ICAHN ENTERPRISES L.P.
Form 10-K
March 04, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2008

Commission File Number 1-9516

ICAHN ENTERPRISES L.P.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	13-3398766
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

767 Fifth Avenue, Suite 4700
New York, NY 10153

(Address of Principal Executive Offices) (Zip Code)

(212) 702-4300

(Registrant s Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Depositary Units Representing Limited Partner Interests	New York Stock Exchange
5% Cumulative Pay-in-Kind Redeemable Preferred Units Representing Limited Partner Interests	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (Check One):

Large Accelerated Filer o Accelerated Filer x Non-accelerated Filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The aggregate market value of depositary units held by non-affiliates of the registrant as of June 30, 2008, the last business day of the registrant s most recently completed second fiscal quarter, based upon the closing price of depositary units on the New York Stock Exchange Composite Tape on such date was $431,255,032.

The number of depositary and preferred units outstanding as of the close of business on March 2, 2009 was 74,775,597 and 12,502,254, respectively.

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PART I

Item 1. Business

Business Overview

Icahn Enterprises L.P., or Icahn Enterprises, is a master limited partnership formed in Delaware on February 17, 1987. We are a diversified holding company owning subsidiaries engaged in the following continuing operating businesses: Investment Management, Automotive, Metals, Real Estate and Home Fashion. In addition, as further discussed below, on February 20, 2008, we consummated the sale of our subsidiary, American Casino & Entertainment Properties LLC, or ACEP. The sale of ACEP included the Stratosphere and three other Nevada gaming properties, which represented all of our remaining gaming operations.

We own a 99% limited partner interest in Icahn Enterprises Holdings L.P., or Icahn Enterprises Holdings. Substantially all of our assets and liabilities are owned through Icahn Enterprises Holdings and substantially all of our operations are conducted through Icahn Enterprises Holdings and its subsidiaries. Icahn Enterprises G.P. Inc., or Icahn Enterprises GP, our sole general partner, owns a 1% general partnership interest in both Icahn Enterprises Holdings and us, representing an aggregate 1.99% general partnership interest in Icahn Enterprises Holdings and us. Icahn Enterprises GP is owned and controlled by Mr. Carl C. Icahn. As of December 31, 2008, affiliates of Mr. Icahn owned 68,644,590 of our depositary units and 10,819,213 of our preferred units, which represented approximately 91.8% and 86.5% of our outstanding depositary units and preferred units, respectively.

As noted above, we conduct our operations through various continuing operating businesses. Segment and geographic information concerning our continuing operating businesses as of December 31, 2008 and 2007 and for the three years ended December 31, 2008 is presented in Note 18 to the consolidated financial statements, included in Item 8 of this report.

Business Strategy

Our business strategy includes:

Growing Our Investment Management Business. We intend to continue to grow and expand our investment management business.

Operating and Enhancing Value of Core Businesses. We continually evaluate our operating businesses with a view to maximizing their value to us. In each of our businesses, we place management with the expertise to run their businesses and we give management specific operating objectives that they must achieve.

Investing Capital to Grow Existing Operations or Adding New Operating Platforms. We may look to make acquisitions of assets or operations that complement our existing operations or look to acquire new business segments. Our management team has extensive experience in identifying, acquiring and developing undervalued businesses or assets.

Enhancing Returns on Assets. We continually look for opportunities to enhance returns on both liquid and operating assets.

Acquisitions

On July 3, 2008, pursuant to a stock purchase agreement with Thornwood Associates Limited Partnership, or Thornwood, and Thornwood s general partner, Barberry Corp., or Barberry, we acquired a majority interest in Federal-Mogul Corporation, or Federal-Mogul, for an aggregate price of $862,750,000 (or $17.00 per share, which represented a discount to Thornwood s purchase price of such shares). Thornwood and Barberry are wholly owned by Mr. Carl C. Icahn. Prior to our majority interest acquisition of Federal-Mogul, Thornwood owned an aggregate of 75,241,924 shares of Federal-Mogul, or Federal-Mogul Shares. Thornwood had acquired such shares as follows: (i) 50,100,000 Federal-Mogul Shares pursuant to the exercise of two options on February 25, 2008 acquired in December 2007 from the Federal-Mogul Asbestos Personal Injury Trust; and (ii) 25,141,924 Federal-Mogul Shares pursuant to and in connection with Federal-Mogul s Plan of Reorganization under Chapter 11 of the United States Code, which became effective on December 27, 2007.

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On December 2, 2008, we acquired an additional 24,491,924 Federal-Mogul Shares from Thornwood, which represented the remaining Federal-Mogul Shares owned by Thornwood. As a result of this transaction, we beneficially own 75,241,924 Federal-Mogul Shares, or 75.7% of the total issued and outstanding capital stock of Federal-Mogul. In consideration of the acquisition of the additional Federal-Mogul Shares, we issued to Thornwood 4,286,087 (or $153 million based on the opening price of $35.60 on our depositary units on December 2, 2008) fully paid and non-assessable depositary units representing limited partner interests in Icahn Enterprises.

The above transactions were each approved by a special committee of independent directors of Icahn Enterprises G.P., the general partner of Icahn Enterprises and Icahn Enterprises Holdings. The special committee was advised by its own legal counsel and independent financial advisor with respect to the transactions. The special committee received an opinion from its financial advisor as to the fairness to us, from a financial point of view, of the consideration paid.

Dispositions

On April 22, 2007, American Entertainment Properties Corp., or AEP, our wholly owned indirect subsidiary and the direct parent of ACEP, entered into a Membership Interest Purchase Agreement with W2007/ACEP Holdings, LLC, an affiliate of Whitehall Street Real Estate Funds, a series of real estate investment funds affiliated with Goldman, Sachs & Co., or Whitehall Street Real Estate Funds, to sell all of the issued and outstanding membership interests in ACEP.

On February 20, 2008, we completed the sale of ACEP, resulting in a gain of approximately $472 million, after taxes. For additional information, see Note 5 to the consolidated financial statements, included in Item 8 of this report.

