	Tax-exempt entities subject to the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and other tax-exempt entities may purchase Interests. Trustees or administrators of such entities are urged to carefully review the matters discussed in this Confidential Offering Memorandum. Investment in the Partnership by entities subject to ERISA and other tax-exempt entities requires special considerations. The Partnership does not intend to permit investments by benefit plan investors (as defined in U.S. Department of Labor Plan Asset Regulation, 29 CFR 2510.3-101) to equal or exceed 25% of the value of the Partnership Interests.
AUDITORS:	BDO Seidman, LLP serves as the Partnership's auditor. The Partnership will provide to the Limited Partners unaudited financial statements within 35 days after the end of each calendar quarter (other than the last) and will furnish to them annual audited financial statements within 90 days after year end, and tax information as soon thereafter as practicable. Certain Limited Partners may have access to certain information regarding the Partnership that may not be available to other Limited Partners. Such Limited Partners may make investment decisions with respect to their investment in the

	Partnership based on such information.
LEGAL COUNSEL:	Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022, acts as counsel to the Partnership in connection with this offering of Interests. Schulte Roth & Zabel LLP also acts as counsel to the General Partner and his affiliates. In connection with the Partnership's offering of Interests and subsequent advice to the Partnership, the General Partner and his affiliates, Schulte Roth & Zabel LLP will not be representing the Limited Partners of the Partnership. No independent counsel has been retained to represent the Limited Partners of the Partnership.
SUBSCRIPTION FOR INTEREST:	Persons interested in subscribing for Interests will be furnished with, and will be required to complete and return to the General Partner, subscription documents and other certain documents.

THE PARTNERSHIP

Ascot Partners, L.P., a Delaware limited partnership formed on August 17, 1992 (the "Partnership"), was organized to operate as a private investment partnership for the benefit of U.S. taxable investors and U.S. Tax-Exempt U.S. Persons (as defined herein) including entities subject to the U.S. Employee Retirement Income Security Act of 1974, as amended, and other entities exempt from payment of U.S. Federal income tax, and entities substantially all of the ownership interests in which are held by Tax-Exempt U.S. persons.

The Partnership will act as a "master fund" for Ascot Fund Limited (the "Offshore Fund"), an exempted company incorporated in the Cayman Islands, which will invest substantially all of its capital in the Partnership. The Offshore Fund is an investment vehicle established to facilitate investment by foreign investors in the Partnership. The Offshore Fund has invested in the Class B limited partnership interests of the Partnership (the "Class B Interests").

INVESTMENT PROGRAM

The Partnership's investment objective is to provide limited partners with a total return on their investment consisting of capital appreciation and income by investing in a diverse portfolio of securities. Generally, the Partnership engages primarily in the practice of index arbitrage and options arbitrage, in which individual or baskets of securities are purchased and/or sold against related securities such as index options or individual stock options. These strategies are used to take advantage of price disparities among related securities.

The Partnership primarily follows a strategy in which the Partnership purchases a portfolio of large-cap U.S. equities drawn from the S&P 100. In order to hedge its exposure to these securities, the Partnership simultaneously purchases a put option and sells a call option on the S&P 100, each with a notional value that approximates the value of the Partnership's long portfolio. The purchase of the put option allows the Partnership to partially hedge its portfolio against downward movement in the S&P 100. The sale of the call option allows the Partnership to partially finance the purchase of the put option while at the same time partially hedging the Partnership's portfolio against any downward movement in the S&P 100.

The Partnership will make investments through third-party managers, using managed accounts, mutual funds, private investment partnerships, closed-end funds and other pooled investment vehicles (including special purpose vehicles), each of which is intended to engage in investment strategies similar to the Partnership's (collectively, "Other Investment Entities"). The Partnership may utilize leverage when deemed appropriate by the General Partner (as defined below), including to enhance the Partnership's returns and meet redemptions that would otherwise result in the premature liquidation of investments. **There can be no assurance that the Partnership's investment objective will be achieved.**

When the Partnership engages in investments through Other Investment Entities, fees, including performance-based fees, may be payable by the Partnership, in addition to the fees payable to the General Partner (as defined below) discussed below. In such cases, the General Partner will retain overall investment responsibility for the portfolio of the Partnership

(although not the investment decisions of any independent money managers managing Other Investment Entities). Such arrangements are subject to periodic review by the General Partner and are terminable at reasonable intervals in the General Partner's discretion. The Partnership may withdraw from or invest in different investment funds and terminate or enter into new investment advisory agreements without prior notice to or consent of the Limited Partners (as defined below). (See "Certain Risk Factors – Independent Money Managers.")

The General Partner intends, to the extent circumstances permit, to adopt a selective approach in evaluating potential investment situations, generally concentrating on relatively fewer transactions he can follow more closely. The General Partner expects to frequently use hedging devices and will engage in short sales. There can be no assurance that any of the hoped-for benefits of the foregoing approach will be realized. Moreover, the General Partner reserves the right to deviate from the foregoing approach to the extent he deems appropriate. To the extent that the Partnership trades in commodities and futures and related options, the Partnership will incur additional risks. Because of the low margin deposits normally required in futures trading, the same risks as those resulting from leverage described below will be particularly present. In addition, due to market and regulatory factors, commodities and futures and related options may be less liquid than other types of investments.

The General Partner reserves the right to alter or modify some or all of the Partnership's investment strategies in light of available investment opportunities to take advantage of changing market conditions, where the General Partner, in his sole discretion, concludes that such alterations or modifications are consistent with the goal of maximizing returns to investors, subject to what the General Partner, in his sole discretion, considers an acceptable level of risk.

* * *

The descriptions contained herein of specific strategies that the Partnership may engage in should not be understood as in any way limiting the Partnership's investment activities. The Partnership may engage in investment strategies that are not described herein, but that General Partner considers appropriate.

The Partnership's investment program is speculative and may entail substantial risks. Since market risks are inherent in all investments to varying degrees, there can be no assurance that the Partnership's investment objectives will be achieved. In fact, certain investment practices described above can, in some circumstances, substantially increase the adverse impact on the Partnership's investment portfolios. (See "Certain Risk Factors.")

THE GENERAL PARTNER AND THE MANAGEMENT COMPANY

J. Ezra Merkin serves as the general partner of the Partnership (the "General Partner"). The General Partner has ultimate responsibility for the management, operations and investment decisions made on behalf of the Partnership.

Mr. Merkin is currently general partner of Gabriel Capital, L.P. and is involved in managing several offshore funds (including the Offshore Fund). Mr. Merkin was formerly the General Partner of Ariel Capital, L.P. from January 1, 1989 until December 31, 1991. Prior to that, Mr. Merkin served as a Managing Partner of Gotham Capital, L.P., an investment partnership, from 1985 to 1988. Mr. Merkin was associated with Halcyon Investments from 1982 to 1985 and with the law firm of Milbank, Tweed, Hadley & McCloy from 1979 to 1982. Mr. Merkin was graduated from Columbia College magna cum laude and is a member of Phi Beta Kappa. He is an honors graduate of Harvard Law School. Mr. Merkin currently serves as chairman of the investment committee of two private endowment funds.

THE INTERESTS

This Confidential Offering Memorandum relates to an offering of Class C Limited Partnership Interests in the Partnership (the "Interests") to certain investors that, if accepted, will become limited partners of the Partnership (each, a "Class C Limited Partner").

Class A limited partnership interests ("Class A Interests") were issued to certain investors (each, a "Class A Limited Partner") prior to February 1, 2006. Class A Interests will no longer be issued by the Partnership.

Class B Interests were issued solely to the Offshore Fund (the "Class B Limited Partner" and collectively with Class A Limited Partners and Class C Limited Partners, the "Limited Partners").

The minimum initial subscription is $500,000 for an Interest in the Partnership, subject to the discretion of the General Partner to accept lesser amounts. Limited Partners of the Partnership may make additional capital contributions in amounts of at least $250,000 with the consent of the General Partner and subject to his discretion to accept other amounts. Each capital contribution of a Limited Partner will be credited to such Limited Partner's capital account (each, a "Capital Account").

The General Partner may issue other classes of interests in the future that differ in terms of, among other things, rights, powers and duties, including rights, powers and duties senior to existing classes of Limited Partners. The General Partner may establish new classes of interests, and determine the terms of such classes, without approval of the existing Limited Partners.

SALES CHARGES

There are no sales charges payable to the General Partner, or the Partnership in connection with the offering of Interests.

FISCAL YEAR

The fiscal year of the Partnership will end on December 31 of each calendar year.

ALLOCATIONS OF GAINS AND LOSSES

Partnership loss for each accounting period will be allocated among the Partners in proportion to the balance in their respective Capital Accounts at the start of such period. At the end of each accounting period, each Partner's Capital Account will be increased proportionately to reflect Partnership income for each accounting period. Income and loss for this purpose will include unrealized appreciation and depreciation on investments.

MANAGEMENT FEE; EXPENSES

Management Fee

On the last Business Day of each fiscal year of the Partnership and upon dissolution, an amount equal to 1.5% (prorated for periods of less than a year) of each Limited Partner's Capital Account balance at the end of such year will be charged against such Limited Partner's Capital Account and paid to the General Partner (or to a designee as he shall direct) (the "Management Fee").

If a withdrawal occurs as of any date other than the last day of the year, a Management Fee will be charged and paid to the General Partner in respect of the withdrawal proceeds as if such withdrawal occurred as of the end of such year.

At his discretion, the General Partner may waive or modify the Management Fee with respect to any particular Limited Partner.

Partnership Expenses

The Partnership shall (i) pay, or cause to be paid, all costs, fees, operating expenses and other expenses (including the Management Fee) of the Partnership (including the costs, fees and expenses of attorneys, accountants or other professionals incurred in organizing the Partnership and in pursuing and conducting, or otherwise related to, the activities of the Partnership, and (ii) reimburse the General Partner for any out-of-pocket costs, fees and expenses incurred by him in connection therewith. The amount of any direct costs, fees and expenses incurred in connection with the purchase, sale or carrying of any security, including, but not limited to, brokerage and other transaction costs and margin interest expenses and fees, including performance-based fees payable to investment managers or partners of private investment partnerships, closed-end funds or other pooled investment vehicles, will be paid by the Partnership.

If any of the above expenses are incurred jointly for the account of the Partnership and any other investment funds or trading accounts sponsored or managed by the General Partner or his affiliates, such expenses will be allocated to the Partnership and such other funds or accounts in proportion to the size of the investment made by each in the activity or entity to which the expense relates, or in such other manner as the General Partner considers fair and reasonable.

CERTAIN RISK FACTORS

PARTICIPATION BY INVESTORS IN THE PARTNERSHIP SHOULD BE CONSIDERED A HIGH RISK INVESTMENT. THE FOLLOWING SPECIAL CONSIDERATIONS AND RISKS TOGETHER WITH OTHER MATTERS SET FORTH ELSEWHERE IN THIS CONFIDENTIAL OFFERING MEMORANDUM SHOULD BE CONSIDERED CAREFULLY, BUT ARE NOT INTENDED TO BE AN EXHAUSTIVE LISTING OF ALL POTENTIAL RISKS ASSOCIATED WITH AN INVESTMENT IN THE PARTNERSHIP.

Risk Factors. The principal activity of the Partnership will be index arbitrage, option arbitrage and investments in other securities. Because of the inherently speculative nature of these activities, the results of the Partnership's operations may be expected to fluctuate from period to period. There can be no assurance that the Partnership's investments will generate a profit or that material losses may not be incurred.

Restrictions on Transferability and Withdrawal. Each investor who becomes a Limited Partner will be required to represent that he is acquiring the Interests for investment and not with a view to distribution or resale; that he understands he must bear the economic risk of an investment for an indefinite period of time because the Interests have not been registered with the Securities and Exchange Commission ("SEC") or any other state or governmental agency; and that he understands the Interests cannot be sold unless an exemption from such registration is available. Transfers of Interests without consent of the General Partner will be permitted only in limited circumstances. None of the Partnership, other than pursuant to a withdrawal as described herein, the General Partner or any of his affiliates has agreed to purchase or otherwise acquire from any Limited Partner any Interests or assumes the responsibility for locating prospective purchasers of such Interests. In no event may transfers be made which would cause a violation of any federal or state securities laws or which are likely to result in a termination of the Partnership for federal income tax purposes. Consequently, the purchase of Interests should be considered only as a long-term and illiquid investment.

A Class C Limited Partner may withdraw all or part of such Class C Limited Partner's Capital Account at the end of the calendar quarter after the two year anniversary of the date such Interests were purchased (the "First Withdrawal Date"), and, thereafter, on each anniversary of the First Withdrawal Date upon 45 days prior written notice to the General Partner.

Registration and Qualification. Neither the Partnership nor the General Partner has registered with any governmental or regulatory agency. Therefore, the Partnership will not be subject to the limitations imposed on entities regulated under the various federal securities laws, which include, among other limitations, restrictions on transactions between a fund, its adviser or other affiliates, the use of leverage and limitations on borrowing. In addition, private rights of action against the Partnership arising under various federal securities laws may not be available to investors in the Partnership. The General Partner, in the course of the conduct of the Partnership's activities, will evaluate his obligations to register or comply with any rules which may be imposed upon the Partnership, or its General Partner, by any governmental or regulatory agency having jurisdiction over the activities being pursued by or on behalf of the Partnership. However, no assurance can be given that compliance with all such rules will be undertaken or if

undertaken will comply fully with such requirements. Compliance with such rules could adversely affect the Partnership's operations and the Limited Partners' ability to withdraw capital from the Partnership.

Absence of Regulatory Oversight. The Partnership is not required nor does it intend to register as an investment company under the Investment Company Act of 1940, as amended (the "Company Act"), and, accordingly, the provisions of the Company Act (which, among other protections, require investment companies to have a majority of disinterested directors, require securities held in custody at all times to be individually segregated from the securities of any other person and marked to clearly identify such securities as the property of such investment company, and regulate the relationship between the adviser and the investment company) will not be applicable.

Dependence on the General Partner. All decisions with respect to the management of the capital of the Partnership are made exclusively by J. Ezra Merkin. Consequently, the Partnership's success depends to a great degree on the skill and experience of Mr. Merkin.

Independent Money Managers. The General Partner may delegate investment discretion for all or a portion of the Partnership's funds to money managers, other than the General Partner, or make investments with Other Investment Entities. Consequently, the success of the Partnership may also be dependent upon other money managers or investment advisors to Other Investment Entities. Although the General Partner will exercise reasonable care in selecting such independent money managers or Other Investment Entities and will monitor the results of those money managers and Other Investment Entities, the General Partner may not have custody over the funds invested with the other money managers or with Other Investment Entities. Hence, the actions or inactions on the part of other money managers or the investment advisors to Other Investment Entities may affect the profitability of the Partnership. The risk of loss of the funds invested with other money managers or with Other Investment Entities may not be insured by any insurance company, bonding company, governmental agency, or other entity and the General Partner is not liable for any such loss. Independent money managers and managers of Other Investment Entities selected by the General Partner may receive compensation based on the performance of their investments. Performance-based compensation usually is calculated on a basis which includes unrealized appreciation of the Partnership's assets, and may be greater than if such compensation were based solely on realized gains. Further, a particular independent money manager or manager of an Other Investment Entity may receive incentive compensation in respect of its portfolio for a period even though the Partnership's overall portfolio depreciated during such period. The independent money managers and Other Investment Entities may trade wholly independently of one another and may at times hold economically offsetting positions.

Arbitrage Transactions. The Partnership may purchase securities at prices often only slightly below the anticipated value to be paid or exchanged for such securities in a merger, exchange offer or cash tender offer which the Partnership determines is probable and substantially above the prices at which such securities traded immediately prior to announcement of the merger, exchange offer or cash tender offer. If the proposed transaction appears likely not

to be consummated or in fact is not consummated or is delayed, the market price of the security to be tendered or exchanged may be expected to decline sharply, which would result in a loss to the Partnership. Moreover, where a security to be issued in a merger or exchange offer has been sold short as a hedge in the expectation that the short position will be covered by delivery of such security when issued, failure of the merger or exchange offer to be consummated may force an arbitrageur to cover his short position in the market at a higher price than his short sale, with a resulting loss.

Options Transactions. The Partnership may engage from time to time in various types of options transactions, including hedging and arbitrage in options on securities. This activity is designed to reduce the risks attendant in short-selling and in taking long positions in certain transactions and may involve stock options on a registered option exchange and offsetting transactions in the underlying stock, or offsetting transactions in one or more options for stock. The Partnership also may take positions in options on stock of companies which may, in the judgment of the General Partner, be potential acquisition candidates in merger, exchange offer or cash tender offer transactions. If the potential acquisition candidate does not become the subject of a merger, exchange offer or cash tender offer, the Partnership may suffer a loss.

When the Partnership purchases an option, it must pay the price of the option and transaction charges to the broker effecting the transaction. If the option is exercised by the Partnership, the total cost of exercising the option may be more than the brokerage costs which would have been payable had the underlying security been purchased directly. If the option expires, the Partnership will lose the cost of the option. The ability to trade in or exercise options may be restricted in the event that trading in the underlying issue becomes restricted. Options trading may also be illiquid with respect to contracts with extended expirations.

In certain transactions the Partnership may not be "hedged" against market fluctuations or, in liquidation situations, the hedge may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

Other Transactions. The Partnership may also make certain purchases of securities as to which no extraordinary corporate transaction has been announced. Such purchases may include securities which the General Partner believes to be undervalued, or where a significant position in the securities of the particular company has been taken by one or more other persons or where other companies in the same or a related industry have been the subject of acquisition attempts. If the Partnership purchases securities in anticipation of an acquisition attempt or reorganization, and an acquisition attempt or reorganization does not in fact occur, the Partnership may sell the securities at a substantial loss. Further, when securities are purchased in anticipation of an acquisition attempt or reorganization, a substantial period of time may elapse between the Partnership's purchase of the securities and the acquisition attempt or reorganization. During this period, a portion of the Partnership's capital would be committed to the securities purchased, and the Partnership may finance such purchases with borrowed funds on which it will have to pay interest.

Futures Contracts. The value of futures depends upon the price of the instruments, such as commodities, underlying them. The prices of futures are highly volatile,

and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, investments in futures are also subject to the risk of the failure of any of the exchanges on which the Partnership's positions trade or of its clearinghouses or counterparties.

Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Partnership from promptly liquidating unfavorable positions and subject the Partnership to substantial losses or from entering into desired trades. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Forward Trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in forward markets due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which the General Partner would otherwise recommend, to the possible detriment of the Partnership. Market illiquidity or disruption could result in significant losses to the Partnership.

Swap Agreements. The Partnership may enter into swap agreements. Swap agreements may be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. It is anticipated that the Partnership will use swap agreements primarily to hedge against macroeconomic factors associated with investing in a particular country or credit risk associated with the debt of a particular company.

There can be no assurance that swap transactions, if undertaken, will be an effective hedging technique.

Short Selling. Short selling involves selling securities which are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline

in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the Partnership engages in short sales will depend upon the General Partner's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Partnership of buying those securities to cover the short position. There can be no assurance that the Partnership will be able to maintain the ability to borrow securities sold short. In such cases, the Partnership can be "bought in" (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Market Risk and Lack of Diversification. Substantial risks are involved in the acquisition or disposition of securities. Securities and their issuers are affected by, among other things: changing supply and demand; Federal, state and governmental laws, regulations and enforcement activities; trade, fiscal and monetary programs and policies; and national and international political and economic developments. The concentration of assets in particular types of investments could subject the assets of the Partnership to increased volatility. The Partnership's investment plan does not constitute a balanced investment plan. The securities in which the Partnership may invest may be regarded as of high risk. Such securities are subject to a number of risk factors, including market volatility, creditworthiness of the issuer, liquidity of the secondary trading market, and availability of market quotations.

Leverage. The Partnership's investment in derivative securities and the use of repurchase agreements create certain risks to the Partnership. The use of leverage may increase the Partnership's risk of loss of capital or securities, as a relatively small price movement in an instrument may result in immediate and substantial loss. For example, should the securities pledged to brokers to secure the Partnership's margin accounts decline in value, the Partnership could be subject to a "margin call," pursuant to which the Partnership must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden, precipitous drop in value of the Partnership's assets occasioned by a market "crash" such as the one that took place in October 1987, the Partnership might not be able to liquidate assets quickly enough to pay off its margin debt. Consequently, fluctuations in the value of the Partnership's portfolio will have a significant effect in relation to the Partnership's capital. Although currently the Partnership does not intend to utilize leverage, as investment opportunities change (*e.g.*, arbitrage opportunities increase) the General Partner may decide to implement short-term borrowings to facilitate the Partnership's investment program. In addition, the level of interest rates generally, and the rates at which the Partnership can borrow in particular, will be an expense of the Partnership and therefore affect the operating results of the Partnership.

Derivatives. Derivative securities, in addition to being highly volatile and speculative, may be internally leveraged such that each percentage change in Interest rates will have a multiple effect on the derivative security. Certain positions therefore may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. Certain transactions in derivatives may expose the Partnership to potential

losses that exceed the amount originally invested by the Partnership. Reverse Repurchase agreements are structured so that the Partnership sells securities to another party, usually a bank or other securities firm, and agrees to repurchase them at an agreed upon price and date. a reverse repurchase agreement is the equivalent of borrowing money and pledging securities as collateral.

