require the vote of a majority of its members. Each Board will be comprised exclusively of directors and officers of the Morgan Stanley Group, each of whom is expected to qualify as an Eligible Employee. The day-to-day affairs of each Partnership will be managed by Eligible Employees who are officers or employees of the Morgan Stanley Group.

With respect to the Initial Partnership, the partners thereof currently consist of the General Partner and a wholly-owned subsidiary of MSG, as sole limited partner (the "MS Limited Partner''). The Initial Partnership has obtained subscriptions from a number of Eligible Employees to acquire limited partnership interests in the Initial Partnership. Such Eligible Employees, however, have not yet been admitted to the Partnership. As promptly as practicable after receipt of the requested order, the Eligible Employees will be admitted to the Initial Partnership as Limited Partners, and the limited partnership interest held by the MS Limited Partner will be redeemed by the Initial Partnership in full. Upon their admission into the Initial Partnership, the Eligible Employees will be allocated their shares of any investment made, and expense incurred, by the Initial Partnership prior to their admission, and will be required to make capital contributions to the Initial Partnership as if they had been Limited Partners from the formation of the Initial Partnership.

10. The terms of each Partnership are expected to be based upon the terms of the related Investment Fund, and corresponding or analogous terms of each (or terms having substantially the same intent or effect) are expected to be substantially identical, except as described below. In addition, if the Partnership is required to co-invest "lock-step" with the related Investment Fund (which is generally expected to be the case), various terms designed for the protection of the investors in the related Investment Fund also will accrue to the benefit of the Limited Partners. Such terms may include, for example, (a) limitations with respect to the amounts permitted to be invested in the securities of certain issuers, and the nature of investments permitted to be made, by the related Investment Fund, and (6) limitations on the ability of the General Partner and its affiliates to engage in certain types of activities, such as the formation of a new Investment Fund or the making of certain types of investments for its own account without first having offered the investment opportunity to the related Investment Fund. In any event, the

terms of each Partnership will be disclosed to the Eligible Employees at the time they are offered the right to subscribe for interests in the Partnership. To the extent there are differences between the terms of a Partnership and the related Investment Fund, or the Partnership could be affected by the terms of or actions taken with respect to the Investment Fund, such differences or effects also will be disclosed to the Eligible Employees.

11. The General Partner of each Partnership will have all powers necessary, proper, suitable or advisable to carry out the purposes and business of the Partnership. The General Partner of each Partnership also may serve as the general partner or manager of the related Investment Fund and, in such capacity, be vested exclusively with the management and control of the

Investment Fund.

12. The General Partner of each Partnership generally will have a capital commitment to the Partnership equal to at least 1% of the Partnership's aggregate capital commitment and thus will be required to make capital contributions to the Partnership. In order for the General Partner to meet its capital contribution requirements, Morgan Stanley Group will be required to capitalize the MS Subsidiary Corporation with sufficient funds (and, if the General Partner is organized as a limited partnership or other noncorporate entity, the individual partners or other investors of the General Partner also will be required to fund their pro rata share of such capital contributions).

13. The General Partner of each Partnership, as the general partner or manager of the related Investment Fund, will have a capital commitment to such Investment Fund. Another entity within the Morgan Stanley Group also may participate in such Investment Fund as a limited partner or other investor on the same terms as other third-party investors. In addition, individuals serving on the Board or managing the day-to-day affairs of the Partnership may also elect to invest their own funds as Limited Partners of the Partnership on the same terms as other Eligible Employees.

14. The General Partner of each Partnership will pay its normal operating expenses, including rent and salaries of its personnel and certain expenses. To the extent any expenses are not borne by the General Partner, the Partnership will be required to pay such expenses. Such expenses may include, without limitation, the fees, commissions and expenses of an entity within the Morgan Stanley Group for services performed by such entity for

such Partnership such as, for example, brokerage or clearing services in the Partnership's portfolio securities.

15. The General Partner of a Partnership may be paid an annual management fee, generally determined as a percentage of assets under management or aggregate commitments. The General Partner of a Partnership also may be entitled to receive a performance-based fee (or "carried interest") of a specified percentage based on the gains and losses of such Partnership's or each Limited Partner's investment portfolio.3 Such percentage will not exceed that used in calculating the General Partner's carried interest in the related Investment Fund. All or a portion of the carried interest arising from Partnership investments may be paid to the individuals who are partners of or investors in the General Partner. In addition, the General Partner may be entitled to other compensation from the Partnership as provided for in the Partnership Agreement of the Partnership, such as acquisition fees, disposition fees, structuring fees or other fees for additional services rendered by the General Partner to the Partnership in connection with the Partnership's affairs.

16. Each Partnership generally will be required to invest "lock-step" in investment opportunities in which the related Investment Fund invests. In connection with any such investment opportunity, the amount of the Partnership's do-investment will be determined in accordance with a specified formula. Such formula is expected to provide that the amount of the Partnership's co-investment will bear the same proportion to the aggregate investments of the related Partnership as the aggregate capital commitments of the Investment Fund and the Partnership as the aggregate capital commitments of the Investment Fund and the Partnership. In addition, the Partnership generally will be required to make any co-investments on terms no more favorable than those applicable to the investments by the related Investment Fund.4

³ A "carried interest" is an allocation to the General Partner based on net gains in addition to the amount allocable to the General Partner that is in proportion to its capital contributions. Any carried interest will be structured to comply with the requirements of rule 205–3 under the Advisers Act.

⁴It is anticipated that the economic terms applicable to the Partnership's investments will be substantially the same as those applicable to the corresponding investments by the related Investment Fund; however, it is possible that the related Investment Fund may invest in a different class of securities or that the Investment Fund's