Investment Management

Background

On August 8, 2007, we acquired the partnership interests consisting of the general partnership interests in Icahn Onshore LP, or the Onshore GP, and Icahn Offshore LP, or the Offshore GP (collectively referred to herein as the General Partners), acting as general partners of Icahn Partners LP, or the Onshore Fund, and the Offshore Master Funds (as defined below) managed and controlled by Mr. Icahn. Additionally, we acquired the general partnership interest in Icahn Capital Management LP, or New Icahn Management. The General Partners (and New Icahn Management through December 31, 2007) provide investment advisory and certain administrative and back office services to the Private Funds (as defined below) but do not provide such services to any other entities, individuals or accounts. Interests in the Private Funds (as defined below) are offered only to certain sophisticated and qualified investors on the basis of exemptions from the registration requirements of the federal securities laws and are not publicly available. The General Partners may receive special profits interest allocations and incentive allocations from the Private Funds. As discussed below, effective January 1, 2008, the management agreements between New Icahn Management and the Private Funds (as defined below) were terminated, resulting in the termination of the Feeder Funds and the Onshore Fund s obligations to pay management fees thereunder.

As referred to herein, the Offshore Master Funds consist of (i) Icahn Partners Master Fund LP, or Offshore Master Fund I, (ii) Icahn Partners Master Fund II L.P., or Offshore Master Fund II, and (iii) Icahn Partners Master Fund III L.P., or Offshore Master Fund III. The Onshore Fund and the Offshore Master Funds are collectively referred to herein as the Investment Funds.

The General Partners also act as general partner of a fund formed as a Cayman Islands exempted limited partnership that invests in the Offshore Master Funds. This fund, together with other funds that also invest in the Offshore Master Funds, are collectively referred to herein as the Feeder Funds. The Feeder Funds and the Investment Funds are collectively referred to herein as the Private Funds. As referred to and discussed below, the Feeder Funds include, but are not limited to, Icahn Fund Ltd., Icahn Fund II Ltd. and Icahn Fund III Ltd.

Strategy

The investment strategy of the General Partners is set and led by Mr. Icahn. The Private Funds seek to acquire securities in companies that trade at a discount to inherent value as determined by various metrics including replacement cost, break-up value, cash flow and earnings power and liquidation value.

The General Partners utilize a process-oriented, research-intensive, value-based investment approach. This approach generally involves three critical steps: (i) fundamental credit, valuation and capital structure analysis; (ii) intense legal and tax analysis of fulcrum issues such as litigation and regulation that often affect valuation; and (iii) combined business valuation analysis and legal and tax review to establish a strategy for gaining an attractive risk-adjusted investment position within a specific credit, industry or litigation segment. This approach focuses on exploiting market dislocations or misjudgments that may result from market euphoria, litigation, complex contingent liabilities, corporate malfeasance and weak corporate governance, general economic conditions or market cycles and complex and inappropriate capital structures.

The Private Funds are often activist investors ready to take the steps necessary to seek to unlock value, including tender offers, proxy contests and demands for management accountability. The Private Funds may employ a number of strategies and are permitted to invest across a variety of industries and types of securities, including long and short equities, long and short bonds, bank debt and other corporate obligations, options, swaps and other derivative instruments thereof, risk arbitrage and capital structure arbitrage and other special situations. The Private Funds invest a material portion of their capital in publicly traded equity and debt securities of companies that the General Partners believe to be undervalued by the marketplace. The Private Funds sometimes take significant positions in the companies in which they invest.

Income

In general, the results of our Investment Management segment are primarily driven by assets under management, or AUM, and the performance of the Private Funds. Revenues from this segment are principally derived from three sources: (1) special profits interest allocations (and prior to January 1, 2008, management fees); (2) incentive allocations; and (3) gains and losses from our principal investments in the Private Funds.

Prior to January 1, 2008, the management agreements provided that management fees were generally 2.5% per annum of the net asset value of fee-paying capital in the Private Funds before the incentive allocation. These fees were paid by each Feeder Fund and the Onshore Fund to New Icahn Management at the beginning of each quarter in an amount equal to 0.625% of the balance of each capital account of a fee-paying limited partner.

Incentive allocations are generally 25% of the net profits (both realized and unrealized) generated by the Investment Funds and are subject to a high water mark (whereby the General Partners do not earn incentive allocations during a particular year even though the fund had a positive return in such year until losses in prior periods are recovered). These allocations are calculated and distributed to the General Partners annually other than incentive allocations earned as a result of investor redemption events during interim periods.

The General Partners and their affiliates may also earn income through their principal investments in the Investment Funds. In these cases, the income consists of realized and unrealized gains and losses on investment activities along with interest, dividends and other income.

Effective January 1, 2008, the management agreements between New Icahn Management and the Private Funds were terminated resulting in the termination of the Feeder Funds and the Onshore Fund s obligations to pay management fees thereunder. In addition, the limited partnership agreements of the Investment Funds, or Investment Fund LPAs, were amended to provide that, as of January 1, 2008, the General Partners will provide or cause their affiliates to provide to the Private Funds the administrative and back office services that were formerly provided by New Icahn Management, or the Services, and, in consideration of providing the Services, the General Partners will receive special profits interest allocations from the Investment Funds.

The Investment Fund LPAs provide, effective January 1, 2008, that the applicable General Partner will receive a special profits interest allocation at the end of each calendar year from each capital account maintained at the Investment Fund that is attributable to, in the case of the Onshore Fund, each limited partner in the Onshore Fund and, in the case of the Feeder Funds, each investor in the Feeder Funds (excluding certain

investors that are affiliates of Mr. Icahn) (each, an Investor). This allocation is generally equal to 0.625% of the balance in each fee-paying capital account as of the beginning of each quarter (for each Investor, the Target Special Profits Interest Amount) except that amounts are allocated to the General Partners in respect of special profits interest allocations only to the extent net increases (i.e., net profits) are allocated to an Investor for the fiscal year. Accordingly, any special profits interest allocations allocated to the General Partners in any year cannot exceed the net profits allocated to such Investor. In the event that sufficient net profits are not generated by an Investment Fund with respect to a capital account to meet the full Target Special Profits Interest Amount for an Investor for a calendar year, a special profits interest allocation will be made to the extent of such net profits, if any, and the shortfall will be carried forward (without interest or a preferred return) and added to the Target Special Profits Interest Amount determined for such Investor for the next calendar year. Appropriate adjustments will be made to the calculation of the special profits interest allocation for new subscriptions and withdrawals by Investors. In the event that an Investor redeems in full from a Feeder Fund or the Onshore Fund before the full targeted Target Special Profits Interest Amount determined for such Investor has been allocated to the General Partner in the form of a special profits interest allocation, the Target Special Profits Interest Amount that has not yet been allocated to the General Partner will be eliminated and the General Partner will never receive it.