Counterparty Risk. Some of the markets in which the Partnership may effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the same credit evaluation and regulatory oversight as are members of "exchange-based" markets. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, might not be available in connection with such "over-the-counter" transactions. This exposes the Partnership to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the Partnership to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Partnership has concentrated its transactions with a single or small group of counterparties. The General Partner is not restricted from dealing with any particular counterparty or from concentrating any or all of the Partnership's transactions with one counterparty. Moreover, the General Partner has no formal credit function which evaluates the creditworthiness of the Partnership's counterparties. The ability of the Partnership to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Partnership.

In addition, the counterparties with which the Partnership effects transactions may, from time to time, cease making markets or quoting prices in certain of the instruments. In such instances, the Partnership may be unable to enter into a desired transaction in currencies, or to enter into an offsetting transaction with respect to an open position, which might adversely affect its performance. Further, in contrast to exchange-traded instruments, forward, spot and option contracts and swaps on currencies do not provide a trader with the right to offset its obligations through an equal and opposite transaction. For this reason, in entering into forward, spot or options contracts or swaps, the Partnership may be required, and must be able, to perform its obligations under the contract.

Portfolio Turnover. The Partnership currently does not have high portfolio turnover, however, to the extent certain strategies become a larger part of the Partnership's investment strategy, portfolio turnover may be high. Typically, high portfolio turnover results in correspondingly high transaction costs, including brokerage commission expenses.

Overall Investment Risk. All securities investments risk the loss of capital. The nature of the securities to be purchased and traded by the Partnership and the investment techniques and strategies to be employed by it may increase such risk. Moreover, the identification of investment opportunities is a difficult task, and there can be no assurance that such opportunities will be successfully recognized by the Partnership. While the General Partner will devote his best efforts to the management of the Partnership's portfolio, there can be no

assurance that the Partnership will not incur losses. Returns generated from the Partnership's investments may not adequately compensate Limited Partners for the business and financial risks assumed. A Limited Partner should be aware that it may lose all or a substantial part of its investment in the Partnership. Many unforeseeable events, including actions by various government agencies and domestic and international economic and political developments, may cause sharp market fluctuations that could adversely affect the Partnership's portfolio and performance.

Effect of Limited Partner Withdrawal. The exercise by Limited Partners of their right to withdraw under the Partnership's limited partnership agreement (the "Partnership Agreement") may cause the Partnership to be unable to carry out a particular investment strategy. The obligation of the Partnership to honor one or more withdrawal requests may adversely affect the Partnership's ability to accomplish its economic objectives and may cause the General Partner to dissolve the Partnership as a means of meeting the withdrawal requests of Limited Partners.

Liquidity of Investments. The Partnership may invest in unregistered securities of publicly held companies, securities of privately held companies and other illiquid securities. Such investments may be difficult to value. They may, by their nature, entail a prolonged investment horizon from the initial investment date to final disposition. It may not be possible to sell such securities on short notice and, if possible, such sales may require substantial discounts.

Lack of Management Control. The management of the affairs of the Partnership will be vested exclusively in the General Partner. He will have wide latitude in making investment decisions and, subject to certain limitations discussed herein, may withdraw his own capital, admit new Limited Partners or terminate the Partnership at any time. Generally, the Limited Partners will have no right to participate in the decisions of the General Partner or otherwise in the affairs of the Partnership, to remove the General Partner, to approve the admission of any new General Partner or to dissolve the Partnership. The General Partner may require any Limited Partner to withdraw from the Partnership at any time.

Exculpation of the General Partner from Liability. The Partnership Agreement provides that the General Partner will not be liable for, and will be indemnified by the Partnership against, any act or omission unless such act or omission constitutes bad faith, gross negligence, recklessness, fraud or intentional misconduct. As a result, Limited Partners may be entitled to a more limited right of action against the General Partner than they would otherwise have had absent such a limitation in the Partnership Agreement.

Conflicts of Interest. The General Partner has broad powers to conduct investment and money management activities outside the Partnership. These activities, which include management of one or more other domestic investment partnerships and one or more offshore managed funds (the "Managed Funds"), may create conflicts of interest with the Partnership with regard to such matters as allocation of opportunities to participate in particular investments. Other accounts affiliated with the General Partner may hold positions opposite to positions maintained on behalf of the Partnership. The Partnership will obtain no interest in any such outside investments or activities. The Partnership Agreement does not require the General Partner or his employees to devote all or any specified portion of their time to managing the

Partnership's affairs, but only to devote so much of their time to the Partnership's affairs as they reasonably believe necessary in good faith. The Partnership Agreement does not prohibit the General Partner or his affiliates from engaging in any other existing or future business, and the General Partner or his affiliates currently provide and anticipate continuing to provide investment management services to other clients. In addition, the General Partner or his employees may invest for their own accounts in various investment opportunities, including in investment partnerships. The General Partner may determine that an investment opportunity in a particular investment partnership is appropriate for a particular account, or for him, but not for the Partnership.

Other Activities. In addition to managing the Partnership, the General Partner manages the Managed Funds, which may have similar or different investment objectives to the Partnership. The General Partner may allocate overhead expenses among the Partnership and the Managed Funds on a fair basis, as determined by the General Partner. These other activities will require a substantial amount of the General Partner's time and effort.

Liability for Return of Distributions. Under Delaware law, any Limited Partner who receives a distribution from the Partnership shall be liable to the Partnership for the amount of the distribution to the extent such amount was distributed at a time that the liabilities of the Partnership exceeded the fair value of its assets and the Limited Partner knew of the state of the Partnership's financial condition at the time of such distribution.

Business and Regulatory Risks of Hedge Funds. Legal, tax and regulatory changes could occur during the term of the Partnership that may adversely affect the Partnership. The regulatory environment for hedge funds is evolving, and changes in the regulation of hedge funds may adversely affect the value of investments held by the Partnership and the ability of the Partnership to obtain the leverage it might otherwise obtain or to pursue its trading strategies. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. In addition, the regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on the Partnership could be substantial and adverse.

Terrorist Action. There is a risk of terrorist attacks on the United States and elsewhere causing significant loss of life and property damage and disruptions in global markets. Economic and diplomatic sanctions may be in place or imposed on certain states and military action may be commenced. The impact of such events is unclear, but could have a material effect on general economic conditions and market liquidity.

The Partnership

Limited Liquidity. An investment in the Partnership provides limited liquidity since Interests in the Partnership are not freely transferable and the withdrawal rights of holders of the Interests are restricted.

The General Partner may suspend withdrawal rights, in whole or in part, when there exists in the opinion of the General Partner a state of affairs where disposal of the

Partnership's assets, or the determination of the value of a Limited Partner's capital account, would not be reasonably practicable or would be seriously prejudicial to the non-withdrawing Limited Partners. Such limitations on liquidity must be considered significant.

Valuation of the Partnership's Assets. All securities, liabilities and other property will be assigned such values as the General Partner will reasonably determine to be their fair market value and such values shall be binding upon the Partners; provided that in the event a majority in interest of the Class A Limited Partners does not agree with any such determination, such disagreement will be submitted for resolution to a firm of independent certified public accountants (other than the partnership's auditors) which shall be mutually agreed upon by the General Partner and the majority in interest of the Class A Limited Partners. Any determination made by such firm of independent certified public accountants shall be final and binding upon the General Partner and Class A Limited Partners.

Required Withdrawals. The General Partner may cause any Limited Partner to withdraw from the Partnership in whole or in part. The withdrawal of such Limited Partner will be effective as of the date specified in such notice, which date shall not be less than 30 days after the date such notice is given. Such mandatory withdrawal may create adverse tax and/or economic consequences to the Limited Partner depending on the timing thereof in respect of the Partnership and the Limited Partner.

Cross Class Liability. All liabilities, irrespective of whatever class they are attributable to, shall (in the event of a winding up of the Partnership or a withdrawal of all of the Interests of a class), unless otherwise agreed upon with the creditors, be binding on the Partnership as a whole and, accordingly, liabilities of one class may impact on and be paid out of one or more other classes.

Layering of Fees. The Partnership may invest in Other Investment Entities. To the extent the Partnership invests in such Other Investment Entities, Limited Partners may be subject to management fees, incentive fees and expenses at both the level of the Partnership and the level of the underlying Other Investment Entities.

Reports to Limited Partners. The Partnership may offer certain Limited Partners additional information and reporting that other Limited Partners may not receive, and such information may affect a Limited Partner's decision to request a withdrawal of its Interests.

Competition. The securities industry generally, and the business of investing in reorganization related securities or instruments in particular, is extremely competitive, and is expected to remain so in the foreseeable future. As a result, the Partnership may underperform funds with similar investment strategies, or the market in general.

In-Kind Distributions. A withdrawing Limited Partner may, at the sole and absolute discretion of the General Partner, receive property other than cash. Any investments distributed in-kind may not be readily marketable or saleable and may have to be held by such Limited Partner for an indefinite period of time.

Statutory Regulations and Non-Registration. The financial services industry generally, and the activities of hedge funds and their managers, in particular, have been subject to intense and increasing regulatory scrutiny. Such scrutiny may increase the Partnership's exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight can also impose administrative burdens on the General Partner, including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may divert the General Partner's time, attention and resources from portfolio management activities.

While the Partnership may be considered similar to an investment company, it is not required and does not intend to register as such under the Company Act. The Partnership relies on the exclusion provided in under Section 3(c)(7) of the Company Act for entities whose securities are owned exclusively by "qualified purchasers," as defined in Section 2(a)(51) of the Company Act, and that do not publicly offer their securities. Investors in either Partnership must also be "accredited investors," as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act"). The General Partner, in its discretion, may decline to admit any investor. Accordingly, the provisions of the Company Act (which may provide certain regulatory safeguards to investors) will not be applicable. For example, the Partnership is not required to maintain custody of its own securities or place its securities in the custody of a bank or a member of a U.S. securities exchange, as required of registered investment companies under rules promulgated by the SEC. A registered investment company that places its securities in the custody of a member of a U.S. securities exchange is required to have a written custodian agreement, which provides that securities held in custody will be at all times individually segregated from the securities of any other person and marked to clearly identify such securities as the property of such investment company and which contains other provisions complying with SEC regulations. The General Partner generally maintains such accounts at brokerage firms that do not separately segregate such assets as would be required in the case of registered investment companies. Under the provisions of the Securities Investor Protection Act of 1970, as amended, the bankruptcy of any such brokerage firm might have a greater adverse effect on the Partnership than would be the case if the accounts were maintained to meet the requirements applicable to registered investment companies.

Liability for Return of Distributions. Under Delaware law, any Limited Partner who receives a distribution from the Partnership shall be liable to the Partnership for the amount of the distribution to the extent such amount was distributed at a time that the liabilities of the Partnership exceeded the fair value of its assets and the Limited Partner knew of the state of the Partnership's financial condition at the time of such distribution. Under Delaware law, a Limited Partner that receives a distribution from the Partnership will have no liability for the amount of the distribution after the expiration of three years from the date of the distribution.

Tax and Other Risks. Although the General Partner believes that the Partnership will be treated as a partnership for federal income tax purposes, no ruling has been, or will be, obtained from the Internal Revenue Service, to that effect and no opinion of counsel has been sought. If the Partnership is taxed not as a partnership but as a corporation it will, among other things, have to pay income tax on its earnings in the same manner and at the same rates as a corporation, and Partners would be subject to an additional tax on earnings distributed. If the

Partnership is treated as a partnership for tax purposes, Partners will be taxed on the Partnership's taxable income whether or not it is distributed. The General Partner does not intend to make distributions to the Limited Partners that reflect the taxable income of the Partnership and is not required to make any distributions except upon the withdrawal of capital by a Partner pursuant to the Partnership Agreement. Furthermore, a Limited Partner who withdraws capital from the Partnership in accordance with the Partnership Agreement may receive the amount so withdrawn in kind. Accordingly, in either such event, a Limited Partner may not receive sufficient liquid assets to pay income taxes attributable to his distributive share of Partnership income. Thus, Limited Partners may have to rely upon resources independent of their Interests to pay their obligations to the federal, state and local tax authorities.

Factors Affecting Investments. There are a number of factors which may adversely affect the ability of the Partnership to pursue its investment strategy. There is a limited availability of debt financing for takeovers of highly leveraged companies. Mergers of a certain size require approval of the U.S. Federal Trade Commission (the "FTC") or other government agencies because of potential antitrust implications. It is possible at any time for the FTC or other governmental agency to more vigorously enforce the antitrust laws affecting mergers. In addition, there are state laws aimed at curbing takeovers and courts have given management greater authority to employ defensive measures in the face of hostile takeover attempts where management believes doing so is in the long-term interests of the company. Many companies generally have adopted various measures aimed at making takeovers more difficult and expensive. Similarly, changing economic conditions, accounting standards and tax and securities laws (among other factors) may impair the profitability of the types of transactions in which the Partnership intends to invest, adversely affecting its operations.

PAST RESULTS MAY NOT BE INDICATIVE OF FUTURE PERFORMANCE. NO ASSURANCE CAN BE MADE THAT PROFITS WILL BE ACHIEVED OR THAT SUBSTANTIAL LOSSES WILL NOT BE INCURRED.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Partnership. Prospective investors should read this entire Confidential Offering Memorandum and consult with their own legal, tax and financial advisers before deciding to invest in the Partnership.

CONFLICTS OF INTEREST

The General Partner and his affiliates will provide investment management services to managed accounts and other investment partnerships or funds, some of which may have similar investment objectives to those of the Partnership. The portfolio strategies the General Partner and his affiliates may use for other investment funds or accounts could conflict with the transactions and strategies employed by the General Partner in managing the Partnership and affect the prices and availability of the securities and other financial instruments in which the Partnership invests.

The General Partner has agreed to devote substantially his entire time and effort during normal business hours to the management of the Partnership and other investment entities

managed by the Managing Partner, or their respective successors; provided, however, that the General Partner may act, consistent, however, with the foregoing, as a director, officer or employee of any corporation (including any corporation in which the Partnership is invested), a trustee of any trust, an executor or administrator of any estate, a partner of any partnership (including a partnership in which the Partnership is invested) or an administrative official of any other business entity, and may receive compensation and participate in profits in connection with any of the foregoing, and may trade in securities for his own account or for other accounts for investors including securities which are the same or different from those traded in or held by the Partnership. The terms of the Partnership Agreement do not restrict the General Partner or his affiliates from forming additional investment funds, from entering into other investment advisory relationships, or from engaging in other business activities, even though such activities may be in competition with the Partnership and/or may involve substantial time and resources of the General Partner or his affiliates. In the event the General Partner or any of his affiliates decide to engage in such activities in the future, the General Partner or his affiliates, as applicable, will undertake to engage in such activities in a manner that is consistent with their fiduciary duties, to the Partnership. Nevertheless, these activities could be viewed as creating a conflict of interest in that the time and effort of the General Partner and his affiliates will not be devoted exclusively to the business of the Partnership but will be allocated between the business of the Partnership and the management of the monies of other advisees of the General Partner and his affiliates.

When it is determined that it would be appropriate for the Partnership and one or more other funds and managed accounts managed of the General Partner or his affiliates to participate in an investment opportunity, the General Partner will seek to execute orders for all of the participating investment accounts, including the Partnership, on an equitable basis, taking into account such factors as the relative amounts of capital available for new investments, relative exposure to short-term market trends, and the investment programs and portfolio positions of the Partnership and the affiliated entities for which such participation is appropriate. Orders may be combined for all such accounts, and if any order is not filled at the same price, they may be allocated on an average price basis. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, securities may be allocated among the different accounts on a basis that the General Partner considers equitable.

The General Partner may share office space with third-party money managers. If the managers were to acquire inside information with respect to certain securities, the Partnership will be precluded from purchasing securities to which such inside information relates or be precluded from selling securities held by the Partnership that were purchased before the inside information was acquired.

Subject to internal compliance policies and approval procedures, the General Partner and his employees as well as members and employees of his affiliates, may engage, from time to time, in personal trading of securities and other instruments, including securities and instruments in which the Partnerships may invest. Any such trading will be either effected after the Partnerships have effected their transactions.

BROKERAGE COMMISSIONS

Portfolio transactions for the Partnership will be allocated to brokers on the basis of best execution and in consideration of a broker's ability to effect the transactions, its facilities, reliability and financial responsibility and the provision or payment by the broker of the costs of research and research-related services which are of benefit to the Partnership, the General Partner or related funds and accounts. Accordingly, the commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to the Partnership by brokers in the foregoing circumstances may be higher than those charged by other brokers who may not offer such services. The General Partner has not entered into, and does not expect to enter into, any written soft dollar arrangements.

Investors in the Partnership may include fund of funds affiliated with brokers or, possibly, brokerage firms themselves. The fact that any such investor has invested in the Partnership will not be taken into consideration in selecting brokers (including prime brokers).

The Partnership's securities transactions can be expected to generate a substantial amount of brokerage commissions and other compensation, all of which the Partnership, not the General Partner, will be obligated to pay. The General Partner will have complete discretion in deciding what brokers and dealers the Partnership will use and in negotiating the rates of compensation the Partnership will pay.

The Partnership will execute its trades through unaffiliated brokers, who may be selected on a basis other than that which will necessarily result in the lowest cost for each trade. Clearing, settlement and custodial services will be provided by one or more unaffiliated brokerage firms. Morgan Stanley & Co., Inc. and Bernard L. Madoff Investment Securities, LLC (the "Prime Brokers") currently serve as the principal prime brokers and custodians for the Partnership, and clear (generally on the basis of payment against delivery) the Partnership's securities transactions that are effected through other brokerage firms. The Partnership is not committed to continue its relationship with the Prime Brokers for any minimum period and the General Partner may select other or additional brokers to act as prime brokers for the Partnership.

From time to time, brokers (including the Prime Brokers) may assist the Partnership in raising additional funds from investors, and representatives of the General Partner may speak at conferences and programs sponsored by the Prime Brokers for investors interested in investing in hedge funds. Through such "capital introduction" events, prospective investors in the Partnership and the Offshore Fund have the opportunity to meet with the General Partner. Neither the General Partner nor the Partnership compensate the Prime Brokers for organizing such events or for any investments ultimately made by prospective investors attending such events. However, such events and other services (including, without limitation, capital introduction services) provided by the Prime Brokers may influence the General Partner in deciding whether to use such prime broker in connection with brokerage, financing and other activities of the Partnership. However, the General Partner will not commit to a broker to allocate a particular amount of brokerage in any such situation.

OUTLINE OF PARTNERSHIP AGREEMENT

The following outline summarizes the material provisions of the Limited Partnership Agreement that are not discussed elsewhere in this Confidential Offering Memorandum. This outline is only a summary and is not definitive, and each prospective Limited Partner should carefully read the Partnership Agreement in its entirety.

Limited Liability. No Limited Partner will be bound by or be liable for the repayment, satisfaction or discharge of any debts, liabilities or obligations of the Partnership except to the extent of (i) such Partner's Capital Account, and (ii) as may otherwise be required by applicable law.

Term. The Partnership will continue indefinitely the first to occur of the following: (i) a determination by the General Partner that the Partnership should be dissolved or (ii) the death, bankruptcy, retirement or insanity of the General Partner which prevents him from devoting substantially his entire time, skill and attention to the Partnership and other funds and managed accounts for a period of 90 days; (iii) December 31, 2015; or (iv) any event causing the dissolution of the Partnership under the laws of the State of Delaware.

Management. The management of the Partnership will be vested exclusively in the General Partner. Except as authorized by the General Partner, the Limited Partners will have no part in the management of the Partnership and will have no authority or right to act on behalf of the Partnership in connection with any matter. The General Partner and his affiliates may engage in any other business venture, and neither the Partnership nor any Limited Partner will have any rights in or to such ventures or the income or profits derived therefrom.

Capital Accounts. Each Partner will have a Capital Account equal initially to the amount of cash or the value of property contributed by him. The General Partner may permit additional capital contributions and may admit new Limited Partners. The General Partner will not be personally liable for the return of capital contributions, and no interest will be payable thereon.

Withdrawals of Capital. A Class C Limited Partner may withdraw all or part of such Class C Limited Partner's Capital Account at the end of the calendar quarter after the two year anniversary of the date such Interests were purchased (the "First Withdrawal Date"), and, thereafter, on each anniversary of the First Withdrawal Date upon 45 days prior written notice to the General Partner.

A Class A Limited Partner may withdraw all or part of his Capital Account from the Partnership on 45 days prior written notice on December 31 of any year.

A Class B Limited Partner may withdraw all or part of its Capital Account from the Partnership on 25 days prior written notice on the last Business Day of each March, June, September and December of any fiscal year.

The withdrawing Partner will receive the amount of his Capital Account to be withdrawn (less reserves determined by the General Partner for contingent liabilities) within 90 days after withdrawal. All amounts remaining unpaid (less reserves) will begin to bear interest

at a rate equal to a specified broker's call rate for the period beginning 30 days after the effective date of such withdrawal and ending 90 days after the effective date of such withdrawal.

A distribution in respect of a withdrawal may be made in cash or in kind, as determined by the General Partner in its discretion. In-kind distributions will be made to withdrawing Limited Partners on a *pro rata* basis. The General Partner may waive notice requirements or permit withdrawals under such other circumstances and conditions as it, in its sole discretion, deems appropriate.

Limited Partners may not otherwise make withdrawals, and the Partnership does not plan to make *pro rata* distributions to Partners on an on going basis.

Required Withdrawals. The General Partner may, in its sole discretion, terminate the Interest of any Limited Partner, in whole or in part, upon at least thirty days prior written notice.

Suspension of Withdrawal Rights. The General Partner, by written notice to any Limited Partner, may suspend the withdrawal rights of such Limited Partner if the General Partner reasonably deems it necessary to do so to comply with anti-money laundering laws and regulations applicable to the Partnership, the General Partner or any of the Partnership's other service providers. (See "Anti-Money Laundering Regulations.")