The Investment Management segment will waive the special profits interest allocation (and prior to January 1, 2008, waived the management fees) and incentive allocations for Mr. Icahn s direct and indirect holdings and, in their sole discretion, may modify or may elect to reduce or waive such fees with respect to any shareholder that is an affiliate, employee or relative of Mr. Icahn or his affiliates, or for any other investor.

Lock-up

Investors in the Private Funds are typically initially subject to a one-year absolute lock-up and may redeem in the second and third years with an early redemption fee of 8% and 4%, respectively, paid to the applicable Private Fund. After the lock-up period expires, investors may redeem on June 30 and December 31 provided they have given 90 days prior written notice. Certain investors with reduced fees are subject to a three-year absolute lock-up.

Redemptions are subject to certain additional restrictions.

Affiliate Investments

We, along with the Private Funds, entered into a covered affiliate agreement, simultaneously with the closing of the transactions that occurred on August 8, 2007, pursuant to which we (and certain of our subsidiaries) agreed, in general, to be bound by certain restrictions on our investments in any assets that the General Partners deem suitable for the Private Funds, other than government and agency bonds, cash equivalents and investments in non-public companies. We and our subsidiaries will not be restricted from making investments in the securities of certain companies in which Mr. Icahn or companies he controlled had an interest as of the date of the initial launch of the Private Funds, and companies in which we had an interest on August 8, 2007, the date of acquisition. We and our subsidiaries, either alone or acting together with a group, will not be restricted from (i) acquiring all or any portion of the assets of any public company in connection with a negotiated transaction or series of related negotiated transactions or (ii) engaging in a negotiated merger transaction with a public company and, pursuant thereto, conducting and completing a tender offer for securities of the company. In addition, Mr. Icahn and his affiliates (other than Icahn Enterprises, Icahn Enterprises Holdings and their subsidiaries) continue to have the right to co-invest with the Private Funds. We have no interest in, nor do we generate any income from, any such co-investments, which have been and may continue to be substantial. The terms of the covered affiliate agreement may be amended, modified or waived with our consent and the consent of each of the Private Funds, provided, however, that a majority of the members of an investor committee maintained for certain of the Private Funds may (with our consent) amend, modify or waive any provision of the covered affiliate agreement with respect to any particular transaction or series of related transactions.

Competition

The investment management industry is intensely competitive, with competition based on a variety of factors, including investment performance, the quality and experience of investment professionals and business

reputation. The Private Funds compete for fund investors, investment opportunities and talent with other hedge funds, private equity funds, specialized funds, traditional asset managers, commercial banks and other financial institutions.

Employees

Our Investment Management business is supported by an experienced team of 32 professionals as of December 31, 2008, including an investment, legal and operations group, which substantially consists of the same individuals supporting the Private Funds operations prior to the acquisition. In many cases, team members have worked together successfully and have provided business, investing and legal services for a number of years with respect to the Private Funds operations.

Automotive

Background

Federal-Mogul is a leading global supplier of technology and innovation in vehicle and industrial products for fuel economy, alternative energies, environment and safety systems. Federal-Mogul s principal customers include the world s foremost original equipment manufacturers, or OEMs, of automotive, light commercial, heavy-duty, industrial, agricultural, aerospace, marine, rail and off-road vehicles, as well as the worldwide aftermarket. Federal-Mogul s leading technology and innovation, lean manufacturing expertise, as well as marketing and distribution deliver world-class products, brands and services with quality excellence at a competitive cost. Federal-Mogul has established a global presence and conducts its operations through various manufacturing, distribution and technical centers that are wholly owned subsidiaries or partially owned joint ventures, organized into five product groups: Powertrain Energy, Powertrain Sealing and Bearings, Vehicle Safety and Protection, Automotive Products and Global Aftermarket. Federal-Mogul offers its customers a diverse array of market-leading products for OEMs, and replacement parts, or aftermarket, applications.

Federal-Mogul has operations in 36 countries and, accordingly, all of Federal-Mogul s product groups derive sales from both domestic and international markets. The attendant risks of Federal-Mogul s international operations are primarily related to currency fluctuations, changes in local economic and political conditions, and changes in laws and regulations.

Federal-Mogul derives significant sales from both the original equipment, or OE, market and the aftermarket. Federal-Mogul seeks to participate in both of these markets by leveraging its original equipment product engineering and development capability, manufacturing excellence, and expertise to manage a broad and deep range of replacement parts to service the aftermarket. Federal-Mogul believes that it is uniquely positioned to offer premium brands, OE replacement and entry level products for all Global Aftermarket customers. Federal-Mogul is the OE technology market share leader in several product groups. Therefore, Federal-Mogul can be first to the aftermarket with new products, service expertise and customer support. As of December 31, 2008, Federal-Mogul had current OEM products included on approximately 300 global vehicle platforms and more than 700 global powertrains used in light, medium and heavy-duty vehicles. This broad range of vehicle and powertrain applications reinforces Federal-Mogul s belief in its unique marketing position.

Federal-Mogul is a reporting company under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and files annual, quarterly and current reports. Each of these reports is separately filed with the Securities and Exchange Commission, or the SEC, and is publicly available.

Strategy

Federal-Mogul s strategy is to develop and deliver leading technology and innovation which results in market share expansion in the OE and aftermarket replacement markets. Federal-Mogul assesses individual opportunities to execute its strategy based upon estimated sales and margin growth, cost reduction potential, internal investment returns and other criteria, and makes investment decisions on a case-by-case basis. Opportunities meeting or exceeding benchmark return criteria may be undertaken through research and development activities, acquisitions, joint ventures and other strategic alliances, or restructuring activities as further discussed below.

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Research and Development

Federal-Mogul maintains technical centers throughout the world designed to:

- provide solutions for customers and bring new, innovative products to market;
- integrate Federal-Mogul s leading technologies into advanced products and processes;
- provide engineering support for all of Federal-Mogul s manufacturing sites; and

provide technological expertise in engineering and design development.

Federal-Mogul s research and development activities are conducted at its research and development locations. Within the United States, these centers are located in Plymouth, Michigan; Skokie, Illinois; Ann Arbor, Michigan; Exton, Pennsylvania; and Toledo, Ohio. Internationally, Federal-Mogul s research and development centers are located in Burscheid, Germany; Nuremberg, Germany; Wiesbaden, Germany; Bad Camberg, Germany; Chapel, United Kingdom; Crepy, France; and Yokohama, Japan. Federal-Mogul s newest technical center in Shanghai, China is expected to open during the second quarter of the fiscal year ending December 31, 2009, or fiscal 2009.

Each of Federal-Mogul s business units is engaged in engineering, research and development efforts working closely with customers to develop custom solutions to meet their needs. Total expenditures for research and development activities, including product engineering and validation costs, were $173 million, $178 million and $162 million for the fiscal years ended December 31, 2008, 2007 and 2006, respectively. As a percentage of OE sales, research and development was 4% for each of the years ended December 31, 2008, 2007 and 2006.

Joint Ventures and Other Strategic Alliances

Joint ventures and other strategic alliances represent an important element of Federal-Mogul s business strategy. Federal-Mogul forms joint ventures and strategic alliances to gain share in emerging markets, facilitate the exchange of technical information and development of new products, extend current product offerings, provide best cost manufacturing operations and broaden its customer base. Federal-Mogul believes that certain of its joint ventures have provided, and will continue to provide, opportunities to expand business relationships with Asian and other OEMs operating in BRIC growth markets of Brazil, Russia, India and China. Federal-Mogul is currently involved in 31 joint ventures located in 12 different countries throughout the world, including China, India, Korea, Russia and Turkey.

Restructuring Activities

Federal-Mogul, as part of the sustainable global profitable growth strategy, has undertaken various restructuring activities to streamline its operations, consolidate and take advantage of available capacity and resources, and ultimately achieve cost reductions. These restructuring activities include efforts to integrate and rationalize businesses and to relocate manufacturing operations to best cost countries. Such activities have resulted in the redeployment of human and capital resources to Federal-Mogul s core businesses.

An unprecedented downturn in the global automotive industry and global financial markets led Federal-Mogul to announce, in September 2008 and December 2008, certain restructuring actions designed to improve operating performance and respond to increasingly challenging conditions in the global automotive market. This plan, when combined with other workforce adjustments, is expected to reduce Federal-Mogul s global workforce by approximately 8,600 positions. Federal-Mogul continues to solidify certain components of this plan, and will announce those components as plans are finalized. For the period March 1, 2008 through December 31, 2008, Federal-Mogul has recorded $127 million in restructuring charges associated with this plan and expects to incur additional restructuring charges up to $37 million through fiscal 2010. As the significant majority of the costs expected to be incurred in relation to this plan are related to severance, such activities are expected to yield future annual savings at least equal to the costs incurred.

Federal-Mogul s restructuring activities are further discussed in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, and in Note 4 to the Consolidated Financial Statements, included in Item 8 of this report.

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Products

The following provides an overview of products manufactured and distributed by Federal-Mogul:

Powertrain Energy. Powertrain Energy products are used in automotive, light truck, heavy-duty, industrial, marine, agricultural, power generation and small air-cooled engine applications. The primary products of this product group include pistons, piston rings, piston pins, cylinder liners, valve seats and guides, and transmission components.

Powertrain Sealing and Bearings. Federal-Mogul is one of the world s leading sealing solutions and bearings providers. Product offerings include dynamic seals, bonded piston seals, combustion and exhaust gaskets, static gaskets and seals, rigid heat shields, engine bearings, industrial bearings, and bushings and washers.

Vehicle Safety and Protection. Federal-Mogul supplies friction and systems protection products and is one of the world s largest suppliers of friction materials. Both the friction and the systems protection products are used in the automotive, motorcycle, heavy-duty, commercial/industrial aerospace, railway and consumer products markets. The primary products of this product group include brake disc pads, brake linings, brake blocks, element resistant systems protection sleeving products, and flexible heat shields.

Automotive Products. Automotive Products includes manufacturing operations for brake system components, chassis products, windshield wipers, fuel pumps, ignition and lighting products. These products are used in automotive, light truck, industrial, marine, motorcycle, power generation and small air-cooled engine markets.

Global Aftermarket. Global Aftermarket sells products manufactured within the above product groups and purchased from outside suppliers to the independent automotive, heavy-duty and commercial/industrial replacement markets.

Industry

The automotive vehicle market sector and industrial, energy and transport market sector are comprised of two primary markets: the OE and OES market (collectively referred to as the OE market) in which Federal-Mogul s products are used in the manufacture of new products and for manufacturer service replacement parts, and the aftermarket in which Federal-Mogul s products are used as replacement parts for current production and previous models through the independent aftermarket or other service distribution channels.

The OE Market. Demand for automotive parts in the OE market is generally a function of the number of new vehicles produced, which is driven by macro-economic factors such as interest rates, fuel prices, consumer confidence, employment trends, regulatory requirements and trade agreements. Although OE demand is tied to planned vehicle production, parts suppliers also have the opportunity to grow through increasing their product content per vehicle, by increasing market share with existing customers, and by expanding into new or emerging markets. Companies with a global presence, leading technology and innovation, and advanced engineering, manufacturing and customer support capabilities are best positioned to take advantage of these opportunities.

The Aftermarket Business. Global Aftermarket products for current production and previous models are sold directly to a wide range of distributors, retail parts stores and mass merchants who distribute these products to professional service providers and do-it-yourself consumers. Demand for aftermarket products is driven by the duration of OE parts, the number of vehicles in operation, the average age of the vehicle fleet and vehicle usage (measured by miles driven). Although the number of vehicles on the road and different models available continue to increase, the aftermarket has experienced softness due to increases in average useful lives of automotive parts resulting from continued technological advancements and resulting improvements in durability.

Customers

Federal-Mogul supplies OEMs with a wide variety of technologically innovative parts, essentially all of which are manufactured by Federal-Mogul. Federal-Mogul s OE customers consist of automotive and heavy-duty vehicle manufacturers as well as agricultural, off-highway, marine, railroad, aerospace, high performance

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and industrial application manufacturers. Federal-Mogul has well-established relationships with substantially all major American, European and Asian automotive OEMs.