General Partner Withdrawals. The General Partner may withdraw any or all of his Capital Account at any time; provided, however, that at all times the General Partner, will maintain at least a 1% interest in the Partnership. In addition, the General Partner may withdraw from his Capital Account each year, as advances against any future withdrawals by the General Partner, amounts which in the aggregate do not exceed approximately 50% of the General Partner's share of the profits of the Partnership at the time of such withdrawal, all as estimated by the General Partner. Withdrawals pursuant to the preceding sentence will not reduce the General Partner's Capital Account until the end of the year.

Withdrawal, Death, Disability, Etc. of a Limited Partner. In the event of the death, bankruptcy or adjudicated incompetency of a Limited Partner, the Interest of such Limited Partner shall continue until the later of (a) the first to occur of the last day of the fiscal year of the Partnership in which such event takes place (the "Year of Determination") or the earlier termination of the Partnership, and (2) the day 60 days after the date of such Limited Partner's death, bankruptcy or incompetency. If the Partnership shall be continued after the expiration of the Year of Determination, such Limited Partner shall be deemed to have withdrawn from the Partnership as of the later of the last day of the Year of Determination and 60 days after the date of such Partner's death, bankruptcy or incompetency.

Types of Securities in which the Partnership May Invest. The Partnership Agreement authorizes the Partnership to engage in any and all activities permitted under applicable law, including trading equity securities (including restricted equity securities), equity options, equity related convertible securities, interest-bearing or interest rate sensitive marketable securities (including those issued or guaranteed by the United States Government or its agencies or instrumentalities) and other instruments or evidences of ownership interest,

bonds, trade creditor claims and other instruments evidencing debt obligations, currency and commodities contracts, options, futures and forward contracts with respect to any of the foregoing, and any other instruments which are traded in normal channels of trading for securities, debt instruments, and to engage in transactions in connection with mergers, consolidations, acquisitions, transfers of assets, tender offers, exchange offers, recapitalizations, proxy fights, liquidations, bankruptcies or other similar transactions.

Valuation of Partnership Assets and Liabilities. All securities, liabilities and other property shall be assigned such values as the General Partner will reasonably determine to be their fair market value and such values will be binding upon the Partners; provided that in the event a majority in interest of the Class A Limited Partners does not agree with any such determination, such disagreement shall be submitted for resolution to a firm of independent certified public accountants (other than the partnership's auditors) which shall be mutually agreed upon by the General Partner and the majority in interest of the Class A Limited Partners. Any determination made by such firm of independent certified public accountants shall be final and binding upon the General Partner and the Class A Limited Partners. No value will be attributable to the goodwill, if any, of the business and for the firm name of the Partnership. The costs of retaining such accountants shall be paid by the Partnership].

Assignability of Interests. No Limited Partner or transferee thereof will, without the prior written consent of the General Partner, which may be withheld in his sole discretion, create, or suffer the creation of, a security interest in such Limited Partner's Interest. Except for sales, transfers, assignments or other dispositions (i) by last will and testament, (ii) by operation of law, or (iii) to an affiliate of a Limited Partner, without the prior written consent of the General Partner, which may be withheld in his sole discretion, no Limited Partner will sell, transfer, assign, or in any manner dispose of such Limited Partner's Interest, in whole or in part, nor enter into any agreement as the result of which any person becomes interested with such Limited Partner therein. (See "Limitations on Transferability; Suitability Requirements.")

Admission of New Partners. The General Partner may admit one or more additional Limited Partners at any time in its sole and absolute discretion. The General Partner may do all things appropriate or convenient in connection with the admission of any additional Limited Partner. Additional Limited Partners will be required to execute an agreement pursuant to which it becomes bound by the terms of the Partnership Agreement.

Amendments to The Partnership Agreement. The Partnership Agreement may not be amended except by a writing executed by the General Partner and by a majority in interest of the Limited Partners; *provided, however*, that (a) without the consent of all the Partners, no such amendment will change the Partnership to a general partnership, reduce the liabilities, obligations or responsibilities of the General Partner or increase the liabilities, obligations or responsibilities of the Limited Partners, and (b) without the consent of each Partner affected thereby, no such amendment will reduce the Capital Account of any Partner or alter or modify his interest in Partnership income, distributions or Partnership Losses; and *provided further, however*, that the General Partner may amend the Partnership Agreement without the consent of any of the other Partners to reflect changes validly made in the membership of the Partnership; to reflect changes in the Capital Accounts of the Partners resulting from operation of the

Partnership Agreement and, subject to other provisos of the Partnership Agreement, to reflect the creation of additional classes of Limited Partners. Notwithstanding any of the foregoing provisions, the Partnership Agreement shall be amended from time to time in each and every manner to comply with the then existing requirements of the Code, the Treasury Regulations and the rulings of the Internal Revenue Service affecting the status of the Partnership as a partnership for federal income tax purposes, and no amendment will be proposed which shall directly or indirectly affect or jeopardize the then status of the Partnership as a partnership for federal income tax purposes.

Reports to Partners. The Partnership will provide to the Partners unaudited financial statements within 35 days after the end of each calendar quarter (other than the last) and will furnish to them annual audited financial statements within 90 days after year end, and tax information as soon thereafter as practicable.

Indemnification. The Partnership Agreement provides that the Partnership will indemnify, defend and hold the General Partner and, if expressly directed by the General Partner, the Partnership's agents, employees, advisors and consultants, harmless from and against any loss, liability, damage, cost or expense, including reasonable attorneys' fees, in defense of any demands, claims or lawsuits against the General Partner or such other persons, in or as a result of or relating to his capacity, actions or omissions as General Partner or as an agent, employee, advisor, or consultant, concerning the business, or activities undertaken on behalf, of the Partnership, including, without limitation, any demands, claims or lawsuits initiated by a Limited Partner or resulting from or relating to the offer and sale of the Interests, provided that the acts or omissions of such General Partner or other person are not the result of bad faith, gross negligence, recklessness, fraud or intentional misconduct, or such a lesser standard of conduct as under applicable law prevents indemnification hereunder, or were taken in the knowledge that such actions were not within the stated purposes and powers of the Partnership.

The General Partner, and any other indemnified person, will be entitled to receive, upon application therefor, advances to cover the costs of defending any claim or action against him; provided that such advances will be repaid to the Partnership if the General Partner or other person violated any of the standards set forth in the preceding paragraph. All rights of the General Partner and others to indemnification will survive the dissolution of the Partnership and the death, retirement, removal, dissolution, incompetency or insolvency of either the General Partner or an agent, employee, or advisor, or others, provided that notice of a potential claim for indemnification hereunder is made by or on behalf of the person seeking such indemnification prior to the time distribution in liquidation of the property of the Partnership is made.

If the Partnership is made a party to any claim, dispute or litigation or otherwise incurs any loss, liability, damage, cost or expense (i) as a result of or in connection with the General Partner's obligations or liabilities unrelated to the Partnership business, or (ii) by reason of his bad faith, gross negligence, recklessness, fraud or intentional misconduct, or by reason of actions taken in the knowledge that such actions were not within the stated purposes and powers of the Partnership, the General Partner shall indemnify and reimburse the Partnership for all loss, liability, damage, cost and expense incurred, including reasonable attorneys' fees.

TAX ASPECTS

CIRCULAR 230 NOTICE. **THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE: (1) ANY U.S. FEDERAL TAX ADVICE CONTAINED HEREIN, INCLUDING ANY OPINION OF COUNSEL REFERRED TO HEREIN, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (2) ANY SUCH ADVICE IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS DESCRIBED HEREIN (OR IN ANY SUCH OPINION OF COUNSEL); AND (3) EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

The following is a summary of certain aspects of the income taxation of the Partnership and its Limited Partners which should be considered by a prospective Limited Partner. The Partnership has not sought a ruling from the Internal Revenue Service (the "Service") or any other Federal, state or local agency with respect to any of the tax issues affecting the Partnership, nor has it obtained an opinion of counsel with respect to any tax issues.

This summary of certain aspects of the Federal income tax treatment of the Partnership is based upon the Internal Revenue Code of 1986, as amended (the "Code"), judicial decisions, Treasury Regulations (the "Regulations") and rulings in existence on the date hereof, all of which are subject to change. This summary does not discuss the impact of various proposals to amend the Code which could change certain of the tax consequences of an investment in the Partnership. This summary also does not discuss all of the tax consequences that may be relevant to a particular investor or to certain investors subject to special treatment under the Federal income tax laws, such as insurance companies.

EACH PROSPECTIVE LIMITED PARTNER SHOULD CONSULT WITH ITS OWN TAX ADVISER IN ORDER FULLY TO UNDERSTAND THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME TAX CONSEQUENCES OF AN INVESTMENT IN THE PARTNERSHIP.

In addition to the particular matters set forth in this section, tax-exempt organizations should review carefully those sections of the Memorandum regarding liquidity and other financial matters to ascertain whether the investment objectives of the Partnership are consistent with their overall investment plans. Each prospective tax-exempt Limited Partner is urged to consult its own counsel regarding the acquisition of Interests.

Tax Treatment of Partnership Operations

Classification of the Partnership. The Partnership operates as a partnership for Federal tax purposes that is not a publicly traded partnership taxable as a corporation. If it were determined that the Partnership should be taxable as a corporation for Federal tax purposes (as a result of changes in the Code, the Regulations or judicial interpretations thereof, a material adverse change in facts, or otherwise), the taxable income of the Partnership would be subject to corporate income tax when recognized by the Partnership; distributions of such income, other

than in certain redemptions of Interests, would be treated as dividend income when received by the Partners to the extent of the current or accumulated earnings and profits of the Partnership; and Partners would not be entitled to report profits or losses realized by the Partnership.

UNLESS OTHERWISE INDICATED, REFERENCES IN THE FOLLOWING DISCUSSION OF THE TAX CONSEQUENCES OF PARTNERSHIP INVESTMENTS, ACTIVITIES, INCOME, GAIN AND LOSS, INCLUDE THE DIRECT INVESTMENTS, ACTIVITIES, INCOME, GAIN AND LOSS OF THE PARTNERSHIP, AND THOSE INDIRECTLY ATTRIBUTABLE TO THE PARTNERSHIP AS A RESULT OF IT BEING AN INVESTOR IN OTHER INVESTMENT ENTITIES.

As a partnership, the Partnership is not itself subject to Federal income tax. The Partnership files an annual partnership information return with the Service which reports the results of operations. Each Partner is required to report separately on its income tax return its distributive share of the Partnership's net long-term capital gain or loss, net short-term capital gain or loss and all other items of ordinary income or loss. Each Partner is taxed on its distributive share of the Partnership's taxable income and gain regardless of whether it has received or will receive a distribution from the Partnership.

Allocation of Profits and Losses. Under the Partnership Agreement, the Partnership's net capital appreciation or net capital depreciation for each accounting period is allocated among the Partners and to their capital accounts without regard to the amount of income or loss actually recognized by the Partnership for Federal income tax purposes. The Partnership Agreement provides that items of income, deduction, gain, loss or credit actually recognized by the Partnership for each fiscal year generally are to be allocated for income tax purposes among the Partners pursuant to the principles of Regulations issued under Sections 704(b) and 704(c) of the Code.

Under the Partnership Agreement, the General Partner has the discretion to allocate income, gains, losses, deductions and credits to take into account the differences between income for tax purposes and for Partnership book purposes. There can be no assurance that, if the General Partner makes such a special allocation, the Service will accept such allocation. If such allocation is successfully challenged by the Service, the Partnership's gains allocable to the Partners would be increased.

Tax Elections; Returns; Tax Audits. The Code generally provides for optional adjustments to the basis of partnership property upon distributions of partnership property to a partner and transfers of partnership interests (including by reason of death) provided that a partnership election has been made pursuant to Section 754. Under the Partnership Agreement, the General Partner, in its sole discretion, may cause the Partnership to make or refrain from making such an election. Any such election, once made, cannot be revoked without the Service's consent. The actual effect of any such election may depend upon whether any Other Investment Entities also make such an election. As a result of the complexity and added expense of the tax accounting required to implement such an election, the General Partner presently does not intend to make such election.

The General Partner decides how to report the partnership items on the Partnership's tax returns, and all Partners are required under the Code to treat the items consistently on their own returns, unless they file a statement with the Service disclosing the inconsistency. Given the uncertainty and complexity of the tax laws, it is possible that the Service may not agree with the manner in which the Partnership's items have been reported. In the event the income tax returns of the Partnership are audited by the Service, the tax treatment of the Partnership's income and deductions generally is determined at the limited partnership level in a single proceeding rather than by individual audits of the Partners. The General Partner, designated as the "Tax Matters Partner", has considerable authority to make decisions affecting the tax treatment and procedural rights of all Partners. In addition, the Tax Matters Partner has the authority to bind certain Partners to settlement agreements and the right on behalf of all Partners to extend the statute of limitations relating to the Partners' tax liabilities with respect to Partnership items.

Mandatory Basis Adjustments. Under new legislation, the Partnership is generally required to adjust its tax basis in its assets in respect of all Partners in cases of partnership distributions that result in a "substantial basis reduction" (i.e., in excess of $250,000) in respect of the partnership's property. The Partnership is also required to adjust its tax basis in its assets in respect of a transferee, in the case of a sale or exchange of an interest, or a transfer upon death, when there exists a "substantial built-in loss" (i.e., in excess of $250,000) in respect of partnership property immediately after the transfer. For this reason, the Partnership will require (i) a Partner who receives a distribution from the Partnership in connection with a complete withdrawal, (ii) a transferee of an Interest (including a transferee in case of death) and (iii) any other Partner in appropriate circumstances to provide the Partnership with information regarding its adjusted tax basis in its Interest.

Tax Consequences to a Withdrawing Limited Partner

A Limited Partner receiving a cash liquidating distribution from the Partnership, in connection with a complete withdrawal from the Partnership, generally will recognize capital gain or loss to the extent of the difference between the proceeds received by such Limited Partner and such Limited Partner's adjusted tax basis in its partnership interest. Such capital gain or loss will be short-term, long-term, or some combination of both, depending upon the timing of the Limited Partner's contributions to the Partnership. However, a withdrawing Limited Partner will recognize ordinary income to the extent such Limited Partner's allocable share of the Partnership's "unrealized receivables" exceeds the Limited Partner's basis in such unrealized receivables (as determined pursuant to the Regulations). For these purposes, accrued but untaxed market discount, if any, on securities held by the Partnership will be treated as an unrealized receivable, with respect to which a withdrawing Limited Partner would recognize ordinary income. A Limited Partner receiving a cash nonliquidating distribution will recognize income in a similar manner only to the extent that the amount of the distribution exceeds such Limited Partner's adjusted tax basis in its partnership interest.

Distributions of Property. A partner's receipt of a distribution of property from a partnership is generally not taxable. However, under Section 731 of the Code, a distribution consisting of marketable securities generally is treated as a distribution of cash (rather than

property) unless the distributing partnership is an "investment partnership" within the meaning of Section 731(c)(3)(C)(i) and the recipient is an "eligible partner" within the meaning of Section 731(c)(3)(C)(iii). The Partnership will determine at the appropriate time whether it qualifies as an "investment partnership." Assuming it so qualifies, if a Limited Partner is an "eligible partner", which term should include a Limited Partner whose contributions to the Partnership consisted solely of cash, the rule treating a distribution of property as a distribution of cash would not apply.

Tax Treatment of Partnership Investments

In General. The Partnership expects to act as a trader, and not as a dealer, with respect to its securities transactions. A trader is a person who buys and sells securities for its own account. A dealer, on the other hand, is a person who purchases securities for resale to customers rather than for investment or speculation. The Partnership has taken the position that its securities trading activity constitutes a trade or business for Federal income tax purposes. However, there can be no assurance that the Service will agree that the Partnership's securities activities will constitute trading rather than investing.

Generally, the gains and losses realized by a trader on the sale of securities are capital gains and losses. Capital gains and losses recognized by the Partnership may be long-term or short-term depending, in general, upon the length of time the Partnership maintains a particular investment position and, in some cases, upon the nature of the transaction. Property held for more than one year generally will be eligible for long-term capital gain or loss treatment. The application of certain rules relating to short sales, to so-called "straddle" and "wash sale" transactions and to Section 1256 Contracts (defined below) may serve to alter the treatment of the Partnership's securities positions.[1]

The Partnership may also realize ordinary income and losses with respect to its transactions. The Partnership may hold debt obligations with "original issue discount." In such case the Partnership would be required to include amounts in taxable income on a current basis even though receipt of such amounts may occur in a subsequent year.

The maximum ordinary income tax rate for individuals is 35%[2] and, in general, the maximum individual income tax rate for "Qualified Dividends"[3] and long-term capital gains is 15%[4] (unless the taxpayer elects to be taxed at ordinary rates - see "Limitation on

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[1] Generally, in the absence of Regulations requiring it, the Partnership will not treat positions held through different investment advisory agreements or Other Investment Entities as offsetting positions for purposes of the straddle rules.

[2] This rate is scheduled to increase to 39.6% in 2011.

[3] A "Qualified Dividend" is generally a dividend from certain domestic corporations, and from certain foreign corporations that are either eligible for the benefits of a comprehensive income tax treaty with the United States or are readily tradable on an established securities market in the United States. Shares must be held for certain holding periods in order for a dividend thereon to be a Qualified Dividend.

[4] The maximum individual long-term capital gains tax rate is 20% for sales or exchanges on or after January 1, 2009. The 15% maximum individual tax rate on Qualified Dividends is scheduled to expire on December 31, 2008.

Deductibility of Interest and Short Sale Expenses" below), although in all cases the actual rates may be higher due to the phase out of certain tax deductions, exemptions and credits. The excess of capital losses over capital gains may be offset against the ordinary income of an individual taxpayer, subject to an annual deduction limitation of $3,000. Capital losses of an individual taxpayer may generally be carried forward to succeeding tax years to offset capital gains and then ordinary income (subject to the $3,000 annual limitation). For corporate taxpayers, the maximum income tax rate is 35%. Capital losses of a corporate taxpayer may be offset only against capital gains, but unused capital losses may be carried back three years (subject to certain limitations) and carried forward five years.

Section 1256 Contracts. In the case of Section 1256 Contracts, the Code generally applies a "mark-to-market" system of taxing unrealized gains and losses on such contracts and otherwise provides for special rules of taxation. A Section 1256 Contract includes certain regulated futures contracts and certain other contracts. Under these rules, Section 1256 Contracts held by the Partnership at the end of each taxable year of the Partnership are treated for Federal income tax purposes as if they were sold by the Partnership for their fair market value on the last business day of such taxable year. The net gain or loss, if any, resulting from such deemed sales (known as "marking to market"), together with any gain or loss resulting from actual sales of Section 1256 Contracts, must be taken into account by the Partnership in computing its taxable income for such year. If a Section 1256 Contract held by the Partnership at the end of a taxable year is sold in the following year, the amount of any gain or loss realized on such sale will be adjusted to reflect the gain or loss previously taken into account under the "mark-to-market" rules.

With certain exceptions, capital gains and losses from such Section 1256 Contracts generally are characterized as short-term capital gains or losses to the extent of 40% thereof and as long-term capital gains or losses to the extent of 60% thereof. If an individual taxpayer incurs a net capital loss for a year, the portion thereof, if any, which consists of a net loss on Section 1256 Contracts may, at the election of the taxpayer, be carried back three years. Losses so carried back may be deducted only against net capital gain to the extent that such gain includes gains on Section 1256 Contracts. A Section 1256 Contract does not include any "securities futures contract" or any option on such a contract, other than a "dealer securities futures contract" (See "Certain Securities Futures Contracts").

Certain Securities Futures Contracts. Generally, a securities futures contract is a contract of sale for future delivery of a single security or a narrow-based security index. Any gain or loss from the sale or exchange of a securities futures contract (other than a "dealer securities futures contract") is treated as gain or loss from the sale or exchange of property that has the same character as the property to which the contract relates has (or would have) in the hands of the taxpayer. If the underlying security would be a capital asset in the taxpayer's hands, then gain or loss from the sale or exchange of the securities futures contract would be capital gain or loss. Capital gain or loss from the sale or exchange of a securities futures contract to sell property (i.e., the short side of a securities futures contract) generally will be short term capital gain or loss.

A "dealer securities futures contract" is treated as a Section 1256 Contract. A "dealer securities futures contract" is a securities futures contract, or an option to enter into such a contract, that (1) is entered into by a dealer (or, in the case of an option, is purchased or granted by the dealer) in the normal course of its trade or business activity of dealing in the contracts and (2) is traded on a qualified board of trade or exchange.

Mixed Straddle Election. The Code allows a taxpayer to elect to offset gains and losses from positions which are part of a "mixed straddle." A "mixed straddle" is any straddle in which one or more but not all positions are Section 1256 Contracts. Pursuant to Temporary Regulations, the Partnership (and any Other Investment Entities) may be eligible to elect to establish one or more mixed straddle accounts for certain of its mixed straddle trading positions. The mixed straddle account rules require a daily "marking to market" of all open positions in the account and a daily netting of gains and losses from positions in the account. At the end of a taxable year, the annual net gains or losses from the mixed straddle account are recognized for tax purposes. The application of the Temporary Regulations' mixed straddle account rules is not entirely clear. Therefore, there is no assurance that a mixed straddle account election by the Partnership will be accepted by the Service.