Federal-Mogul s aftermarket customers include independent warehouse distributors who redistribute products to local parts suppliers, distributors of heavy-duty vehicular parts, engine rebuilders, retail parts stores and mass merchants. The breadth of Federal-Mogul s product lines, the strength of its leading brand names, marketing expertise, sizable sales force, and its distribution and logistics capability, are central to Federal-Mogul s Global Aftermarket operations.

No individual customer accounted for more than 6% of segment net sales during fiscal 2008.

Competition

The global vehicular parts business is highly competitive. Federal-Mogul competes with many independent manufacturers and distributors of component parts globally. In general, competition for sales is based on price, product quality, technology, delivery, customer service and the breadth of products offered by a given supplier. Federal-Mogul is meeting these competitive challenges by developing world-class technologies, efficiently integrating its manufacturing and distribution operations, expanding its product coverage within its core businesses, restructuring its operations and transferring production to best cost countries, and utilizing its worldwide technical centers to develop and provide value-added solutions to its customers.

Backlog

For OEM customers, Federal-Mogul generally receives purchase orders for specific products supplied for particular vehicles. These supply relationships typically extend over the life of the related vehicle, subject to interim design and technical specification revisions, and do not require the customer to purchase a minimum quantity. In addition to customary commercial terms and conditions, purchase orders generally provide for annual price reductions based upon expected productivity improvements and other factors. Customers typically retain the right to terminate purchase orders, but Federal-Mogul generally cannot terminate purchase orders. OEM order fulfillment is typically manufactured in response to customer purchase order releases, and Federal-Mogul ships directly from a manufacturing location to the customer for use in vehicle production and assembly. Accordingly, Federal-Mogul s manufacturing locations do not typically maintain significant finished goods inventory, but rather produce from on-hand raw materials and work-in-process inventory within relatively short manufacturing cycles. A significant risk to Federal-Mogul is lower than expected vehicle production by one or more of its OEM customers or termination of the business based upon perceived or actual shortfalls in delivery, quality or value.

For its Global Aftermarket customers, Federal-Mogul generally establishes product line arrangements that encompass all parts offered within a particular product line. These are typically open-ended arrangements that are subject to termination by either Federal-Mogul or the customer at any time. Pricing is market responsive and subject to adjustment based upon competitive pressures and other commercial factors. Global Aftermarket order fulfillment is largely performed from finished goods inventory stocked in Federal-Mogul s worldwide distribution network. Inventory stocking levels in Federal-Mogul s distribution centers are established based upon historical and anticipated future customer demand.

Although customer programs typically extend to future periods, and although there is an expectation that Federal-Mogul will supply certain levels of OE production and aftermarket shipments over such periods, Federal-Mogul believes that outstanding purchase orders and product line arrangements do not constitute firm orders.

Firm orders are limited to specific and authorized customer purchase order releases placed with its manufacturing and distribution centers for actual production and order fulfillment. Firm orders are typically fulfilled as promptly as possible after receipt from the conversion of available raw materials and work-in-process inventory for OEM orders and from current on-hand finished goods inventory for aftermarket orders. The dollar amount of such purchase order releases on hand and not processed at any point in time is not believed to be significant based upon the timeframe involved.

Raw Materials and Suppliers

Federal-Mogul purchases various raw materials and component parts for use in its manufacturing processes, including ferrous and non-ferrous metals, synthetic and natural rubber, graphite, fibers, stampings, castings and forgings. Federal-Mogul also purchases parts manufactured by other manufacturers for sale in the

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aftermarket. Federal-Mogul has not experienced any significant shortages of raw materials, components or finished parts and normally does not carry inventories of raw materials or finished parts in excess of those reasonably required to meet its production and shipping schedules. For business and efficiency purposes, Federal-Mogul has established single sourcing relationships with some of its suppliers. However, based upon market conditions and readily available alternative supply sources, Federal-Mogul believes it could readily replace any single supply source without a material disruption to its business. In fiscal 2008, no outside supplier of Federal-Mogul provided products that accounted for more than 1% of Federal-Mogul s net sales.

Federal-Mogul experienced material price inflation in ferrous and non-ferrous metals, chemical raw materials and energy of approximately $65 million during fiscal 2008. Federal-Mogul partially offset this impact through savings on purchasing parts, negotiated price reductions, resourcing activities and through contractual price escalators. Through its global purchase function, Federal-Mogul continues to work with its suppliers to reduce its global material costs. Given the recent downturn in global industrial output, Federal-Mogul expects that material costs will generally decline from levels seen in fiscal 2008.

Seasonality

Federal-Mogul s business is moderately seasonal because many North American customers typically close assembly plants for two weeks in July for model year changeovers, and for an additional week during the December holiday season. Customers in Europe historically shut down vehicle production during portions of July and August and one week in December. Shut-down periods in the Asia Pacific region generally vary by country. The aftermarket experiences seasonal fluctuations in sales due to demands caused by weather patterns. Historically, Federal-Mogul s sales and operating profits have been the strongest in the second quarter.

Employees

Federal-Mogul had approximately 43,400 employees as of December 31, 2008.

Various unions represent approximately 36% of Federal-Mogul s U.S. hourly employees and approximately 70% of Federal-Mogul s non-U.S. hourly employees. With the exception of two facilities in the U.S., most of Federal-Mogul s unionized manufacturing facilities have their own contracts with their own expiration dates, and as a result, no contract expiration date may affect more than one facility.

As described above, in September 2008 and December 2008, Federal-Mogul announced a restructuring plan designed to improve operating performance and respond to increasingly challenging conditions in the global automotive market. This plan, when combined with other workforce adjustments, is expected to reduce Federal-Mogul s global workforce by approximately 8,600 positions.

Impact of Environmental Regulations

Federal-Mogul s operations, consistent with those of the manufacturing sector in general, are subject to numerous existing and proposed laws and governmental regulations designed to protect the environment, particularly regarding plant wastes and emissions and solid waste disposal. Capital expenditures for property, plant and equipment for environmental control activities did not have a material impact on Federal-Mogul s financial position or cash flows in fiscal 2008 and are not expected to have a material impact on Federal-Mogul s financial position or cash flows in fiscal 2009.