Possible "Mark-to-Market" Election. To the extent that the Partnership is directly engaged in a trade or business as a trader in "securities," it may elect under Section 475 of the Code to "mark-to-market" the securities held in connection with such trade or business. Under such election, securities held by the Partnership at the end of each taxable year will be treated as if they were sold by the Partnership for their fair market value on the last day of such taxable year, and gains or losses recognized thereon will be treated as ordinary income or loss. Moreover, even if the Partnership determines that its securities activities will constitute trading rather than investing, there can be no assurance that the Service will agree, in which case the Partnership may not be able to mark-to-market its positions.

Short Sales. Gain or loss from a short sale of property is generally considered as capital gain or loss to the extent the property used to close the short sale constitutes a capital asset in the Partnership's hands. Except with respect to certain situations where the property used to close a short sale has a long-term holding period on the date the short sale is entered into, gains on short sales generally are short-term capital gains. A loss on a short sale will be treated as a long-term capital loss if, on the date of the short sale, "substantially identical property" has been held by the Partnership for more than one year. In addition, these rules may also terminate the running of the holding period of "substantially identical property" held by the Partnership.

Gain or loss on a short sale will generally not be realized until such time that the short sale is closed. However, if the Partnership holds a short sale position with respect to stock, certain debt obligations or partnership interests that has appreciated in value and then acquires property that is the same as or substantially identical to the property sold short, the Partnership generally will recognize gain on the date it acquires such property as if the short sale were closed on such date with such property. Similarly, if the Partnership holds an appreciated financial position with respect to stock, certain debt obligations, or partnership interests and then enters into a short sale with respect to the same or substantially identical property, the Partnership generally will recognize gain as if the appreciated financial position were sold at its fair market

value on the date it enters into the short sale. The subsequent holding period for any appreciated financial position that is subject to these constructive sale rules will be determined as if such position were acquired on the date of the constructive sale.

Effect of Straddle Rules on Limited Partners' Securities Positions. The Service may treat certain positions in securities held (directly or indirectly) by a Partner and its indirect interest in similar securities held by the Partnership as "straddles" for Federal income tax purposes. Investors should consult their tax advisors regarding the application of the "straddle" rules to their investment in the Partnership.[5]

Limitation on Deductibility of Interest and Short Sale Expenses. For noncorporate taxpayers, Section 163(d) of the Code limits the deduction for "investment interest" (i.e., interest or short sale expenses for "indebtedness properly allocable to property held for investment"). Investment interest is not deductible in the current year to the extent that it exceeds the taxpayer's "net investment income," consisting of net gain and ordinary income derived from investments in the current year less certain directly connected expenses (other than interest or short sale expenses). For this purpose, Qualified Dividends and long-term capital gains are excluded from net investment income unless the taxpayer elects to pay tax on such amounts at ordinary income tax rates.

For purposes of this provision, the Partnership's activities (other than certain activities that are treated as "passive activities" under Section 469 of the Code) will be treated as giving rise to investment income for a Limited Partner, and the investment interest limitation would apply to a noncorporate Limited Partner's share of the interest and short sale expenses attributable to the Partnership's operation. In such case, a noncorporate Limited Partner would be denied a deduction for all or part of that portion of its distributive share of the Partnership's ordinary losses attributable to interest and short sale expenses unless it had sufficient investment income from all sources including the Partnership. A Limited Partner that could not deduct losses currently as a result of the application of Section 163(d) would be entitled to carry forward such losses to future years, subject to the same limitation. The investment interest limitation would also apply to interest paid by a noncorporate Limited Partner on money borrowed to finance its investment in the Partnership. Potential investors are advised to consult with their own tax advisers with respect to the application of the investment interest limitation in their particular tax situations.

Deductibility of Partnership Investment Expenditures and Certain Other Expenditures. Investment expenses (e.g., investment advisory fees) of an individual, trust or estate are deductible only to the extent they exceed 2% of adjusted gross income.[6] In addition,

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[5] The Partnership will not generally be in a position to furnish to Partners information regarding the securities positions of the Other Investment Entities which would permit a Partner to determine whether its transactions in securities, which are also held by such Other Investment Entities, should be treated as offsetting positions for purposes of the straddle rules.

[6] However, Section 67(e) of the Code provides that, in the case of a trust or an estate, such limitation does not apply to deductions or costs which are paid or incurred in connection with the administration of the estate or trust and would not have been incurred if the property were not held in such trust or estate. There is a disagreement among three Federal Courts of Appeals on the question of whether the investment advisory fees

the Code further restricts the ability of an individual with an adjusted gross income in excess of a specified amount (for 2006, $150,500 or $75,250 for a married person filing a separate return) to deduct such investment expenses. Under such provision, there is a limitation on the deductibility of investment expenses in excess of 2% of adjusted gross income to the extent such excess expenses (along with certain other itemized deductions) exceed the lesser of (i) 3% of the excess of the individual's adjusted gross income over the specified amount or (ii) 80% of the amount of certain itemized deductions otherwise allowable for the taxable year.[7] Moreover, such investment expenses are miscellaneous itemized deductions which are not deductible by a noncorporate taxpayer in calculating its alternative minimum tax liability.

Pursuant to Temporary Regulations issued by the Treasury Department, these limitations on deductibility should not apply to a noncorporate Limited Partner's share of the expenses of the Partnership to the extent the Partnership is engaged, as it expects to be, in a trade or business within the meaning of the Code. These limitations will apply, however, to a noncorporate Limited Partner's share of the investment expenses of the Partnership (including the Management Fee, payments made on certain derivative instruments (if any) and any fee payable to the managers of Other Investment Entities), to the extent such expenses are allocable to Other Investment Entities that are not in a trade or business within the meaning of the Code. The Partnership intends to treat its expenses attributable to the Other Investment Entities that are engaged in trade or business within the meaning of the Code or to the trading activity of the Partnership as not being subject to the foregoing limitations on deductibility, although there can be no assurance that the Service may not treat such expenses as investment expenses which are subject to the limitations.

The consequences of these limitations will vary depending upon the particular tax situation of each taxpayer. Accordingly, noncorporate Limited Partners should consult their tax advisers with respect to the application of these limitations.

A Limited Partner will not be allowed to deduct syndication expenses attributable to the acquisition of an Interest paid by such Limited Partner or the Partnership. Any such amounts will be included in the Limited Partner's adjusted tax basis for its Interest.

Recently enacted legislation includes a provision (adding a new Section 470 of the Code) which may defer certain deductions of the Partnership to the extent any direct or indirect investors of the Partnership are tax exempt persons, non-U.S. persons, and any domestic government organizations or instrumentalities thereof. If applicable, this provision could have an adverse effect on taxable investors in the Partnership. There is some uncertainty regarding the scope of the new provision and its applicability to the Partnership, which may be addressed

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incurred by a trust are exempt (under Section 67(e)) from the 2% of adjusted gross income floor on deductibility. Limited Partners that are trusts or estates should consult their tax advisors as to the applicability of these cases to the investment expenses that are allocated to them.

[7] Under recently enacted legislation, the latter limitation on itemized deductions has been reduced starting in calendar year 2006, will be further reduced starting in 2008, and will be completely eliminated in 2010. However, this legislation contains a "sunset" provision that will result in the limitation on itemized deductions being restored in 2011.

in future guidance or legislation. Investors should consult their tax advisors regarding the consequences of this new provision with respect to an investment in the Partnership.

Application of Rules for Income and Losses from Passive Activities. The Code restricts the deductibility of losses from a "passive activity" against certain income which is not derived from a passive activity. This restriction applies to individuals, personal service corporations and certain closely held corporations. Pursuant to Temporary Regulations issued by the Treasury Department, income or loss from the Partnership's securities investment and trading activity generally will not constitute income or loss from a passive activity. Therefore, passive losses from other sources generally could not be deducted against a Limited Partner's share of such income and gain from the Partnership. Income or loss attributable to certain activities of the Partnership, including investments in partnerships engaged in certain trades or businesses, certain private claims or certain fundings of reorganization plans may constitute passive activity income or loss.

Application of Basis and "At Risk" Limitations on Deductions. The amount of any loss of the Partnership that a Limited Partner is entitled to include in its income tax return is limited to its adjusted tax basis in its Interest as of the end of the Partnership's taxable year in which such loss occurred. Generally, a Limited Partner's adjusted tax basis for its Interest is equal to the amount paid for such Interest, increased by the sum of (i) its share of the Partnership's liabilities, as determined for Federal income tax purposes, and (ii) its distributive share of the Partnership's realized income and gains, and decreased (but not below zero) by the sum of (i) distributions (including decreases in its share of Partnership liabilities) made by the Partnership to such Limited Partner and (ii) such Limited Partner's distributive share of the Partnership's realized losses and expenses.

Similarly, a Limited Partner that is subject to the "at risk" limitations (generally, non-corporate taxpayers and closely held corporations) may not deduct losses of the Partnership to the extent that they exceed the amount such Limited Partner has "at risk" with respect to its Interest at the end of the year. The amount that a Limited Partner has "at risk" will generally be the same as its adjusted basis as described above, except that it will generally not include any amount attributable to liabilities of the Partnership or any amount borrowed by the Limited Partner on a non-recourse basis.

Losses denied under the basis or "at risk" limitations are suspended and may be carried forward in subsequent taxable years, subject to these and other applicable limitations.

"Phantom Income" From Partnership Investments. Pursuant to various "anti-deferral" provisions of the Code (the "Subpart F" and "passive foreign investment company" provisions), investments (if any) by the Partnership in certain foreign corporations may cause a Limited Partner to (i) recognize taxable income prior to the Partnership's receipt of distributable proceeds, (ii) pay an interest charge on receipts that are deemed as having been deferred or (iii) recognize ordinary income that, but for the "anti-deferral" provisions, would have been treated as long-term or short-term capital gain.

Foreign Taxes

It is possible that certain dividends and interest directly or indirectly received by the Partnership from sources within foreign countries will be subject to withholding taxes imposed by such countries. In addition, the Partnership or the Other Investment Entities may also be subject to capital gains taxes in some of the foreign countries where they purchase and sell securities. Tax treaties between certain countries and the United States may reduce or eliminate such taxes. It is impossible to predict in advance the rate of foreign tax the Partnership will directly or indirectly pay since the amount of the Partnership's assets to be invested in various countries is not known.

The Limited Partners will be informed by the Partnership as to their proportionate share of the foreign taxes paid by the Partnership or the Other Investment Entities, which they will be required to include in their income. The Limited Partners generally will be entitled to claim either a credit (subject, however, to various limitations on foreign tax credits) or, if they itemize their deductions, a deduction (subject to the limitations generally applicable to deductions) for their share of such foreign taxes in computing their Federal income taxes. A Limited Partner that is tax-exempt will not ordinarily benefit from such credit or deduction.

Unrelated Business Taxable Income

Generally, an exempt organization is exempt from Federal income tax on its passive investment income, such as dividends, interest and capital gains, whether realized by the organization directly or indirectly through a partnership in which it is a partner.[8] This type of income is exempt even if it is realized from securities trading activity which constitutes a trade or business.

This general exemption from tax does not apply to the "unrelated business taxable income" ("UBTI") of an exempt organization. Generally, except as noted above with respect to certain categories of exempt trading activity, UBTI includes income or gain derived (either directly or through partnerships) from a trade or business, the conduct of which is substantially unrelated to the exercise or performance of the organization's exempt purpose or function. UBTI also includes "unrelated debt-financed income," which generally consists of (i) income derived by an exempt organization (directly or through a partnership) from income-producing property with respect to which there is "acquisition indebtedness" at any time during the taxable year, and (ii) gains derived by an exempt organization (directly or through a partnership) from the disposition of property with respect to which there is "acquisition indebtedness" at any time during the twelve-month period ending with the date of such disposition. With respect to its investments in partnerships engaged in a trade or business, or in certain private claims, or in certain fundings of reorganization plans, the Partnership's income (or loss) from these investments may constitute UBTI.

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[8] With certain exceptions, tax-exempt organizations which are private foundations are subject to a 2% Federal excise tax on their "net investment income." The rate of the excise tax for any taxable year may be reduced to 1% if the private foundation meets certain distribution requirements for the taxable year. A private foundation will be required to make payments of estimated tax with respect to this excise tax.

The Partnership may incur "acquisition indebtedness" with respect to certain of its transactions, such as the purchase of securities on margin. Based upon a published ruling issued by the Service which generally holds that income and gain with respect to short sales of publicly traded stock does not constitute income from debt financed property for purposes of computing UBTI, the Partnership will treat its short sales of securities as not involving "acquisition indebtedness" and therefore not resulting in UBTI.[9] To the extent the Partnership recognizes income (i.e., dividends and interest) from securities with respect to which there is "acquisition indebtedness" during a taxable year, the percentage of such income which will be treated as UBTI generally will be based on the percentage which the "average acquisition indebtedness" incurred with respect to such securities is of the "average amount of the adjusted basis" of such securities during the taxable year.

To the extent the Partnership recognizes gain from securities with respect to which there is "acquisition indebtedness" at any time during the twelve-month period ending with the date of their disposition, the percentage of such gain which will be treated as UBTI will be based on the percentage which the highest amount of such "acquisition indebtedness" is of the "average amount of the adjusted basis" of such securities during the taxable year. In determining the unrelated debt-financed income of the Partnership, an allocable portion of deductions directly connected with the Partnership's debt-financed property is taken into account. Thus, for instance, a percentage of losses from debt-financed securities (based on the debt/basis percentage calculation described above) would offset gains treated as UBTI.

Since the calculation of the Partnership's "unrelated debt-financed income" is complex and will depend in large part on the amount of leverage, if any, used by the Partnership from time to time,[10] it is impossible to predict what percentage of the Partnership's income and gains will be treated as UBTI for a Limited Partner which is an exempt organization. An exempt organization's share of the income or gains of the Partnership which is treated as UBTI may not be offset by losses of the exempt organization either from the Partnership or otherwise, unless such losses are treated as attributable to an unrelated trade or business (e.g., losses from securities for which there is acquisition indebtedness).

To the extent that the Partnership generates UBTI, the applicable Federal tax rate for such a Limited Partner generally would be either the corporate or trust tax rate depending upon the nature of the particular exempt organization. An exempt organization may be required to support, to the satisfaction of the Service, the method used to calculate its UBTI. The Partnership will be required to report to a Partner which is an exempt organization information as to the portion, if any, of its income and gains from the Partnership for each year which will be treated as UBTI. The calculation of such amount with respect to transactions entered into by the Partnership is highly complex, and there is no assurance that the Partnership's calculation of UBTI will be accepted by the Service.

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[9] Moreover, income realized from option writing and futures contract transactions generally would not constitute UBTI.

[10] The calculation of a particular exempt organization's UBTI would also be affected if it incurs indebtedness to finance its investment in the Partnership. An exempt organization is required to make estimated tax payments with respect to its UBTI.

In general, if UBTI is allocated to an exempt organization such as a qualified retirement plan or a private foundation, the portion of the Partnership's income and gains which is not treated as UBTI will continue to be exempt from tax, as will the organization's income and gains from other investments which are not treated as UBTI. Therefore, the possibility of realizing UBTI from its investment in the Partnership generally should not affect the tax-exempt status of such an exempt organization.[11] However, a charitable remainder trust will not be exempt from Federal income tax under Section 664(c) of the Code for any year in which it has UBTI. A title-holding company will not be exempt from tax if it has certain types of UBTI. Moreover, the charitable contribution deduction for a trust under Section 642(c) of the Code may be limited for any year in which the trust has UBTI. A prospective investor should consult its tax adviser with respect to the tax consequences of receiving UBTI from the Partnership. (See "ERISA Considerations.")

Certain Issues Pertaining to Specific Exempt Organizations

Private Foundations. Private foundations and their managers are subject to excise taxes if they invest "any amount in such a manner as to jeopardize the carrying out of any of the foundation's exempt purposes." This rule requires a foundation manager, in making an investment, to exercise "ordinary business care and prudence" under the facts and circumstances prevailing at the time of making the investment, in providing for the short-term and long-term needs of the foundation to carry out its exempt purposes. The factors which a foundation manager may take into account in assessing an investment include the expected rate of return (both income and capital appreciation), the risks of rising and falling price levels, and the need for diversification within the foundation's portfolio.

In order to avoid the imposition of an excise tax, a private foundation may be required to distribute on an annual basis its "distributable amount," which includes, among other things, the private foundation's "minimum investment return," defined as 5% of the excess of the fair market value of its nonfunctionally related assets (assets not used or held for use in carrying out the foundation's exempt purposes), over certain indebtedness incurred by the foundation in connection with such assets. It appears that a foundation's investment in the Partnership would most probably be classified as a nonfunctionally related asset. A determination that an interest in the Partnership is a nonfunctionally related asset could conceivably cause cash flow problems for a prospective Limited Partner which is a private foundation. Such an organization could be required to make distributions in an amount determined by reference to unrealized appreciation in the value of its interest in the Partnership. Of course, this factor would create less of a problem to the extent that the value of the investment in the Partnership is not significant in relation to the value of other assets held by a foundation.

In some instances, an investment in the Partnership by a private foundation may be prohibited by the "excess business holdings" provisions of the Code. For example, if a private foundation (either directly or together with a "disqualified person") acquires more than

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[11] Certain exempt organizations which realize UBTI in a taxable year will not constitute "qualified organizations" for purposes of Section 514(c)(9)(B)(vi)(I) of the Code, pursuant to which, in limited circumstances, income from certain real estate partnerships in which such organizations invest might be treated as exempt from UBTI. A prospective tax-exempt Limited Partner should consult its tax adviser in this regard.

20% of the capital interest or profits interest of the Partnership, the private foundation may be considered to have "excess business holdings." If this occurs, such foundation may be required to divest itself of its interest in the Partnership in order to avoid the imposition of an excise tax. However, the excise tax will not apply if at least 95% of the gross income from the Partnership is "passive" within the applicable provisions of the Code and Regulations. There can be no assurance that the Partnership will meet such 95% gross income test.

A substantial percentage of investments of certain "private operating foundations" may be restricted to assets directly devoted to their tax-exempt purposes. Otherwise, generally, rules similar to those discussed above govern their operations.

Qualified Retirement Plans. Employee benefit plans subject to the provisions of ERISA, Individual Retirement Accounts and Keogh Plans should consult their counsel as to the implications of such an investment under ERISA. (See "ERISA Considerations.")

Endowment Funds. Investment managers of endowment funds should consider whether the acquisition of an Interest is legally permissible. This is not a matter of Federal law, but is determined under state statutes. It should be noted, however, that under the Uniform Management of Institutional Funds Act, which has been adopted, in various forms, by a large number of states, participation in investment partnerships or similar organizations in which funds are commingled and investment determinations are made by persons other than the governing board of the endowment fund is allowed.

Tax Shelter Reporting Requirements

The Regulations require the Partnership to complete and file Form 8886 ("Reportable Transaction Disclosure Statement") with its tax return for any taxable year in which the Partnership participates in a "reportable transaction." Additionally, each Partner treated as participating in a reportable transaction of the Partnership is generally required to file Form 8886 with its tax return. The Partnership and any such Partner, respectively, must also submit a copy of the completed form with the Service's Office of Tax Shelter Analysis. The Partnership intends to notify the Partners that it believes (based on information available to the Partnership) are required to report a transaction of the Partnership or the Other Investment Entities, and intends to provide such Limited Partners with any available information needed to complete and submit Form 8886 with respect to the transactions of the Partnership and the Other Investment Entities. In certain situations, there may also be a requirement that a list be maintained of persons participating in such reportable transactions, which could be made available to the Service at its request.

A Partner's recognition of a loss upon its disposition of an interest in the Partnership could also constitute a "reportable transaction" for such Partner requiring such Partner to file Form 8886.

Under new legislation, a significant penalty is imposed on taxpayers who participate in a "reportable transaction" and fail to make the required disclosure. The penalty is generally $10,000 for natural persons and $50,000 for other persons (increased to $100,000 and $200,000, respectively, if the reportable transaction is a "listed" transaction). Investors should

consult with their own advisors concerning the application of these reporting obligations to their specific situations.

State and Local Taxation

In addition to the Federal income tax consequences described above, prospective investors should consider potential state and local tax consequences of an investment in the Partnership. State and local laws often differ from Federal income tax laws with respect to the treatment of specific items of income, gain, loss, deduction and credit. A Partner's distributive share of the taxable income or loss of the Partnership generally will be required to be included in determining its reportable income for state and local tax purposes in the jurisdiction in which it is a resident. A partnership in which the Partnership acquires an interest may conduct business in a jurisdiction which will subject to tax a Partner's share of the partnership's income from that business and may cause Partners to file tax returns in those jurisdictions. Prospective investors should consult their tax advisers with respect to the availability of a credit for such tax in the jurisdiction in which that Partner is a resident.

One or more states may impose reporting requirements on the Partnership and/or its Partners in a manner similar to that described above in "Tax Shelter Reporting Requirements." Investors should consult with their own advisors as to the applicability of such rules in jurisdictions which may require or impose a filing requirement.

The Partnership should not be subject to the New York City unincorporated business tax, which is not imposed on a partnership which purchases and sells securities for its "own account." (This exemption may not be applicable to the extent a partnership in which the Partnership invests, directly or through an Other Investment Entity, conducts a business in New York City.) By reason of a similar "own account" exemption, it is also expected that a nonresident individual Partner should not be subject to New York State personal income tax with respect to his share of income or gain realized directly by the Partnership.

Individual Limited Partners who are residents of New York State and New York City should be aware that the New York State and New York City personal income tax laws limit the deductibility of itemized deductions and interest expense for individual taxpayers at certain income levels. However, as described above, the Partnership expects to be in a trade or business within the meaning of the Code. Accordingly, although there can be no assurance, the foregoing limitations should not apply to a Limited Partner's share of any of the Partnership's expenses.

For purposes of the New York State corporate franchise tax and the New York City general corporation tax, a corporation generally is treated as doing business in New York State and New York City, respectively, and is subject to such corporate taxes as a result of the ownership of a partnership interest in a partnership which does business in New York State and New York City, respectively.[12] Each of the New York State and New York City corporate taxes

[12] New York State (but not New York City) generally exempts from corporate franchise tax a non-New York corporation which (i) does not actually or constructively own a 1% or greater limited partnership interest in a

are imposed, in part, on the corporation's taxable income or capital allocable to the relevant jurisdiction by application of the appropriate allocation percentages. Moreover, a non-New York corporation which does business in New York State may be subject to a New York State license fee. A corporation which is subject to New York State corporate franchise tax solely as a result of being a limited partner in a New York partnership may, under certain circumstances, elect to compute its New York State corporate franchise tax by taking into account only its distributive share of such partnership's income and loss. There is currently no similar provision in effect for purposes of the New York City general corporation tax.

Regulations under both the New York State corporate franchise tax and New York City general corporation tax, however, provide an exception to this general rule in the case of a "portfolio investment partnership," which is defined, generally, as a partnership which meets the gross income requirements of Section 851(b)(2) of the Code. New York State (but not New York City) has adopted regulations that also include income and gains from commodity transactions described in Section 864(b)(2)(B)(iii) as qualifying gross income for this purpose. The qualification of the Partnership as a "portfolio investment partnership" with respect to its investments through advisory accounts and Other Investment Entities must be determined on an annual basis and, with respect to a taxable year, the Partnership and/or one or more Other Investment Entities may not qualify as portfolio investment partnerships. Therefore, a corporate limited partner may be treated as doing business in New York State and New York City as a result of its interest in the Partnership or its indirect interest in nonqualifying Other Investment Entities.

New York State has enacted legislation that imposes a quarterly withholding obligation on certain partnerships with respect to partners that are individual non-New York residents or corporations (other than "S" corporations). Accordingly, the Partnership may be required to withhold on the distributive shares of New York source partnership income allocable to such partners to the extent such income is not derived from trading in securities for the Partnership's or the Other Investment Entities' own account.

Each prospective Partner should consult its tax adviser with regard to the New York State and New York City tax consequences of an investment in the Partnership.

ERISA CONSIDERATIONS

CIRCULAR 230 NOTICE. THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE: (1) ANY U.S. FEDERAL TAX ADVICE CONTAINED HEREIN, INCLUDING ANY OPINION OF COUNSEL REFERRED TO HEREIN, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (2) ANY SUCH ADVICE IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE

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partnership doing business in New York and (ii) has a tax basis in such limited partnership interest not greater than $1 million.

TRANSACTIONS DESCRIBED HEREIN (OR IN ANY SUCH OPINION OF COUNSEL); AND (3) EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

THE FOLLOWING SUMMARY OF CERTAIN ASPECTS OF ERISA, IS BASED UPON ERISA, JUDICIAL DECISIONS, DEPARTMENT OF LABOR REGULATIONS AND RULINGS IN EXISTENCE ON THE DATE HEREOF. THIS SUMMARY IS GENERAL IN NATURE AND DOES NOT ADDRESS EVERY ERISA ISSUE THAT MAY BE APPLICABLE TO THE PARTNERSHIP, OR A PARTICULAR INVESTOR. ACCORDINGLY, EACH PROSPECTIVE INVESTOR SHOULD CONSULT WITH ITS OWN COUNSEL IN ORDER TO UNDERSTAND THE ERISA ISSUES AFFECTING THE PARTNERSHIP AND THE INVESTOR.

General

Persons who are fiduciaries with respect to a U.S. employee benefit plan or trust within the meaning of and subject to the provisions of ERISA (an "ERISA Plan"), an individual retirement account or a Keogh plan subject solely to the provisions of the Code[13] (an "Individual Retirement Fund") should consider, among other things, the matters described below before determining whether to invest in the Partnership.

ERISA imposes certain general and specific responsibilities on persons who are fiduciaries with respect to an ERISA Plan, including prudence, diversification, avoidance of prohibited transactions and compliance with other standards. In determining whether a particular investment is appropriate for an ERISA Plan, U.S. Department of Labor ("DOL") regulations provide that a fiduciary of an ERISA Plan must give appropriate consideration to, among other things, the role that the investment plays in the ERISA Plan's portfolio, taking into consideration whether the investment is designed reasonably to further the ERISA Plan's purposes, the risk and return factors of the potential investment, including the fact that the returns may be subject to federal tax as unrelated business taxable income, the portfolio's composition with regard to diversification, the liquidity and current return of the total portfolio relative to the anticipated cash flow needs of the ERISA Plan, the projected return of the total portfolio relative to the ERISA Plan's funding objectives, and the limitation on the rights of Limited Partners to withdraw all or any part of their Interests or to transfer their Interests. Before investing the assets of an ERISA Plan in the Partnership, a fiduciary should determine whether such an investment is consistent with its fiduciary responsibilities and the foregoing regulations. For example, a fiduciary should consider whether an investment in the Partnership may be too illiquid or too speculative for a particular ERISA Plan and whether the assets of the ERISA Plan would be sufficiently diversified. If a fiduciary with respect to any such ERISA Plan breaches its responsibilities with regard to selecting an investment or an investment course of action for such ERISA Plan, the fiduciary may be held personally liable for losses incurred by the ERISA Plan as a result of such breach.

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[13] References hereinafter made to ERISA include parallel references to the Code.

Plan Assets Regulations

The DOL has published a regulation (the "Regulation") describing when the underlying assets of an entity in which certain benefit plan investors ("Benefit Plan Investors") invest constitute plan assets for purposes of ERISA. Benefit Plan Investors include employee benefit plans as defined in Section 3(3) of ERISA, whether or not subject to Title I of ERISA, plans described in Section 4975(e)(1) of the Code, government plans, church plans, non-U.S. employee benefit plans, certain insurance company general and separate accounts, and entities the underlying assets of which include plan assets by reason of investment therein by Benefit Plan Investors. The effect of the Regulation is to treat certain entities as pooled funds for the collective investment of plan assets.

The Regulation provides that, as a general rule, when an ERISA Plan invests assets in another entity, the ERISA Plan's assets include its investment, but do not, solely by reason of such investment, include any of the underlying assets of the entity. However, when an ERISA Plan acquires an equity interest in an entity that is neither: (a) a publicly offered security; nor (b) a security issued by an investment fund registered under the Company Act, then the ERISA Plan's assets include both the equity interest and an undivided interest in each of the underlying assets of the entity, unless it is established that:

(i) the entity is an operating company; or

(ii) the equity participation in the entity by Benefit Plan Investors is not significant.

Equity participation in an entity by Benefit Plan Investors is considered significant if 25% or more of the value of any class of equity interests in the entity is held by such Benefit Plan Investors. Equity interests held by a person with discretionary authority or control with respect to the assets of the entity and equity interests held by a person who provides investment advice for a fee (direct or indirect) with respect to such assets or any affiliate of any such person (other than a Benefit Plan Investor) are not considered for purposes of determining whether equity participation by Benefit Plan Investors is significant.

Limitation on Investments by Benefit Plan Investors

It is the current intent of the General Partner to monitor the investments in the Partnership to ensure that the aggregate investment by Benefit Plan Investors does not equal or exceed 25% of the value of any class of the Interests in the Partnership so that equity participation by Benefit Plan Investors in the Partnership will not be considered significant under the Regulation and, as a result, the underlying assets of the Partnership will not be deemed plan assets for purposes of the Regulation. Interests held by the General Partner and its affiliates are not considered for purposes of determining whether equity participation by Benefit Plan Investors is significant. If the assets of the Partnership were regarded as plan assets of a Benefit Plan Investor that is an ERISA Plan or an Individual Retirement Fund, the General Partner would be a fiduciary (as defined in ERISA and the Code) with respect to each such Benefit Plan Investor, and would be subject to the obligations and liabilities imposed on fiduciaries by ERISA. In such circumstances, the Partnership would be subject to various other requirements

of ERISA and the Code. In particular, the Partnership would be subject to rules restricting transactions with parties in interest and prohibiting transactions involving conflicts of interest on the part of fiduciaries which might result in a violation of ERISA and the Code unless the Partnership obtained appropriate exemptions from the DOL allowing the Partnership to conduct its operations as described herein. As described above, under "Outline of the Partnership Agreement" – "Required Withdrawals", the General Partner reserves the right to redeem all or a part of the Interests held by any Limited Partner, subject to the aforesaid, including, without limitation, to ensure compliance with the above percentage limitation. In addition, the General Partner reserves the right, however, to waive the 25% limitation and thereafter to comply with ERISA.

Representations by Plans

An ERISA Plan proposing to invest in the Partnership will be required to represent that it is, and any fiduciaries responsible for the ERISA Plan's investments are, aware of and understand the Partnership's investment objective, policies and strategies, and that the decision to invest plan assets in the Partnership was made with appropriate consideration of relevant investment factors with regard to the ERISA Plan and is consistent with the duties and responsibilities imposed upon fiduciaries with regard to their investment decisions under ERISA.

WHETHER OR NOT THE UNDERLYING ASSETS OF THE PARTNERSHIP ARE DEEMED PLAN ASSETS UNDER THE REGULATION, AN INVESTMENT IN THE PARTNERSHIP BY AN ERISA PLAN IS SUBJECT TO ERISA. ACCORDINGLY, FIDUCIARIES OF ERISA PLANS SHOULD CONSULT WITH THEIR OWN COUNSEL AS TO THE CONSEQUENCES UNDER ERISA OF AN INVESTMENT IN THE PARTNERSHIP.

ERISA Plans and Individual Retirement Funds Having Prior Relationships with the General Partner or its Affiliates

Certain prospective ERISA Plan and Individual Retirement Funds investors may currently maintain relationships with the General Partner or other entities which are affiliated with the General Partner. Each of such entities may be deemed to be a party in interest to and/or a fiduciary of any ERISA Plan or Individual Retirement Fund to which any of the General Partner or its affiliates provides investment management, investment advisory or other services. ERISA prohibits ERISA Plan assets to be used for the benefit of a party in interest and also prohibits an ERISA Plan fiduciary from using its position to cause the ERISA Plan to make an investment from which it or certain third parties in which such fiduciary has an interest would receive a fee or other consideration. Similar provisions are imposed by the Code with respect to Individual Retirement Funds. ERISA Plan and Individual Retirement Fund investors should consult with counsel to determine if participation in the Partnership is a transaction which is prohibited by ERISA or the Code.

The provisions of ERISA are subject to extensive and continuing administrative and judicial interpretation and review. The discussion of ERISA contained herein is, of necessity, general and may be affected by future publication of regulations and rulings. Potential Investors

should consult with their legal advisors regarding the consequences under ERISA of the acquisition and ownership of Interests.

ANTI-MONEY LAUNDERING REGULATIONS

As part of the Partnership's responsibility for the prevention of money laundering, the Administrator, the General Partner and his affiliates may require a detailed verification of a Limited Partner's identity, any beneficial owner underlying the account and the source of the payment.

The General Partner or the Administrator reserves the right to request such information as is necessary to verify the identity of a subscriber and the underlying beneficial owner of a subscriber's or a Limited Partner's Interest in the Partnership. In the event of delay or failure by the subscriber or Limited Partner to produce any information required for verification purposes, the General Partner may refuse to accept a subscription or may cause the withdrawal of any such Limited Partner from the Partnership. The General Partner, by written notice to any Limited Partner, may suspend the withdrawal rights of such Limited Partner if the General Partner reasonably deems it necessary to do so to comply with anti-money laundering regulations applicable to the Partnership, the General Partner or any of the Partnership's other service providers.

Each subscriber and Limited Partner will be required to make such representations to the Partnership as the Partnership, the General Partner and the Administrator will require in connection with such anti-money laundering programs, including, without limitation, representations to the Partnership that such subscriber or Limited Partner is not a prohibited country, territory, individual or entity listed on the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC") website and that it is not directly or indirectly affiliated with, any country, territory, individual or entity named on an OFAC list or prohibited by any OFAC sanctions programs. Such Limited Partner will also represent to the Partnership that amounts contributed by it to the Partnership were not directly or indirectly derived from activities that may contravene Federal, state or international laws and regulations, including anti-money laundering laws and regulations.

The General Partner, by written notice to any Limited Partner, may suspend the withdrawal rights of such Limited Partner if the General Partner reasonably deems it necessary to do so to comply with anti-money laundering laws and regulations applicable to the Partnership, the General Partner or any of the Partnership's other service providers.

LIMITATIONS ON TRANSFERABILITY; SUITABILITY REQUIREMENTS

No Limited Partner or transferee thereof will, without the prior written consent of the General Partner, which may be withheld in his sole and absolute discretion, create, or suffer the creation of, a security interest in such Limited Partner's Interest in the Partnership. Except for sales, transfers, assignments or other dispositions (i) by last will and testament, (ii) by operation of law, or (iii) to an affiliate of a Limited Partner, without the prior written consent of the General Partner, which may be withheld in his sole and absolute discretion, no Limited Partner shall sell, transfer, assign, or in any manner dispose of such Limited Partner's interest in

the Partnership, in whole or in part, nor enter into any agreement as the result of which any Person shall become interested with such Limited Partner therein. In no event will a Limited Partner's interest in the Partnership, or any part thereof, be assigned or transferred to any Person unless the transferee executes documentation reasonably satisfactory to the General Partner pursuant to which the transferee agrees to be bound by this Agreement and the General Partner is satisfied that such assignment or transfer (i) is not in violation of any applicable federal or state securities laws; (ii) will not result in the Partnership being considered to have terminated within the meaning of Section 708 of the Code; (iii) will not result in any General Partner being required to register under the Investment Advisers Act of 1940, as amended; (iv) will not result in the Partnership being required to register under the Investment Company Act of 1940, as amended; and (v) will not cause the Partnership to be treated as a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes. In connection with the preceding sentence, the General Partner shall have the right to require a legal opinion of counsel satisfactory to him. Unless the foregoing conditions are met no attempted assignment or transfer of a Limited Partner's interest in the Partnership, or part thereof, shall be valid or binding on the Partnership. All expenses incurred in connection with any transfer pursuant to this Section 6.03 or Section 6.04 shall be paid by the transferring Limited Partner. Notwithstanding any other provision of this Agreement to the contrary, no unit of Partnership Interest may be subdivided for resale into units smaller than a unit the initial offering price of which would have been at least $20,000.

Each purchaser of an Interest must bear the economic risk of the investment for an extended period of time (subject to a limited right to withdraw capital from the Partnership or to transfer or assign Interests in the Partnership) because the Interests have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and, therefore, cannot be sold unless they are subsequently registered under the Securities Act or an exemption from such registration is available. It is not contemplated that any such registration will ever be effected, or that certain exemptions provided by rules promulgated under the Securities Act (such as Rule 144) will ever be available. The foregoing restrictions on transferability must be regarded as substantial.

Each purchaser of an Interest is required to represent that the Interest is being acquired for its own account, for investment and not with a view to resale or distribution. The Interests are suitable investments only for sophisticated investors for whom an investment in the Partnership does not constitute a complete investment program and who fully understand, are willing to assume and who have the financial resources necessary to withstand, the risks involved in the Partnership's specialized investment program and to bear the potential loss of their entire investment in the Interests.

Investors in the Partnership must be "accredited investors" as defined in Rule 501 under the Securities Act, "qualified purchasers" as such term is defined in Section 2(a)(51) of the Company Act and must meet other suitability requirements.

Each prospective purchaser is urged to consult with its own advisors to determine the suitability of an investment in the Interests, and the relationship of such an investment to the purchaser's overall investment program and financial and tax position. Each purchaser of an

Interest is required to further represent that, after all necessary advice and analysis, its investment in an Interest is suitable and appropriate in light of the foregoing considerations. Prior to any subscription of Interests, each prospective purchaser must represent in writing, by completing and signing the subscription documents, that it meets the suitability standards referred to in this Confidential Offering Memorandum. The General Partner has the right to reject a subscription for any reason or for no reason.

Interests may not be purchased by nonresident aliens, foreign corporations, foreign Partnership, foreign trusts or foreign estates, all as defined in the Code. Foreign investors may be eligible to invest in the Offshore Fund.

COUNSEL

Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022, acts as counsel to the Partnership in connection with this offering of Interests. Schulte Roth & Zabel LLP also acts as counsel to the General Partner and his affiliates. In connection with the Partnership's offering of Interests and subsequent advice to the Partnership, the General Partner and his affiliates, Schulte Roth & Zabel LLP will not be representing the Limited Partners of the Partnership. No independent counsel has been retained to represent the Limited Partners of the Partnership.

AUDITOR; REPORTS

BDO Seidman, LLP serves as the Partnership's auditor. The Partnership will provide to the Limited Partners unaudited financial statements within 35 days after the end of each calendar quarter (other than the last) and will furnish to them annual audited financial statements within 90 days after year end, and tax information as soon thereafter as practicable. Certain Limited Partners may have access to certain information regarding the Partnership that may not be available to other Limited Partners. Such Limited Partners may make investment decisions with respect to their investment in the Partnership based on such information.

SUBSCRIPTION FOR INTERESTS

Persons interested in subscribing for Interests will be furnished with, and will be required to complete and return to the General Partner, subscription documents and other certain documents.

ADDITIONAL INFORMATION

Representatives of the General Partner are available for a discussion of the terms and conditions of this offering and will provide any additional information, to the extent they possess it or can acquire it without unreasonable effort or expense, necessary to verify the information contained in this Confidential Offering Memorandum.

EXHIBIT 8

CONFIDENTIAL

Gabriel Capital Group

J. Ezra Merkin
April 2008

Gabriel Capital Group

Established		1989
Total Assets Under Management		$5 billion+
Gabriel/Ariel and Managed Separate Accounts Assets Under Management		$3.2 billion
Actively Managed Strategies		
• Flagship Funds	- Gabriel & Ariel	(open)
• Loans	- Ableco & Styx (LH)	(closed)
• Real Estate	- Blackacre	(closed)
• Options Arbitrage	- Ascot	(open)
Strategic Relationship with Cerberus		
Managing Partner:	J. Ezra Merkin	

J. Ezra Merkin

Education

- Columbia College (1976)
- Harvard Law School (1979)

Chairman of the Board, GMAC Financial Services

Boards

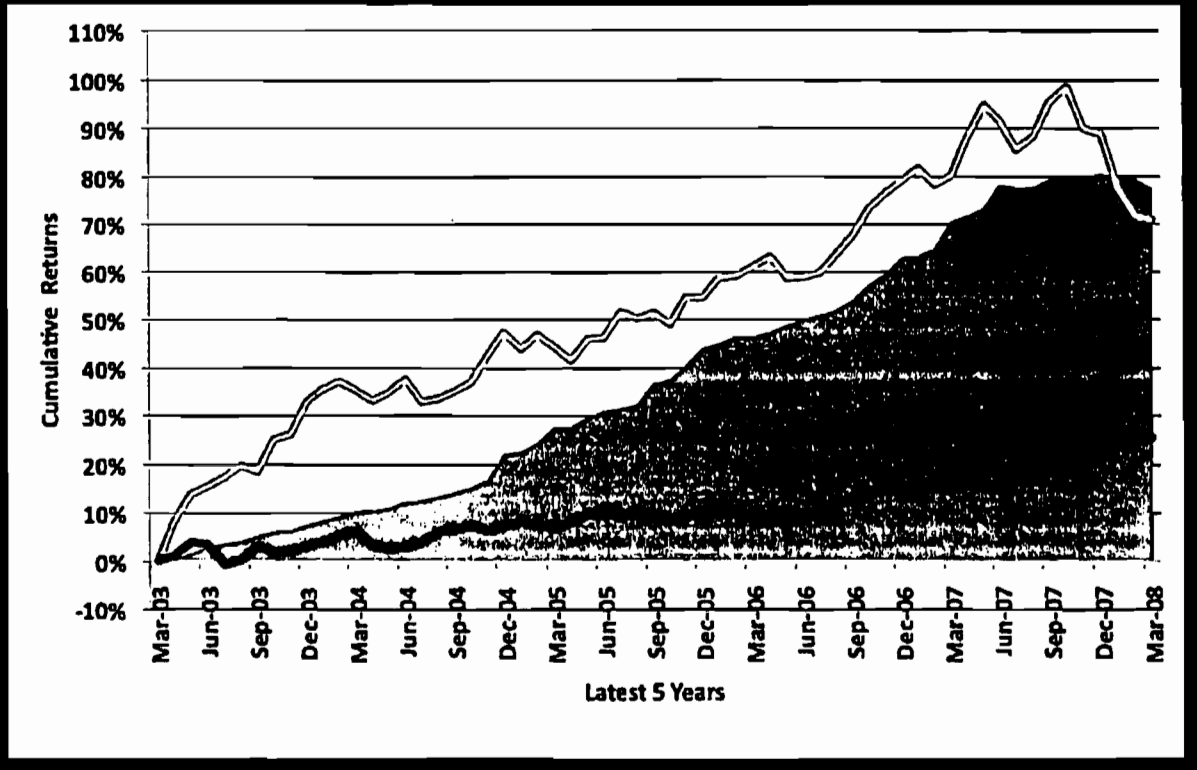
Chair of Investment Committees

Mr. Merkin is married with 4 children

Gabriel Capital, L.P. – Strong Results in Volatile Times

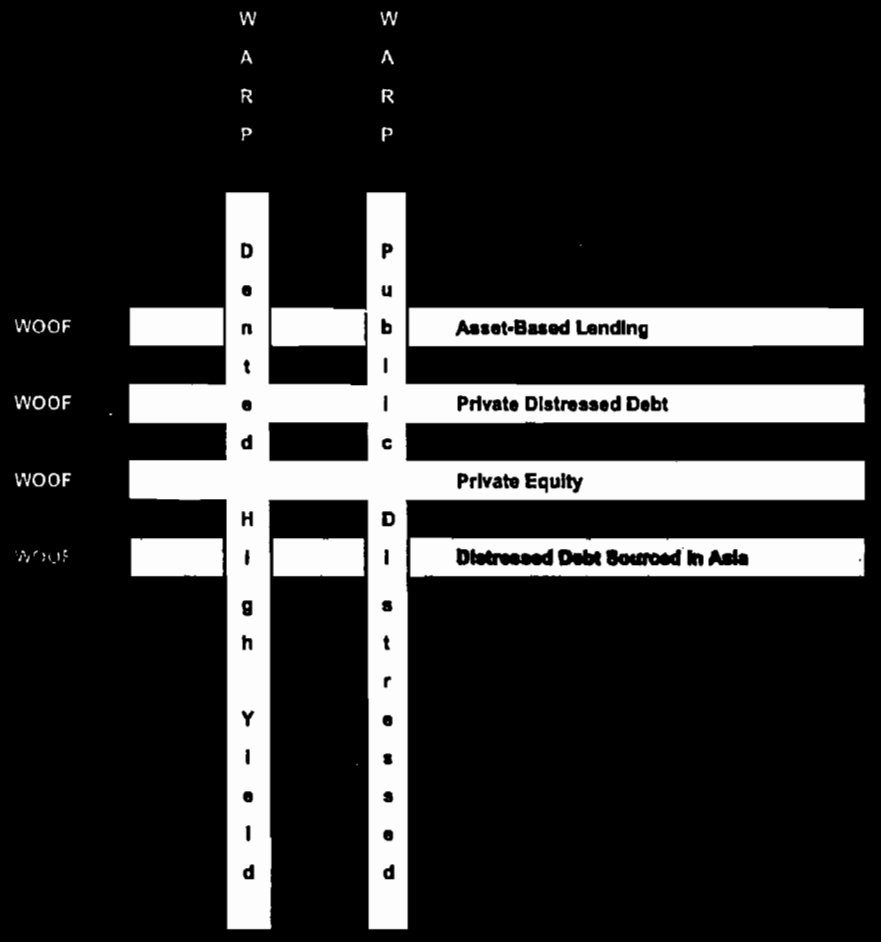
Annual Net Return (April 1, 1985 thru March 31, 2008)

Gabriel* 17.3% S&P 500 11.8% Govt/Corp Bonds 8.3%



*Gabriel Capital, L.P. and predecessor Fund of which J. Ezra Merkin was a General Partner

Differentiation and Advantage*



Tapestry of asset classes combines proprietary sourcing with liquid securities to enhance risk adjusted returns (alpha) with lower volatility (beta)

The "warp" is comprised of liquid securities trading in the public domain.