Intellectual Property

Federal-Mogul holds in excess of 4,600 patents and patent applications on a worldwide basis, of which 900 have been filed in the United States. Of the approximately 4,600 patents and patent applications, approximately 30% are in production use and/or are licensed to third parties, and the remaining 70% are being considered for future production use or provide a strategic technological benefit to Federal-Mogul.

Federal-Mogul does not materially rely on any single patent, nor will the expiration of any single patent materially affect Federal-Mogul s business. Federal-Mogul s current patents expire over various periods up through the year 2033. Federal-Mogul is actively introducing and patenting new technology to replace formerly patented technology before the expiration of the existing patents. In the aggregate, Federal-Mogul s worldwide patent portfolio is materially important to its business because it enables Federal-Mogul to achieve technological differentiation from its competitors.

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Federal-Mogul also maintains more than 6,000 active trademark registrations and applications worldwide. More than 90% of these trademark registrations and applications are in commercial use by Federal-Mogul or are licensed to third parties.

Metals

Background

PSC Metals is principally engaged in the business of collecting, processing and selling ferrous and non-ferrous metals.

PSC Metals collects industrial and obsolete scrap metal, processes it into reusable forms, and supplies the recycled metals to its customers, including electric-arc furnace mills, integrated steel mills, foundries, secondary smelters and metals brokers. These services are provided through PSC Metals recycling facilities located in eight states. PSC Metals ferrous products include shredded, sheared and bundled scrap metal and other purchased scrap metal such as turnings (steel machining fragments), cast furnace iron and broken furnace iron. PSC Metals also processes non-ferrous metals including aluminum, copper, brass, stainless steel and nickel-bearing metals. Non-ferrous products are a significant raw material in the production of aluminum and copper alloys used in manufacturing. PSC Metals also operates a secondary products business that includes the supply of secondary plate and pipe that is sold into niche markets for counterweights, piling and foundations, construction materials and infrastructure end-markets.

The distressed global economic conditions have affected the scrap metal industry. We cannot predict whether, or how long, current market conditions will continue to persist. However, in response to these conditions, PSC Metals has implemented various measures to align its cost structure to the current market environment. Some of these measures include significant staff reductions and salary freezes, temporary idling of major equipment and certain operations and reduced capital spending.

The Ferrous Scrap Metal Business

PSC Metals purchases processed and unprocessed ferrous scrap metal from various sources, including individuals and traditional junk yards and industrial manufacturers who recycle the offal from their metal-forming processes and steel mills who look to PSC Metals to remarket secondary product they would otherwise scrap. PSC Metals sets the price paid to its suppliers based on market factors such as the demand and price for processed material and on the underlying metal content of the scrap material being purchased. Changes in scrap prices can cause the collection rates of scrap to increase (when prices are higher) or decrease (when prices are lower). The variation in prices and collection rates can have a significant effect on sales volumes through PSC Metals scrap yards. Scrap material is processed in PSC Metals recycling yards where it is shredded, cut, broken, sheared and sorted into various grades for use as raw material in the steelmaking process. PSC Metals then sells processed ferrous scrap to end-users such as steel producing mini-mills and integrated steel makers and foundries, as well as brokers who aggregate materials for other large users. Additionally, a significant amount of valuable, non-ferrous metal is also recovered as a by-product of the shredding process, which is sold separately as discussed below.

Demand for processed ferrous scrap metal is highly dependent on the overall strength of the domestic steel industry, particularly producers utilizing electric-arc furnace technology. The domestic steel industry is, in turn, heavily influenced by foreign competition and demand and by overall US and global economic conditions. Most of PSC Metals customers purchase processed ferrous scrap through negotiated spot sales contracts, that establish the quantity purchased for the current month. The price PSC Metals charges for ferrous scrap depends upon market demand relative to the supply of scrap and scrap substitutes and transportation costs, as well as the quality and grade of the material. In many cases, PSC Metals selling prices also include the cost of transportation to the end user.

The Non-ferrous Scrap Metal Business

The primary non-ferrous commodities that PSC Metals recycles are aluminum, copper, brass, stainless steel and other nickel-bearing metals. The geographic markets for non-ferrous scrap tend to be larger than those for ferrous scrap due to the higher selling prices of non-ferrous metals relative to their weight, which justify the cost of shipping over greater distances. Non-ferrous scrap is typically sold on a spot basis, either

directly or through brokers, to intermediate or end-users, which include smelters, foundries and aluminum sheet and ingot manufacturers. Prices for non-ferrous scrap are driven by demand for finished non-ferrous metal goods and by the general level of economic activity, with prices generally related to the price of the primary metal on the London Metals Exchange or the New York Commodity Exchange.

Strategy

PSC Metals business strategy consists of growing its core scrap yard business through expansion, ensuring a consistent supply to its customers through vertical integration by working closely with supply sources and owning distribution and transportation systems, and investing in PSC Metals infrastructure and operating equipment.

Raw Materials/Competition

The scrap metal recycling industry is highly competitive, cyclical in nature and commodity-based. Operating results tend to reflect and be amplified by changes in general economic conditions, which in turn drive domestic manufacturing and the consumption of scrap in the production of steel and foundry products. The demand for product and production activity of PSC Metals scrap consumers drives market pricing levels in PSC Metals ferrous and non-ferrous scrap sales. Demand is driven by mill production schedules related to regional manufacturing requirements and service center stocking levels. Due to its low price-to-weight ratio, raw ferrous scrap is generally purchased locally. Ferrous scrap prices are local and regional in nature. Where there are overlapping regional markets, however, the prices do not tend to differ significantly between the regions due to the ability of companies to ship scrap metal from one region to another. The most significant limitation on the size of the geographic market for the procurement of ferrous scrap is the transportation cost. This leads to significant fluctuations in demand and pricing for PSC Metals products. The secondary products business is less cyclical but is affected by the rate of secondary product generated by steel mills generating these products and the market demands in plate and pipe markets.

PSC Metals procures scrap inventory from numerous sources. These suppliers generally are not bound by long-term contracts and have no contractual obligation to sell scrap metals to us. In periods of low industry prices, suppliers may elect to hold scrap to wait for higher prices or intentionally slow their scrap collection activities. These activities will impact the volume and average pricing of scrap in PSC Metals scrap yard operations.