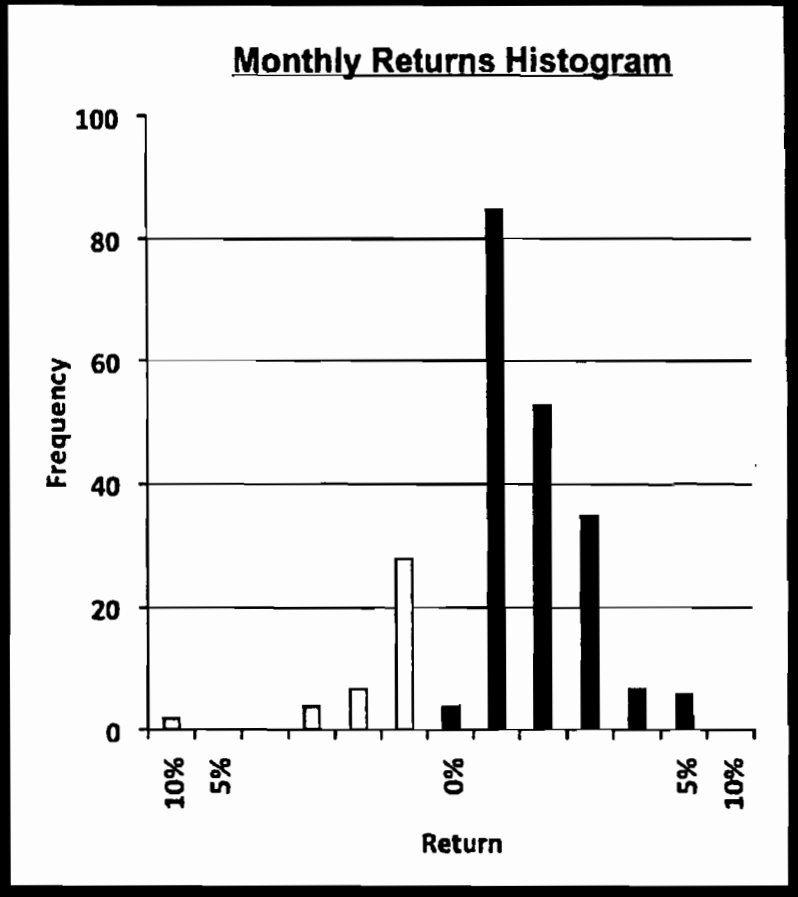
The "woof" is comprised of investments proprietarily sourced and not available to the public. These investments generally have higher returns but less liquidity.

*Refer to Gabriel investor letter of April '05

Gabriel – Portfolio Allocation 1Q08

	Notional Value (as % of capital)
Distressed Debt	5%
Debt or Equity Subject to a Deal or Legal Process	20%
Arbitrage of Related Securities	34%
Long-Term Equity	27%
Credit Opportunities	3%
Gross Long Before Shorts	89%
Short Securities Outright & Portfolio Hedges	(33%)
Net Invested Portfolio	56%
Cash (Including Proceeds from Short Sales)	44%
	100%
LONG MARKET VALUE	89%
SHORT MARKET VALUE	33%
GROSS MARKET VALUE	122%
LONG MARKET VALUE	89%
SHORT MARKET VALUE	(33%)
NET MARKET VALUE	56%

Gabriel Net Returns and Monthly Distribution

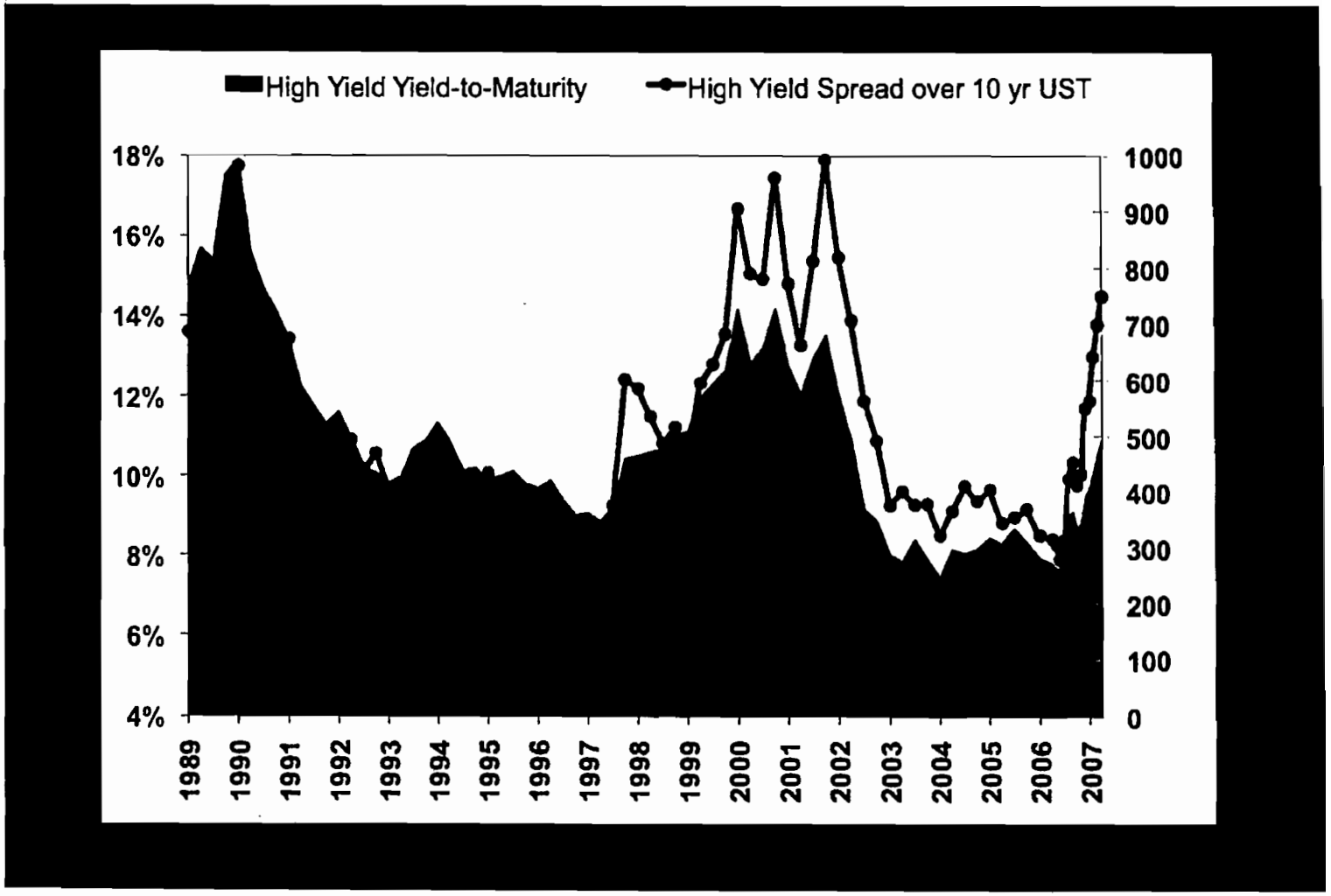


	Gabriel	S&P 500	Merrill Govt/Corp
*YTD 08	(1.68%)	(9.44%)	2.50%
2007	10.73%	5.49%	7.27%
2006	13.38%	15.79%	3.83%
2005	17.96%	4.91%	2.52%
2004	13.61%	10.88%	4.15%
2003	9.22%	28.68%	4.54%
2002	3.62%	(22.10%)	10.95%
2001	6.04%	(11.89%)	8.42%
2000	7.36%	(9.11%)	11.95%
1999	18.98%	21.04%	(2.05%)
1998	(12.20%)	28.58%	9.53%
1997	21.20%	33.36%	9.78%
1996	22.29%	22.96%	2.91%
1995	11.76%	37.58%	19.06%
1994	6.52%	1.32%	(3.27%)
1993	20.65%	10.06%	11.06%
1992	13.32%	7.62%	7.68%
1991	30.27%	30.47%	15.89%
1990	9.64%	(3.09%)	8.49%
1989	6.17%	31.67%	14.13%

*YTD 08 is thru 03/30/08

Cash is King in Credit Crisis

High Yield Yields and Spread over 10 yr UST



High Yield Market Snapshot

The U.S. High Yield Index: A Historical Perspective (1987-2006)

Date	Coupon	Price	CY	YTW	10 Yr. UST	Spread	UST Mult	200 Loss
Mar-08	8.07%	87.88	9.19%	10.92%	3.43%	749 bp	3.18	160.1%
2007	8.04%	92.85	8.66%	9.67%	4.03%	564 bp	2.40	90.1%
2006	7.95%	100.03	7.95%	7.92%	4.71%	321 bp	1.68	25.7%
2005	7.90%	97.33	8.12%	8.44%	4.40%	405 bp	1.92	46.6%
2004	8.21%	104.04	7.89%	7.43%	4.22%	321 bp	1.76	28.7%
2003	8.41%	102.84	8.18%	7.86%	4.24%	362 bp	1.85	38.2%
2002	8.47%	83.14	10.19%	12.08%	3.81%	827 bp	3.17	164.6%
2001	8.27%	80.48	10.28%	12.46%	5.05%	741 bp	2.47	107.1%
2000	7.99%	75.67	10.56%	14.45%	5.11%	934 bp	2.83	143.6%
1999	8.17%	83.35	9.80%	11.54%	6.44%	510 bp	1.79	48.1%
1998	8.02%	88.69	9.04%	10.53%	4.65%	588 bp	2.26	83.4%
1997	8.29%	97.58	8.50%	8.88%	5.74%	314 bp	1.55	19.9%
1996	8.37%	95.08	8.80%	9.46%	6.42%	304 bp	1.47	16.2%
1995	8.63%	94.89	9.09%	9.84%	5.57%	427 bp	1.77	40.8%
1994	9.36%	86.70	10.80%	11.28%	7.85%	343 bp	1.44	18.2%
1993	9.61%	97.85	9.82%	9.07%	5.79%	328 bp	1.57	22.1%
1992	10.95%	94.27	11.62%	10.86%	6.69%	417 bp	1.62	32.4%
1991	11.22%	86.22	13.01%	13.37%	6.70%	667 bp	2.00	69.7%
1990	11.51%	65.49	17.58%	20.94%	8.07%	1,287 bp	2.59	134.7%
1989	12.79%	100.00	12.79%	16.08%	7.94%	814 bp	2.03	77.3%
1988	12.66%	100.00	12.66%	13.97%	9.14%	483 bp	1.53	31.0%
1987	12.68%	100.00	12.68%	13.91%	8.86%	505 bp	1.57	34.4%

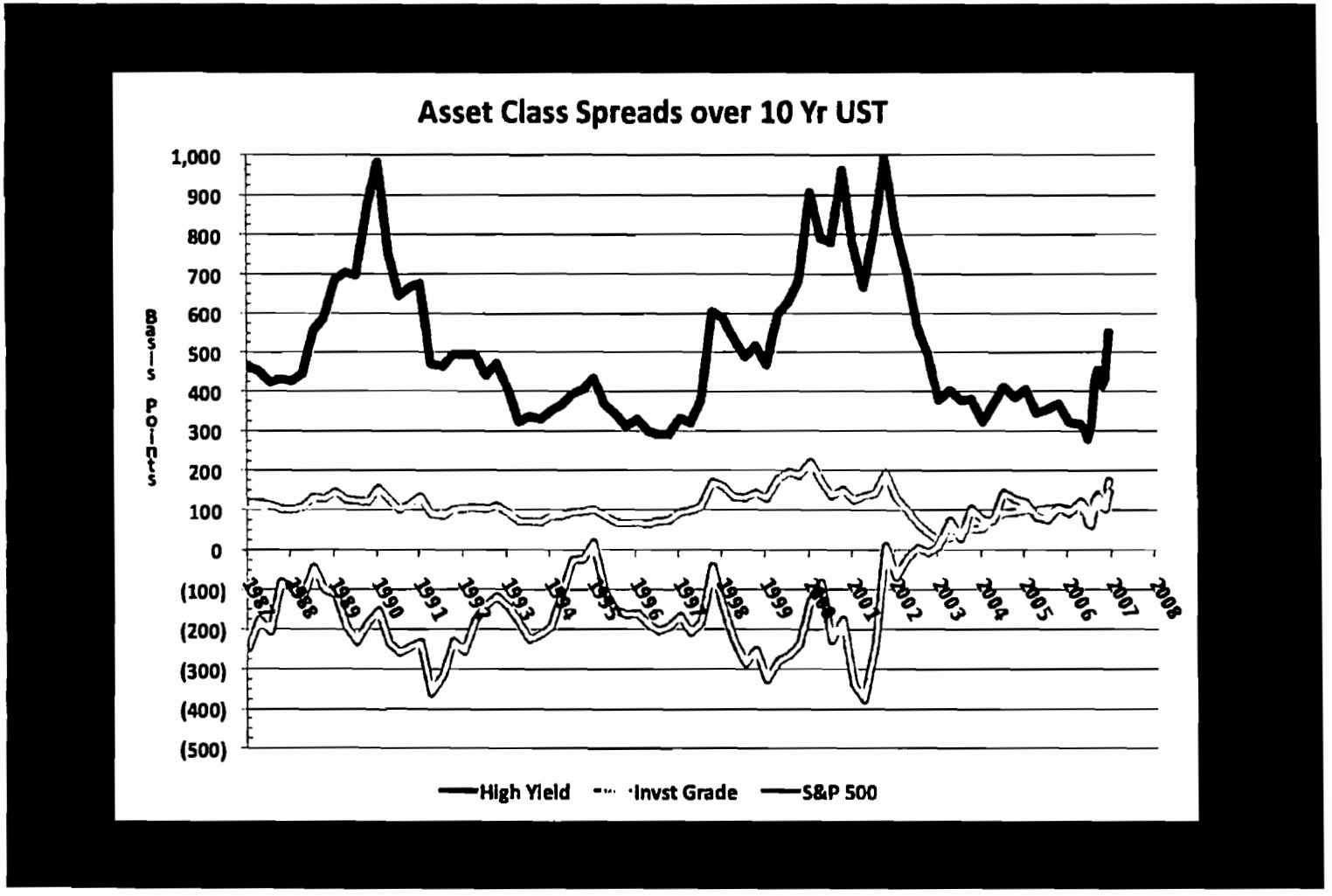
Total Index Portfolio Under "Fair Value" and "Melt Down" Scenarios

Normalized	8.07%	105.04	7.66%	7.15%	3.43%	372 bp	2.08	50%
Melt Down	8.07%	81.72	9.88%	12.01%	3.43%	858 bp	3.50	192%

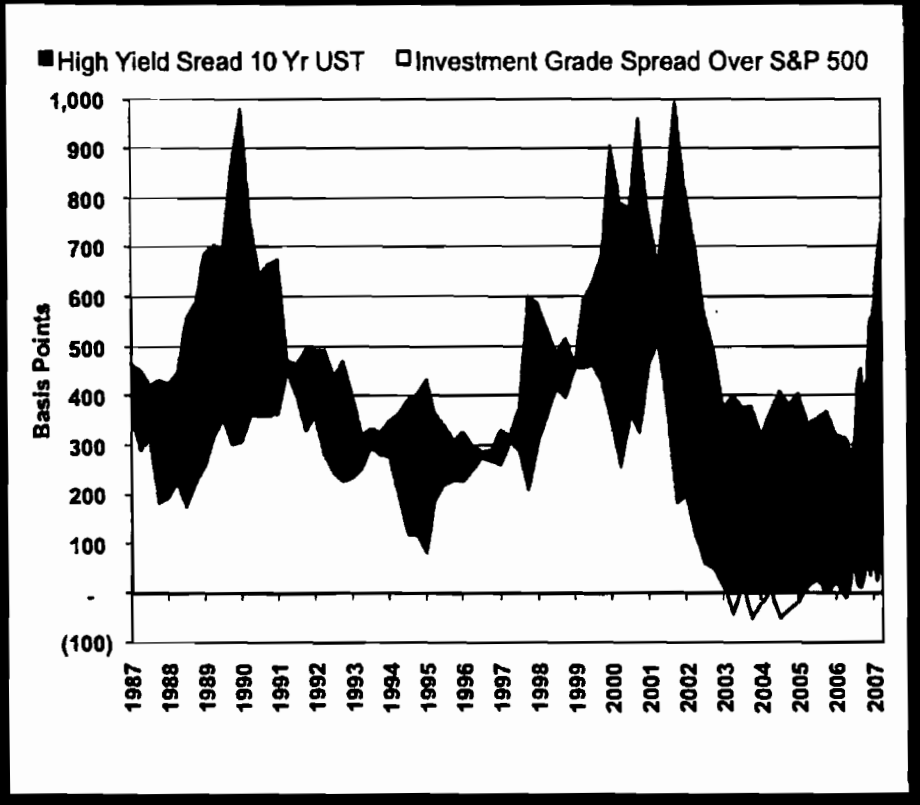
Total Annual Return Under "Fair Value" and "Melt Down" Scenarios

Fair Value	28.71%	Melt Down	2.18%

Yield Spreads of Various Asset Classes



Market Cycle of Distressed and Private Equity Markets



Distressed Market

- Difficult Financing Environment
- Tight Money & Wide Spreads
- Declining Valuations
- Deteriorating Cashflow

Classic Leveraged Buyouts Market

- Favorable Financing Market
- Loose Money & Narrow Spreads
- Rising Valuations
- Stable Cashflow

Summary of Fund Terms for Gabriel Capital, L.P. (Class B Interests)

MANAGEMENT FEE:	1% of beginning capital paid annually in arrears
INCENTIVE FEE:	20% of profits
EXPENSES:	A pro-rata portion of General Partner's expenses
LIQUIDITY:	Annual redemptions with 45 days' prior written notice 2+ year initial lock-up
SIDE POCKET:	Up to 40% of total assets
SERVICE PROVIDERS:	
General Partner:	J. Ezra Merkin
Legal:	Schulte Roth & Zabel (U.S.)
Auditor:	BDO Seidman

Summary of Fund Terms for Ariel Fund Limited (Class B Shares)

MANAGEMENT FEE:	1% of beginning capital paid annually in arrears	
INCENTIVE FEE:	20% of profits	
EXPENSES:	A pro-rata portion of Investment Advisor's expenses, not to exceed 1% of capital, may be allocated	
LIQUIDITY:	Annual redemptions with 30 days' prior written notice 2+ year initial lock-up	
SIDE POCKET:	Up to 40% of total assets	
SERVICE PROVIDERS:		
	Investment Advisor:	Gabriel Capital Corp.
	Legal:	Schulte Roth & Zabel (U.S.)
		Maples & Calder (Cayman)
	Auditor:	BDO Cayman Islands
	Registrar:	Fortis Fund Services

Summary of Fund Terms for Ascot Partners, L.P. (Class C Interests)

MANAGEMENT FEE:	1.5% of ending capital paid annually in arrears
INCENTIVE FEE:	None
EXPENSES:	Only direct expenses paid by the partnership
LIQUIDITY:	Annual redemptions with 45 days' prior written notice
SERVICE PROVIDERS:	
General Partner:	J. Ezra Merkin
Legal:	Schulte Roth & Zabel
Auditor:	BDO Seidman

Summary of Fund Terms for Ascot Fund, Ltd. (Class B Shares)

MANAGEMENT FEE:	1.5% of ending capital paid annually in arrears	
INCENTIVE FEE:	None	
EXPENSES:	Only direct expenses paid by the partnership	
LIQUIDITY:	Annual redemptions with 45 days' prior written notice	
SERVICE PROVIDERS:		
	Investment Advisor:	Gabriel Capital Corp.
	Legal:	Schulte Roth & Zabel (U.S.)
		Maples & Calder (Cayman)
	Auditor:	BDO Cayman Islands
	Registrar:	Fortis Fund Services

Contact Information and Disclosure

Gabriel Capital Group
450 Park Avenue
32nd Floor
New York, N.Y. 10022
(212) 838-7200

J. Ezra Merkin, Managing Partner

EXHIBIT 9

ASCOT PARTNERS, L.P.

450 Park Avenue
New York, NY 10022
Telephone 212 838-7200
Facsimile 212 838-9603

January 14, 2008

[redacted]

Dear [redacted],

For the quarter ending December 31, 2007, an investment in Ascot Partners, L.P. increased approximately 2.1% after all expenses and fees. For the year, an investment in Ascot increased approximately 9.2%. Your investment in Ascot Partners had an unaudited value of approximately $5,620,148.95 at December 31, 2007.

The 2007 audited financial statements and Form K-1 tax information for Ascot Partners will be sent to you upon their completion.

If we can be of help in connection with your investments in Ascot, please do not hesitate to call.

Sincerely yours,

J. Ezra Merkin
General Partner

CONFIDENTIAL [redacted]

EXHIBIT 10

Ascot Partners, L.P.

Financial Statements

Year Ended December 31, 2007

CONFIDENTIAL

[redacted]

ASCOT PARTNERS, L.P.

450 Park Avenue
New York, NY 10022
Telephone 212 838-7200
Facsimile 212 838-9603

March 19, 2008

To the Partners:

Please find enclosed the 2007 audited financial statements for Ascot Partners, L.P. and your 2007 schedule K-1. Please do not hesitate to contact me if you have any questions or if I can be otherwise helpful.

Very truly yours,

[redacted]

Chief Financial Officer

Ascot Partners, L.P.

Contents

[redacted]

BDO Seidman, LLP
Accountants and Consultants

330 Madison Avenue
New York, New York 10017
Telephone: (212) 885-8000
Fax: (212) 697-1299

Independent Auditors' Report

The Partners
Ascot Partners, L.P.
New York, New York

We have audited the accompanying statement of assets and liabilities of Ascot Partners, L.P. (the "Partnership"), including the condensed schedule of investments, as of December 31, 2007, and the related statements of income, changes in partners' capital, and changes in net assets for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ascot Partners, L.P. as of December 31, 2007, and the results of its operations and changes in its net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

BDO Seidman, LLP

March 17, 2008

[redacted]

Ascot Partners, L.P.

Statement of Assets and Liabilities

December 31, 2007

Assets	
Investments in securities, at fair value (cost $1,759,650,866) (Note 3)	**$1,759,650,866**
Due from brokers (Note 3)	**175,081,911**
Interest receivable	**40,006**
Total assets	**1,934,772,783**
Liabilities	
Capital withdrawals payable (Note 5)	**170,587,298**
Capital contributions received in advance (Note 5)	**5,499,696**
Dividend withholding taxes payable	**149,061**
Accrued expenses (Note 4)	**1,162,833**
Total liabilities	**177,398,888**
Partners' capital (net assets) (Note 5)	**$1,757,373,895**

See accompanying notes to financial statements.

Ascot Partners, L.P.

Condensed Schedule of Investments

December 31, 2007

Principal amount	Description (% of net assets of $1,757,373,895)	Fair value
	Investments in securities:	
	Short-term debt securities (100.13%):	
	United States (100.13%):	
	Government (100.13%):	
147,850,000	U.S. Treasury Bill, due 02/21/08 (8.38%)	**$ 147,221,636**
147,850,000	U.S. Treasury Bill, due 02/28/08 (8.37%)	**147,125,535**
147,850,000	U.S. Treasury Bill, due 03/06/08 (8.37%)	**147,036,825**
147,850,000	U.S. Treasury Bill, due 03/13/08 (8.36%)	**146,936,287**
147,850,000	U.S. Treasury Bill, due 03/20/08 (8.35%)	**146,820,964**
147,850,000	U.S. Treasury Bill, due 03/27/08 (8.35%)	**146,717,469**
50,000	U.S. Treasury Bill, due 04/03/08 (0.00%)	**49,575**
147,850,000	U.S. Treasury Bill, due 04/10/08 (8.34%)	**146,526,743**
147,850,000	U.S. Treasury Bill, due 04/17/08 (8.33%)	**146,457,253**
147,850,000	U.S. Treasury Bill, due 04/24/08 (8.33%)	**146,352,280**
147,850,000	U.S. Treasury Bill, due 05/01/08 (8.32%)	**146,226,607**
147,850,000	U.S. Treasury Bill, due 05/08/08 (8.32%)	**146,139,376**
147,850,000	U.S. Treasury Bill, due 05/15/08 (8.31%)	**146,040,316**
	Total investments in securities (100.13%) (cost $1,759,650,866)	**$1,759,650,866**

See accompanying notes to financial statements.

Ascot Partners, L.P.

Statement of Income

Year ended December 31, 2007

Investment income:	
Dividends, net of withholding taxes of $2,515,717	$ 12,940,602
Interest	803,978
Total investment income	13,744,580
Expenses:	
Investment advisory fees (Note 4)	28,292,833
Professional fees	111,954
Other	2,445
Total expenses	28,407,232
Net investment loss before net realized gain on securities and net change in unrealized loss on securities	(14,662,652)
Net realized gain on securities	173,591,955
Net change in unrealized loss on securities	(2,677,947)
Net income	$156,251,356

See accompanying notes to financial statements.

[redacted]

Ascot Partners, L.P.

Statement of Changes in Partners' Capital

Year ended December 31, 2007

	General partner	Limited partners			Total
		Class A	Class B	Class C	
Balance, January 1, 2007	$22,407,433	$ 708,211,402	$946,923,220	$ 47,032,961	**$1,724,575,016**
Capital contributions	-	32,994,006	-	153,210,099	**186,204,105**
Capital withdrawals	(17,826)	(201,548,206)	(50,900,000)	(57,190,550)	**(309,656,582)**
Net income (Note 2):					
Pro rata allocation	2,424,736	60,175,479	81,773,025	11,878,116	**156,251,356**
Balance, December 31, 2007	**$24,814,343**	**$ 599,832,681**	**$977,796,245**	**$154,930,626**	**$1,757,373,895**

See accompanying notes to financial statements.

[redacted]

Ascot Partners, L.P.

Statement of Changes in Net Assets

Year ended December 31, 2007

Increase (decrease) in net assets from operations:	
Net investment loss before net realized gain on securities and net change in unrealized loss on securities	$ (14,662,652)
Net realized gain on securities	173,591,955
Net change in unrealized loss on securities	(2,677,947)
Net increase in net assets resulting from operations	156,251,356
Increase (decrease) in net assets from capital transactions:	
Capital contributions	186,204,105
Capital withdrawals	(139,069,284)
Capital withdrawals payable	(170,587,298)
Net decrease in net assets resulting from capital transactions	(123,452,477)
Total increase	32,798,879
Net assets:	
Beginning of year	1,724,575,016
End of year	$1,757,373,895

See accompanying notes to financial statements.

[redacted]

1. **Significant Accounting Policies**

Business

Ascot Partners, L.P. ("Partnership") is a Delaware limited partnership formed to invest in and trade securities. The Partnership is a master partnership in a master-feeder investment structure, and Ascot Fund Limited is a feeder fund ("Feeder Fund").

Class A limited partnership interests ("Class A") were issued to limited partners prior to February 1, 2006. Class A will no longer be issued by the Partnership. Each Class A limited partner may withdraw all or a portion of its capital account on the last day of any calendar year. Class B limited partnership interests are held solely by the Feeder Fund. A Class B limited partner may withdraw all or a portion of its capital account on the last day of each calendar quarter. Class C limited partnership interests were issued to limited partners subsequent to February 1, 2006. Each Class C limited partner may withdraw all or a portion of its capital account on the date immediately preceding the one-year anniversary of such limited partner's initial investment in the Partnership, and annually thereafter. The general partner reserves the right, in its sole discretion, to waive provisions relating to the withdrawals of any limited partner.

Financial Instruments

The Partnership recognizes all derivative instruments as either assets or liabilities and measures those instruments at fair value. Fair values for derivatives traded on a national exchange, principally certain options, are based on quoted market prices.

The Partnership uses purchased and written option contracts as part of its investment strategy. Option contracts are contractual agreements that give the purchaser the right, but not the obligation, to purchase or sell a financial instrument at a predetermined exercise price. In return for this right, the purchaser pays a premium to the seller of the option. By selling or writing options, the Partnership receives a premium and becomes obligated during the term of the option to purchase or sell a financial instrument at a predetermined exercise price if the option is exercised, and assumes the risk of not being able to enter into a closing transaction if a liquid secondary market does not exist. Option contracts are recorded in the statement of assets and liabilities at fair value. Gains and losses on option contracts are recorded in the statement of income in net realized gain/loss on securities.

Securities Transactions and Portfolio Valuation

The Partnership records all securities transactions on a trade date basis. Interest is recorded on the accrual basis, and dividends are recorded on an ex-dividend date. Revenues and expenses are recorded on the accrual method. Unrealized gains and losses are reflected in the statement of income.

Securities traded on a national securities exchange are stated at the last reported sales price on the day of valuation. Securities for which no sale was reported on that date are stated at the last quoted bid price.

Securities Sold, Not Yet Purchased

Securities sold, not yet purchased by the Partnership, may give rise to off-balance sheet risk. The Partnership may sell a security it does not own in anticipation of a decline in the fair value of that security. When the Partnership sells a security short, it must borrow the security sold short. A gain, limited to the price at which the Partnership sold the security short, or a loss, unlimited in amount, will be recognized upon the termination of a short sale. The Partnership has recorded this obligation in the financial statements at the December 31, 2007 fair value of these securities. There is an element of market risk in that, if the securities increase in value, it will be necessary to purchase the securities at a cost in excess of the price reflected in the statement of assets and liabilities.

Income Taxes

No income tax provision has been made in the accompanying financial statements since the partners are required to report their respective shares of the Partnership income in their individual income tax returns.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

[redacted]

New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements". This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. As of December 31, 2007, the Partnership believes that SFAS No. 157, had it been in effect for the period covered by these financial statements, would not have had an impact on the amounts reported herein but would have required certain additional financial presentation and disclosures regarding the Partnership's development of measurements of fair value and the effect of certain of the measurements reported in the statement of income for a fiscal period.

In June 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes", which establishes that a tax position taken or expected to be taken in a tax return is to be recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. FIN 48 is effective for fiscal years beginning after December 15, 2007. The Partnership does believe that the adoption of FIN 48 will have a material impact on results of operations or financial position.

2. Allocation of Net Income

The net income for each quarter of a calendar year is allocated to the partners at the end of each such quarter in accordance with the ratio of the capital account of each partner to the total of all capital accounts at the beginning of the quarter.

3. **Due From Brokers**

The Partnership has a prime brokerage agreement along with clearing agreements with brokerage firms to carry its account as a customer. The brokers have custody of the Partnership's securities and, from time to time, cash balances which may be due from these brokers.

These securities and/or cash positions serve as collateral for any amounts due to brokers. The securities and/or cash positions also serve as collateral for potential defaults of the Partnership.

The Partnership is subject to credit risk if the brokers are unable to repay balances due or deliver securities in their custody.

4. **Investment Advisory Fees**

The Partnership agreement provides for an annual fee of 1.5% of the limited partners' capital balance at the end of each calendar year, as defined, to be paid to an affiliated entity wholly owned by the Partnership's general partner. For the year ended December 31, 2007, investment advisory fees amounted to $28,292,833. The unpaid portion of this amount, $1,092,833, is included in accrued expenses.

5. **Capital Transactions**

Capital Withdrawals Payable

The balance represents amounts due to limited partners relating to capital withdrawals as of December 31, 2007. The balance was paid during the first quarter of 2008.

Capital Contributions Received in Advance

As of December 31, 2007, the Partnership has received capital contributions effective January 1, 2008 of $5,499,696.

Subsequent Capital Transactions

Between January 1 and March 17, 2008, the Partnership received capital contributions amounting to $11,130,000 (excluding $5,499,696 disclosed above) and paid no capital withdrawals.

6. Financial Highlights

The financial highlights represent the Partnership's financial performance for the year ended December 31, 2007.

An individual partner's performance may vary based on different financial arrangements such as investment advisory fees and/or the timing of capital transactions.

Total return is computed based on the change in a limited partner capital account during the year, adjusted for capital contribution and withdrawals.

Limited partner	Class A	Class B	Class C
Total net return	9.16%	8.88%	9.16%
Percentages to average net assets:			
Operating expense ratio	1.60%	1.60%	1.60%
Net investment loss ratio	(0.83)%	(0.85)%	(0.83)%

EXHIBIT 11

[redacted]

Finance Committee Meeting Minutes
November 14, 2006

Attendees

Board Committee Members

[redacted]

Guests

[redacted]

Ezra Merkin (Gabriel Capital - Ascot Partners)

[redacted] opened the meeting and reviewed the agenda which included presentations on two prospective new investments.

[redacted]

[redacted]

Ezra Merkin of Gabriel Capital presented his firm's Ascot Partners Fund. Ezra pointed out the performance features of the Ascot Fund: the fund has never had a negative calendar quarter, the worst year was +8.07, the annual return goal is approximately 3x one year treasuries, and the fund does not use any leverage. Ezra explained that he tries to exploit short-term pricing discrepancies in the options market. Proprietary, computer driven models guide him and his team to situations that are priced outside the limits of the put-call parity relationship. He noted that each position is hedged so that there are maximum gains and losses with each scenario but with higher potential on the upside. Ezra said that most of the positions use listed options so for these there is no counterparty risk. About 15% of the fund utilizes longer duration options (Leaps) which he trades through Bernie Madoff. [redacted] pointed out that there is a higher level of risk on this portion of the fund since Madoff self-clears.

[redacted] asked if Ascot utilizes shorting techniques. Ezra responded that there are several implementation strategies, some require shorting the underlying equity if dictated by the prices of the related put/call contracts. He pointed out that the Fund can make money in any type of market noting that calls tend to be overvalued in bull markets while puts tend to be overpriced (even more that calls in bull markets) in bear markets. He said hundreds of these trades need to be implemented in order to ensure that the net profit goes in his favor (with as much as 300% turnover). He stated that he only needs to be right on approximately 22% of his trades in order for the Fund to break even. [redacted] also asked why this is not exploited by other banks and competitors. Ezra replied that the strategy is not scaleable. Last, Ezra noted that up to 60% of Ascot's assets come from his personal family trusts. After the discussion, [redacted] said that he had spoken to [redacted] who knows Ezra and would endorse an investment by the Endowment. [redacted] said that since Ascot's investment strategy is both unique and complex he would recommend for now only a $3 million initial investment. The committee members agreed to this investment.

[redacted]

EXHIBIT 12

From: [redacted]
Sent: Fri, 12 Dec 2008 00:15:09 GMT
To: [redacted]
Subject: RE: ascot

[redacted],

Can you confirm or deny rumors about Ascot Partners being involved with Madoff? What is the story?
[redacted]

At 06:18 AM 12/8/2008, you wrote:

At 11/30/08, Ascot had the following net results:
+1.2% MTD +7.7% YTD
I would expect the ratio of Ascot's taxable income to be similar to 2007.

-----Original Message-----
From: [redacted]
Sent: Sunday, December 07, 2008 11:05 AM
To: [redacted]
Subject: ascot

Hi [redacted],
Any indication of Ascot's performance in or through November?
Any idea of what kind of interest and dividend income we can expect
in 2008? Trying to do some tax planning. How would it compare to 2007?
Thanks for your help.

[redacted]

From: [redacted]
Sent: Fri, 12 Dec 2008 20:01:50 GMT
To: [redacted]
CC: [redacted]
Subject: Ascot

[redacted], thanks again for the callback this morning.

We have a client in common – [redacted] – who is invested in Ascot. How is Ascot different from Gabriel Capital LP/Ariel, and does Ascot have any exposure to Madoff?

Best regards,

[redacted]

[redacted]

From: [redacted]
Sent: Fri, 12 Dec 2008 13:40:38 GMT
To: Merkin, J. Ezra
Subject: Re: [redacted] Ascot Funds

Ezra,

I just landed and I received the fax an am obviously quite concerned. That said, as it is almost shabbat in Israel, I do not see the benefit of informing [redacted] at this point.

Given your relationship with [redacted] I will leave it up to you as to whether you would like to discuss it with them personally or have me address the issue when I speak to them on Sunday.

Please post me as to any further developments over the course of the day today.

[redacted]

From: Merkin, J. Ezra
To: [redacted] (FID)
Sent: Fri Dec 12 01:42:15 2008
Subject: RE: [redacted] Ascot Funds
I am reachable in the office for just a while longer, [redacted]. You can try tomorrow, as well, although it may be a hectic day.

From: [redacted]
Sent: Thursday, December 11, 2008 6:43 PM
To: Merkin, J. Ezra
Subject: [redacted] Ascot Funds

Ezra,
I have gotten a slew of emails and calls from various board members and others expressing their concern with regard to a story that came out today on B. Madoff and its potential implication on the funds that [redacted] has invested in Ascot.
As you know, word travels these days at the speed of the internet and am therefore reaching out to see if there is any reason for concern. As I will be in the Yeshiva on Sunday and meeting with [redacted], it would be helpful to know what I should or should not be saying.
I will wait to hear from you.
Shabbat Shalom,
[redacted]

From: [redacted]
Sent: Thu, 11 Dec 2008 23:52:38 GMT
To: 'jemerkin@gabrielcapital.com'
Subject:

Ezra. Crazy news about madoff. Is there a way to ascertain if [redacted] has any exposure and how much?

EXHIBIT 13

From: [redacted]
Sent: Fri, 19 Dec 2008 18:44:20 GMT
To: [redacted]
Subject: RE: Investor Letters

Dear [redacted] Thanks for the letters.
We were trusting and investing with MR EZRA MERKIN .We never knew that that ASCOT FUND was not investing its money and giving it to third-party people to invest .Why GABRIEL CAPITAL was not investing the money of ASCOT FUND?
Please inform us since when ARIEL FUND invested with MADOFF 27% of its capital?.ARIEL FUND invests in DISTRESSED securities .What MADDOF has to do with DISTRESSED DEBT?
Many thanks and looking to hear from you [redacted]

Subject: Investor Letters
Date: Fri, 19 Dec 2008 11:19:23 -0500
From: [redacted]
To: [redacted]

Attached are copies of the letters you requested.

EXHIBIT 14

From: [redacted]
Sent: Fri, 12 Dec 2008 12:44:13 GMT
To: [redacted]
Subject: Re: Bad News

Are you serious? Why was Ascot trading with one fund?

From: [redacted]
To: [redacted]
Sent: Friday, December 12, 2008 1:15:59 PM
Subject: Bad News

[redacted]

See the attached letter. You may have heard about yesterday's arrest of Bernie Madoff in a huge financial fraud. I'm afraid that [redacted] account will be wiped out. After Shabbat, I think I have to inform [redacted]
[redacted]

As you can imagine, things are crazy in the office. I got home last night at 1:00 a.m., and then slept poorly. Though our office was a victim, not a perpetrator, our ability to remain in business is very much in doubt.

[redacted]

From: ASCOT
Sent: Friday, December 12, 2008 4:25 AM
To: [redacted]
Subject: Madoff

Please see attached.

EXHIBIT 15

From: [redacted]
Sent: Sun, 14 Dec 2008 15:48:24 GMT
To: Ezra Merkin
CC: [redacted]
Subject: Please be in touch

Dear Ezra,

I really do not know how to start this email to you. First of all I hope that you are personally well and have both the strength and support to cope with the catastrophe.

Over the years, my family, specifically my father, [redacted] and myself have developed a warm relationship with you and we learned to respect your insightful advice.

In fact, our trust in you was so great that our family trust's largest holding in any single fund manager was with you and I personally invested my own funds in you (something I have not done with any other fund manager). As you can imagine, the stories that are circulating about the whole affair and in particular you and your fund are grotesque with people we know in common claiming that you are at best a charlatan and at worst that you were totally in sync with Madoff.

It would be dishonest of me to hide our deep sense of shock, disappointment and frustration in you and your fund but we cannot accept the basis of the claims that are being bandied about. We do not doubt that you are taking every step possible to return our funds. You clearly have some tough decisions here; for what it's worth, I suggest that you be proactive rather than wait for the rabble to seek blood.