Customers

PSC Metals had one individually significant customer in fiscal 2008 that represented approximately 13% of its net sales. No other customer accounted for more than 10% of segment net sales in fiscal 2008.

Employees

As of December 31, 2008, PSC Metals employed 941 persons, including 170 employees with collective bargaining agreements.

Real Estate

Background

Our Real Estate operations consist of rental real estate, property development and associated resort activities. Our rental real estate operations consist primarily of retail, office and industrial properties leased to single corporate tenants. Historically, substantially all of our real estate assets leased to others have been net-leased under long-term leases. With certain exceptions, these tenants are required to pay all expenses relating to the leased property and, therefore, we are typically not responsible for payment of expenses, including maintenance, utilities, taxes, insurance or any capital items associated with such properties.

Our property development and resort operations are run primarily through Bayswater, a real estate investment, management and development subsidiary that focuses primarily on the construction and sale of single-family houses, multi-family homes, lots in subdivisions and planned communities and raw land for residential development. Our New Seabury development property in Cape Cod, Massachusetts and our Grand Harbor and Oak Harbor development property in Vero Beach, Florida each include land for future residential

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development of approximately 335 and 870 units of residential housing, respectively. Both developments operate golf and resort activities as well. Our long-term investment horizon and operational expertise allow us to acquire properties with limited current income and complex entitlement and development issues.

In fiscal 2008, our Real Estate segment added two net leased office buildings to our portfolio, one in Atlanta and one in Dallas, for approximately $465 million. In addition, our Real Estate segment completed a residential community in Westchester County, New York during the third quarter of fiscal 2008.

Strategy

Our Real Estate business strategy is based on our long-term investment outlook. We maximize the value of our commercial lease portfolio through effective management of existing properties and disposal of assets on an opportunistic basis. We continue to market our remaining residential product while scaling back on new construction as the residential market continues to experience an unprecedented downturn. In keeping with the Real Estate business strategy of investing capital to grow existing operations, we actively pursue prudent acquisitions of additional commercial and residential properties at favorable prospective returns.

Seasonality

Resort operations are highly seasonal with peak activity in Cape Cod from June to September and in Florida from November to February. Sales activity for our real estate developments in Cape Cod and New York typically peak in late winter and early spring, while in Florida our peak selling season is during the winter months.

Employees

Our Real Estate segment had approximately 400 full- and part-time employees as of December 31, 2008, which fluctuates due to the seasonal nature of certain of our businesses. No employees are covered by collective bargaining agreements.

Home Fashion

Background

We conduct our Home Fashion operations through our interest in WestPoint International Inc., or WPI, a manufacturer and distributor of home fashion consumer products based in New York, NY. On August 8, 2005, WPI and its subsidiaries completed the purchase of substantially all the assets of WestPoint Stevens Inc., or WPS, and certain of its subsidiaries pursuant to an asset purchase agreement, or the Purchase Agreement, approved by The United States Bankruptcy Court for the Southern District of New York in connection with Chapter 11 proceedings of WPS. WPS was a premier manufacturer and marketer of bed and bath home fashions supplying leading U.S. retailers and institutional customers. Before the asset purchase transaction, WPI did not have any operations.

On August 8, 2005, we acquired 13.2 million, or 67.7%, of the 19.5 million outstanding common shares of WPI. Pursuant to the asset purchase agreement between WPI and WPS, rights to subscribe for an additional 10.5 million shares of common stock at a price of $8.772 per share, or the rights offering, were allocated among former creditors of WPS. Depending upon the extent to which the other holders exercise certain subscription rights, we may acquire additional shares and may beneficially own between 15.7 million and 23.7 million shares of WPI common stock representing between 52.3% and 79.0%, respectively, of the 30.0 million common shares that would then be outstanding.

On December 20, 2006, we acquired: (a) 1,000,000 shares of Series A-1 Preferred Stock of WPI for a purchase price of $100 per share, for an aggregate purchase price of $100.0 million, and (b) 1,000,000 shares of Series A-2 Preferred Stock of WPI for a purchase price of $100 per share, for an aggregate purchase price of $100.0 million. Each of the Series A-1 and Series A-2 Preferred Stock has a 4.50% annual dividend, which is paid quarterly. For the first two years after issuance, the dividends are to be paid in the form of additional preferred stock. Thereafter, the dividends are to be paid in cash or in additional preferred stock at the option of WPI. Each of the Series A-1 and Series A-2 Preferred Stock is convertible into common shares of WPI at a rate of $10.50 per share, subject to certain anti-dilution provisions; provided, however, that under certain circumstances, $92.1 million of the Series A-2 Preferred Stock may be converted at a rate of $8.772 per share.

WPI has its own board of directors and audit committee. We are the only holders of WPI s preferred stock, and, in accordance with its terms, we have the right to elect six of the ten directors of the WPI board of directors. None of the independent directors of the board of directors of Icahn Enterprises GP serves on the WPI board of directors.

Depending on the outcome of currently pending litigation, we may own less than a majority of WPI s shares of common stock and our ownership of the preferred stock may change. Our loss of control of WPI could adversely affect WPI s business and the value of our investment.

We consolidated WPI as of December 31, 2008, 2007 and 2006 and for the period from the date of acquisition through December 31, 2008. If we were to own less than 50% of the outstanding common stock, we would have to evaluate whether we should continue to consolidate WPI and our financial statements could be materially different than those presented as of December 31, 2008, 2007 and 2006 and for the periods then ended. See Item 1A, Risk Factors, and Item 3, Legal Proceedings .

Business

WPI s business consists of manufacturing, sourcing, distributing, marketing and selling home fashion consumer products. WPI differentiates itself in the $12.0 billion home fashion textile industry based on its nearly 200-year reputation for providing its customers with (1) a full assortment of home fashion products; (2) good customer service; (3) a superior value proposition; and (4) branded and private label products with strong consumer recognition. WPI markets a broad range of manufactured and sourced bed, bath and basic bedding products, including sheets, pillowcases, bedspreads, quilts, comforters and duvet covers, bath towels, bed skirts, bed pillows, flocked blankets, woven blankets and throws, and heated blankets and mattress pads. WPI continues to serve substantially all the former customers of WPS using assets acquired from WPS and through sourcing activities.