We do not have the facts and therefore are very confused. We can appreciate that you are under an avalanche gasping for air but at the same time, I ask you to contact me at your earliest convenience. Rather than hear distorted stories and allegations, I would prefer to hear the truth from you. My cell is [redacted].

In friendship,

[redacted]

EXHIBIT 16

[redacted]

From: [redacted]
To: [redacted]
Date: 9/23/2008 11:06 AM
Subject: FW: Gabriel - Counterparty risk

Dear Mr. [redacted],

Ariel Fund and Ascot Fund had no material direct exposure to either Lehman Brothers or AIG at the time of their failure. We try to maintain multiple banking and brokerage relationships which allows for flexibility during times of market turmoil. We also monitor the creditworthiness of each counter party we deal with and try to limit our exposures accordingly.

Please let me know if any questions arise.

Best regards,

[redacted]

From: [redacted]
Sent: Monday, September 22, 2008 11:40 AM
To: Merkin, J. Ezra
Cc: [redacted]
Subject: Gabriel - Counterparty risk

Dear Ezra,

I just would like to ask you if and if yes what measures Gabriel has taken re counterparty risk.

Thank you.

[redacted]

[redacted]

[redacted]

EXHIBIT 17

Ascot

Particular Fund	Ascot Fund	**Present (Us)**	[redacted]
Date	11/14/2005		
Medium of Interaction	On-Site Visit	**Present (Them)**	Ezra Merkin
Reviewer	[redacted]		

We met with Ezra Merkin to get a better understanding of the Ascot Fund and strategy and a sense of how he thought the strategy could perform in the next 12-24 months. Today the Ascot strategy has over $1.7B of which 48% of the AUM was in the offshore fund. Gabriel Capital will not register and therefore investments after the January 1, 2006 opening will be subject to the two year lock up mandated by the SEC. Investments on January 1, 2006 and all previous investments will still have quarterly liquidity on 30 days notice.

Strategy Review

Ezra describes the Ascot strategy as an options premium hedging strategy. Ultimately, the manager is looking to collect premiums for overpriced options. For the most part, the fund trades stocks in the S&P 100. Because of the size of Ascot and other Madoff feeder strategies, the stocks which are traded are typically the largest and most liquid companies on the exchanges. Positions are typically held for 3-6 months and can be taken off in a variety of ways, including options expiry, stocks being called or put away, or position unwinding. Therefore, it is not a very tax efficient strategy for on-shore investors (although Ezra did mention that when the US tax law considered long term gains at six months, the fund was managed to hold positions for six months and a day).

In any given month, the Ascot funds are either fully invested or not invested (although it was not clear from our conversation with Ezra as to when that decision is made, i.e is the decision to invest made on the first of the month or can it be made anytime within the month?) Ezra estimates the fund is in cash 10%-25% of the time and is fully invested (less 30 bps of cash held by CFO) during the other time periods. Cash balances are held at Morgan Stanley and are not aggressively managed. Most of the time short term treasuries are bought as the available cash needs to be invested in short duration paper. Ezra did mention that they have started to look at ways in which to better manage cash, but are limited in what they can do as cash investments have to have durations of 5 days or less. Obviously, a rising interest rate environment will benefit the fund as cash will earn more in a higher rate environment.

When the fund is invested, the manager will be in either a bullish or bearish position in which the investment views are expressed via one of the following four strategies:

1) A bull spread trade – In this strategy, the manager is long a stock, long a put option and short a call option with the same expiration. The options generally expire between one and six months and are typically positioned so that the short call position can finance the long put position. Oftentimes, in a bullish market environment, the short call position provides a small credit to the net long put/short call position. Once this leg of the trade is executed, the manager will then try to establish a long position in the stock at a price which sells closer to the put. In the example Ezra described to us, the fund would short a call at 95, be long a put at 90 and would seek to buy the stock at 92. If the fund is able to establish this trade at these position levels, it successfully establishes an attractive risk/reward profile. Assuming during the holding period, the trade will generate an 1/8 credit from the net short call/long put trade and the long stock position will add an 1/8 in dividend yield, the maximum loss for the position would occur

[redacted]

if the stock were to trade below 90. If this happened, the manager would lose $2 from the long stock position (stock would be put at $90) and gain $0.25 from the credit of the option position and the dividend of the stock for a total loss of $1.75. Alternatively, the best case scenario would be if the stock appreciated above $95, in which case the manager would make $3 from the long stock position (before it is called away above $95) and $0.25 from the credit of the option position and dividend of the stock. Thus, the maximum return from the position is $3.25. Therefore the reward to risk ratio is close to 2 to 1, which is the typical return profile the manager is striving to establish.

Ultimately, although the trade is termed a bull spread trade, the fund is not establishing a position based on the managers market sentiment, but on the ability of the manager to execute the trade to establish an attractive risk/reward profile. As Ezra described it, essentially Ascot is no different than flipping a coin, but trades are structured so that Ascot can be right only 25% of the time and still be able to break even. The ability to execute the trade at a price cheaper than "theoretical parity" is the key to the Ascot strategy. Ezra said that in a gently ascending market the premiums tend to flow into calls and stocks sell closer to put exercise prices which allows for the trade structure described above to be executed. In the above example, the price in which you would be indifferent (ignoring the credit and dividend assumptions) is $92.50, the mid-point of the call and put exercise prices. Executing the trade at $92.00 is a tremendous advantage, although it may not seem so at first glance. The $0.50 price differential is a not a lot when looked at in the context of a $92, but is a very significant amount when considered within the $5.00 band in which the trade is being established, providing an execution edge of 10%.

2) A bear spread trade – In this strategy, the manager puts on the opposite positions as the bull spread trade described above. There are market environments in which panic overprices the puts relative to the calls and the short position can be used to finance a long call position. Against this option position, the manager will look to short the stock at a price closer to the call's exercise price. Using the same values as the bull spread strategy described above, the manager would look to short a put at 90 and use the proceeds to be long a call at 95. Generally, in a bearish market environment, the puts can be sold to finance the long call position and provide a small credit to the fund. The manager would then seek to short the stock at approximately 93. Therefore, the downside of the position is limited to $2.00, assuming the credit from the option position and the debit due to the dividend paid from the short position cancel each other out. The upside of the trade is $3.00 with the same assumptions. Although the reward to risk ratio is not as high as the bull spread trade position, it still provides the manager with an attractive trade structure. It is important to reiterate that both the bull and bear spread trades are not a reflection of the manager's market view, but are descriptive of the typical market environment in which the fund can put on the appropriate trade. The bear spread trade is only traded approximately 10-15% of the time. Ezra mentioned that in a sense, Ascot is a prisoner to its historic return profile, and although there are some instances where the fund is in cash and the bear spread trade opportunity presents itself, the fund will remain in cash. This is because the reward to risk ratio is not as high as the bull spread trade ratio and thus would create more volatility for the fund.

3) A third strategy of Ascot is put on only after sharp down markets as spikes tend to skew option prices. When this occurs the manager will short two put options, be long a call and long the stock. This is the only directional trade that Ascot will pursue and is not done very often. In this instance, the position is not hedged and the manager believes the sharp sell off in the markets will provide an opportunity to collect expensive premium on the puts and take advantage of a likely rebound in the stock by being long the stock and the call. Ezra told us that this is the highest margin strategy that the fund trades, returning on average 21% over the short time period in which the position is held. (It is not clear

what risk tolerance the manager has when establishing this position, how often this trade is put on and what kind of market sell off has to occur before this strategy is traded.)

4) The fourth strategy which the fund will put on is similar to the bull spread described above except that instead of structuring the trade around a single stock position, the trade is structured around the options of the S&P 100 (OEX). Typically Ascot will be long a basket of between 60-65 stocks and short an OEX call option and long an OEX put option. In a bullish market environment premiums tend to be higher on OEX options. The advantage of trading with this strategy as opposed to single stock positions is that the basket of stocks and the options on the S&P 100 have greater liquidity. (It was not clear if this trade is the only trade that is put on when it is done or if this trade can be accompanied by single stock positions as well)

Strategy Execution

As mentioned earlier, the cash is held in a Morgan Stanley account controlled by Ezra Merkin. The fund is run at his discretion. However, the execution of the strategy is mostly completed by Bernie Madoff. Ezra told us that he and Mr. Madoff talk many times through out the year about the strategy, opportunities, and execution. Also, at the end of every year they have a detailed conversation in which Ezra gives Bernie Madoff the right to trade the account within a defined set of ranges (we did not have a chance to discuss the type of ranges or the potential parameters). In the past, Ascot executed these trades as well as allow Mr. Madoff to clear some of these trades through his broker-dealer. However, the execution ability of Madoff, especially in the option market, has proven to have done better than Ascot's own execution and, therefore, the majority of the trade execution and clearing is now done at Madoff Securities. In executing any one particular trade, the fund has a 12 min rule in which Ezra or Bernie have to establish all three legs of the typical trade within 12 minutes, otherwise the trade leg(s) established are sold. This disciplined approach ensures that market risk will be contained within the narrow risk parameters established by any one trade.

Return Comments and Outlook

Ezra told us that the Ascot strategy has always benchmarked and attempted to achieve a return greater than twice the 30 year Treasury with consistent quarter-to-quarter performance and low volatility. He also put together a schedule of returns vs the 1 Month LIBOR and the minimum multiple of return for the fund was 2.0x. Although absolute returns have been lower over the last 24-36 months, the returns when compared to the 1-Month LIBOR of recent years have never been better (multiple over 7.4x). Ezra believes that returns of Ascot should increase with rising interest rates. Not only will rising interest rates provide a higher return on cash when the fund is not invested, but a rising interest rate environment is likely to increase equity volatility as well (at least from current historic lows). Ezra stated that in the past an increase in absolute returns of the fund has lagged increases in the interest rates by two to four quarters, and therefore is optimistic that returns will gradually increase from the high single digit returns of the last few years to something closer to the low teens over the next 12-18 months.

Ezra did say that he believes the Ascot strategy will stop working one day. However, it is not a strategy that will blow up, it is simply one that will eventually not produce acceptable returns for investors as the market will provide less and less compelling investment opportunities for the fund. According to Ezra, the street has become smarter and specialist books are now run in a similar fashion to Ascot. The manager will either have to conceive of new trading strategies or wind down as investment opportunities become rarer and returns retreat to cash like levels. However, he does not believe that is the case now and is optimistic that the rising interest rate environment will aide the fund in returning over

10% in the next year.

Conclusion

Although Ezra did not explicitly state this, it appears that the true advantage of the strategy is the ability to execute the trades. The option hedging strategies described are fairly straight forward, however very difficult to replicate as the ability to put on trades at the necessary price levels is very difficult. Given that Mr. Madoff is one of the largest independent market makers on the street, he has the ability to trade stocks and options inside the bid/ask spread. This access is crucial as it allows the fund to structure trades with the favorable risk/return profile described. It is rumored that the Madoff runs over $10B in this strategy in various managed accounts. One account we are aware of if Fairfield Sentry Limited which has a 0.922 correlation to Ascot. Although the parameters of the strategy appear to be very similar, the Ascot Fund has outperformed Fairfield Sentry 1.5% per annum. We believe this is mostly due to the lower fee structure of Ascot. While there are still some questions which I have highlighted and mention again below, this strategy continues to be one of the best unlevered risk/reward strategies available and should be a core holding of any portfolio.

Additional Questions for Ezra:

1) Can positions be put on intra-month or are decisions as to if and how to invest made at a set time each month?
2) For the bullish directional trade, how much pain is the manager willing to suffer before closing the position in which it is short two puts against a stock and call position? How often is this trade put on and what is the magnitude of the market sell off that has to occur before the this trade is put on?
3) When trading the basket of stocks against index options, could you also be invested in similarly constructed positions of similar stocks?
4) What are the type of direction and/or ranges of the parameters you provide Madoff with on an annual basis?
5) Besides lower interest rates and volatility, has the decimalization process hurt returns (because the bid/ask spread has narrowed somewhat)?
6) Since trading the index options against a basket of stocks what has your experience been with tracking error, for example a stock declining significantly, but the index staying flat? Is the basket of stocks always 60-65 stocks?

EXHIBIT 18

GABRIEL CAPITAL GROUP

450 Park Avenue
New York, NY 10022
TELEPHONE 212 838-7200
FACSIMILE 212 838-9603

November 11, 2002

Dear Investor:

We write this letter to apprise you of changes in the governance of Ascot Fund Limited ("Ascot Fund"). One change requires the consent of participating shareholders. Notice of the other changes is being provided to you for your information only. These changes will become effective at December 31, 2002 and we ask you to complete the attached Consent Form and Subscription Documents and return them to us by November 29, 2002 (the "Notice Date"). Only investors from whom we receive both of these documents by the Notice Date will be permitted to remain in the Fund.

Notice of Changes

Until now Ascot Fund and its domestic counterpart, Ascot Partners, L.P. ("Ascot Partners"), have operated as stand-alone funds with substantially identical investment strategies. We have decided to unify these two funds into a single master-feeder structure. Master-feeder structures are commonly established when paired domestic and offshore funds are managed pari passu. The change in our structure will result in Ascot Partners acting as our central investing mechanism, with Ascot Fund investing as a limited partner in Ascot Partners. This change will enable us to do all trades in the name of Ascot Partners rather than constantly splitting trades between Ascot Partners and Ascot Fund, and will make the entire process cheaper and more efficient. The change will also provide us with added flexibility under the securities laws, which limit the number of funds or accounts to which we may provide investment advice. The new structure should not have any substantive impact on the investors in either Ascot Fund or Ascot Partners. Ascot Fund will remain an offshore entity, domiciled in the Cayman Islands, with the same Directors, Registrar and Transfer Agent, and auditors as before, and with no meaningful changes to its investment program or risk profile.

As part of this new master-feeder structure, the Investment Advisory Agreement between Ascot Fund and Gabriel Capital Corporation (the "Investment Advisory Agreement") will be terminated. The fees that had been payable by Ascot Fund (and indirectly by its investors) will no longer be paid to Gabriel Capital Corporation, but instead will be paid to Ascot Partners.

Because Ascot Fund will no longer employ Gabriel Capital Corporation as Investment Advisor (and, instead, will invest its assets in Ascot Partners), the Memorandum and Articles of Association of Ascot Fund will be amended to delete (i) the requirement that I, or an entity I control, be retained as the Investment Advisor and (ii) references to the Investment Advisor. Be assured that I will continue to direct the management and investing of Ascot Partners as its sole General Partner. Once again, we do not anticipate that these changes will have any substantive impact on investors in either the offshore or domestic fund.

Ascot Fund's performance speaks for itself. What investors may be less aware of is that the expenses of running Ascot Fund over the past few years have been encroaching to a greater and greater extent into the 1% investment advisory fee. It has always been our practice to absorb the expenses of Ascot Fund ourselves rather than to pass them along to investors. Faced with rising expenses, we intend to continue the practice of absorbing expenses while instituting a moderate increase in the investment advisory fee.

Specifically, we will raise Ascot Partners' investment advisory fee by 50 basis points, from 1.0% to 1.5%. As a result of the conversion to a master-feeder structure and this increase of the investment advisory fee by Ascot Partners, we will effectively be raising the investment advisory fee paid by Ascot Fund as well. Going forward, as now, Ascot Fund will not be allocated overhead expenses and there will be no incentive fee. I believe this is a fair level of compensation for the risk that we take and the results that have been achieved.

Changes Requiring Consent

The new master-feeder structure and the termination of the Investment Advisory Agreement will, under the provisions of Article 40(3) of the Articles of Association of Ascot Fund (the "Articles"), require the redemption of all Participating Shares (those shares held by every shareholder). It is proposed that the Articles be amended to remove this requirement and also to make other necessary changes to facilitate the new structure. As this will constitute an amendment to the class rights of the Participating Shares, under Article 18 of the Articles, this amendment will require the written consent of the holders of the Participating Shares representing at least three-quarters of the total net asset value of all Participating Shares issued as of December 31, 2002 (the "Mandatory Redemption Date").

Documentation

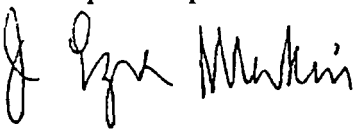
A copy of the revised Prospectus for Ascot Fund as well as the amended Memorandum and Articles of Association to reflect the new master-feeder structure and the termination of the Investment Advisory Agreement will be forwarded to you when they are completed. In addition, we will forward you a copy of the Amended and Restated Limited Partnership Agreement of Ascot Partners, which reflects the change in the investment advisory fee.

Since Ascot Partners operates pursuant to Section 3(c)(7) of the Investment Company Act of 1940, as amended (the "Company Act"), upon conversion to the proposed master-feeder structure, each of the investors in the Ascot Fund will need to be a "qualified purchaser" as defined under the Company Act. Those investors in the Ascot Fund that are unable, or unwilling, to make the qualified purchaser representations will have their shares redeemed on the Mandatory Redemption Date.

We enclose with this letter a subscription document for your completion. The subscription document has been revised to cover the changes discussed in this letter, including a "qualified purchaser" questionnaire, and also to comply with the anti-money laundering and "know your client" requirements of the USA Patriot Act, a statute passed by the United States Congress in the aftermath of the events of September 11, 2001. Finally, we have also enclosed a consent form. **We ask that both documents, fully completed and executed, be returned to us no later than the Notice Date of November 29, 2002.** Again, only investors from whom we receive these documents will be permitted to remain in the Fund. Those shareholders who do not consent by the Notice Date will have their shares redeemed as of December 31, 2002, in accordance with Ascot Fund's redemption provisions.

Please do not hesitate to contact either Michael Autera or me if you have any questions regarding the changes. Thank you for your interest in Ascot Fund over the past years. We look forward to continuing our partnership as joint investors in Ascot Partners in the future.

Very truly yours,
Gabriel Capital Corp.



J. Ezra Merkin
President

CONSENT FORM

I, the undersigned, as holder of Participating Shares in Ascot Fund Limited (the "Fund"), have received a letter from J. Ezra Merkin dated November 11, 2002 notifying investors as to certain proposed changes to the structure of the Fund (the "Letter to Investors"). I understand that the Fund will no longer operate as a stand-alone fund but instead will operate under a master-feeder structure with Ascot Partners, L.P. acting as the central investing mechanism in which the Fund will invest as a limited partner (the "New Structure"). I also understand that the agreement entered into between the Fund and the Investment Advisor (Gabriel Capital Corporation) (the "Investment Advisory Agreement"), will be terminated as part of the New Structure.

I confirm that I wish to remain as an investor in the Fund under the New Structure and do hereby provide my consent, in accordance with Article 18 of the Fund's Articles, to the proposed removal of the requirement for redemption of Participating Shares upon termination of the Investment Advisory Agreement and to the other necessary changes that will need to be made to the Articles of Association (the "Articles") to reflect the New Structure.

I understand that if the Fund does not receive my properly executed Consent Form by November 29, 2002 that my shares in the Fund will be redeemed as of December 31, 2002.

Dated: _____, 2002

For Corporate, Partnership or Other Entity Shareholders

_____
Print Name of Shareholder

By: _____
Authorized Signatory

_____
Print Name of Authorized Signatory

_____
Title of Authorized Signatory

For Individual Shareholders

_____
Print Name of Shareholder

_____
Signature

EXHIBIT 19

[redacted]

BOARD OF TRUSTEES
INVESTMENT COMMITTEE

DECEMBER 9, 2002

MINUTES

A meeting of the Investment Committee of the Board of Trustees was held in the offices of Mr. J. Ezra Merkin, 450 Park Avenue, New York, N.Y. at 4:00 p.m. on Monday, December 9, 2002.

Present: Mr. J. Ezra Merkin; [redacted]

[redacted]

[redacted]

Confidential
Treatment Requested

[redacted]

Mr. Merkin said that the Committee had decided at its last meeting to reduce the University's investment in Ascot Partners to $65 million as at December 31, 2002. Additionally, Ascot may begin trading in long-term equity options (LEAPS) in 2003. This will require them to undertake a $20 million investment in new software and hardware. In order to finance this investment, the Fund may increase the annual management fee from 1% to 1.5%. [redacted] asked Mr. Merkin to elaborate on the reason for the fee increase. Due to additional scheduled presentations, Mr. Merkin asked [redacted] to add Ascot Partners as an agenda item for the next meeting.

[redacted]

[redacted]

Confidential Treatment Requested

EXHIBIT 20

October 1, 1998

To: Ezra Merkin
From: Victor Teicher

Here follow the terms of my employment:

1. Responsibilities. To manage the funds of Gabriel and Ariel (the "Business") that are not managed by others outside the 32nd floor at 450 Park Avenue. To effect the changes I deem necessary (regarding the hiring and dismissing and compensation of employees) subject to your review, discretion, and approval in furtherance of managing the Business.

2. Compensation. Effective October 1, 1998, a salary of $1,000,000 per annum payable monthly. Annual compensation of (A) 50% of the performance fee related to managing the Business or (B) the total management and performance fees payable by the funds managed. In either case the compensation will be reduced by the salary. Moreover, 15% of the sale price of your firm will be payable to me in the event it is sold. Upon my leaving the firm, this 15% would decline to zero, straight line, over three years.

3. Since I do not intend to continue to manage the funds of Ithaca Partners and Carmel Fund, if I leave your firm before the Federal Appeals Court decision on my case, then you shall pay me $500,000 in severance as well as any amounts due as described in the second sentence of paragraph 2.

Agreed:

Victor Teicher

Agreed:

J. Ezra Merkin

with the final amount
ultimately subject
to your review,
discretion and
approval.

Confidential Treatment
Requested Under FOIL

[redacted]