WPI manufactures and sources its products in a wide assortment of colors and patterns from a variety of fabrics, including chambray, twill, sateen, flannel and linen, and from a variety of fibers, including cotton, synthetics and cotton blends. WPI seeks to position its business as a single-source supplier to retailers of bed and bath products, offering a broad assortment of products across multiple price points. WPI believes that product and price point breadth allows it to provide a comprehensive product offering for each major distribution channel.

WPI has transitioned the majority of its manufacturing to low-cost countries and continues to maintain its corporate offices and distribution operations in the United States.

Strategy

WPI s strategy is to increase its revenues by selling more licensed, differentiated and proprietary products to WPI s existing customers. WPI believes that it can improve margins over time through upgraded marketing, selective product development, enhanced design and improved customer service capabilities. WPI also seeks to lower its cost of goods sold and improve its long-term profitability by reducing its dependence upon higher-cost domestic sources of manufactured products through establishing offshore manufacturing and sourcing arrangements. This may entail further U.S. plant closings in addition to those already closed. In addition, WPI is lowering its general and administrative expense by consolidating its locations and its outsourcing initiative, reducing headcount and applying more stringent oversight of expense areas where potential savings may be realized.

Brands, Trademarks and Licenses

WPI markets its products under trademarks, brand names and private labels. WPI uses trademarks, brand names and private labels as merchandising tools to assist its customers in coordinating their product offerings and differentiating their products from those of their competitors.

WPI manufactures and sells its own branded line of home fashion products consisting of merchandise bearing trademarks that include Atelier Martex®, Grand Patrician®, Martex®, Patrician®, Lady Pepperell®, Luxor®, Seduction®, Utica®, Vellux®, Baby Martex® and Chatham®.

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In addition, some of WPI s home fashion products are manufactured and sold pursuant to licensing agreements under designer and brand names that include, among others, Lauren/Ralph Lauren, Charisma, Rachael Ray, Pink Panther, Little MissMatched and Harley Davidson.

Private label brands, also known as store brands, are controlled by individual retail customers through use of their own brands or through an exclusive license or other arrangement with brand owners. Private label brands provide retail customers with a way to promote consumer loyalty, as the brand is owned and controlled by WPI s retail customers and not by WPI. As WPI s customer base has experienced consolidation, there has been an increasing focus on proprietary branding strategies.

The percentage of WPI s net sales derived from the sale of private label branded and unbranded products for fiscal 2008 was approximately 33%. For fiscal 2008, the percentage of WPI net sales derived from sales under brands it owns and controls was 32%, and the percentage of WPI net sales derived from sales under brands owned by third parties pursuant to licensing arrangements with WPI was 35%.

Marketing

WPI markets its products through leading department stores, mass merchants, specialty stores and institutional channels. Through marketing efforts directed towards retailers and institutional clients, WPI seeks to create products and services in direct response to recognized consumer trends by focusing on elements such as product design, product innovation, packaging, store displays and other marketing support.

WPI works closely with its major customers to assist them in merchandising and promoting WPI s products to consumers. In addition, WPI periodically meets with its customers in an effort to maximize product exposure and sales and to jointly develop merchandise assortments and plan promotional events specifically tailored to the customer. WPI provides merchandising assistance with store layouts, fixture designs, advertising and point-of-sale displays. Advertising and a comprehensive internet website have served to enhance brand recognition and direct customers to retail outlets to purchase WPI products. WPI also provides its customers with suggested customized advertising materials designed to increase product sales. A heightened focus on consumer research provides needed products on a continual basis. WPI distributes finished products directly to retailers. The majority of WPI s remaining sales of home fashion products are through the institutional channel, which includes hospitality and healthcare establishments, as well as laundry supply businesses.

Until October 2007, WPI also sold its own and other manufacturer s products through 30 retail stores. On October 18, 2007, WPI entered into an agreement to sell the inventory at all of its 30 retail outlet stores and as of December 31, 2007 had terminated the majority of the leases for the 28 leased locations. The operation of the retail stores business is included in the results from discontinued operations.

Distribution

In order to gain operating efficiencies, increase supply chain visibility and to achieve substantial cost savings, WPI engaged a third-party provider of logistics services to consolidate WPI s domestic towel and sheet warehousing and distribution operations.

Selling, General, and Administrative

WPI continues to focus on reducing its general and administrative costs by shifting its back office and manufacturing operations to offshore locations as well as outsourcing many of these job functions to third-party outsourcing providers.

Competition

The home fashion industry is highly competitive. Future success will, to a large extent, depend on WPI s ability to be a competitive low-cost producer. WPI competes with both foreign and domestic companies on, among other factors, the basis of price, quality and customer service. In the sheet and towel markets, WPI competes with many suppliers. WPI may also face competition in the future from companies that are currently third-party suppliers to WPI. Future success depends on the ability to remain competitive in the areas of marketing, product development, price, quality, brand names, manufacturing capabilities, distribution and order processing. Additionally, the easing of trade restrictions over time has led to growing competition from low priced products imported from Asia and Latin America.

Seasonality and Cyclicality

The home fashion industry is somewhat seasonal, with a peak sales season in the fall with respect to WPI s blanket products. In response to this seasonality, WPI increases its blanket inventory levels during the first six months of the year to meet customer demands for the peak fall season. In addition, the home fashion industry is cyclical and performance may be negatively affected by downturns in consumer spending.

Customers

WPI had two individually significant customers in fiscal 2008 that each represented approximately 14% and 12% of its net sales. No other individual customers accounted for more than 10% of segment net sales in fiscal 2008.

Employees

WPI and its subsidiaries had approximately 2,650 employees as of December 31, 2008. Currently, approximately 1% of WPI s employees are unionized.

Holding Company

We seek to invest our available cash and cash equivalents in debt and equity securities with a view to enhancing returns as we continue to assess further acquisitions of operating businesses. During fiscal 2008, we had a net gain on investment activity of $102 million, comprised of approximately $181 million in net realized gains and $81 million in unrealized losses.

Since acquiring our Investment Management business in fiscal 2007, we have made several investments aggregating $950 million in the Private Funds for which no special profits interest allocations (and prior to January 1, 2008, management fees) or incentive allocations are applicable. As of December 31, 2008, the total value of these investments was approximately $660 million, with an unrealized loss of $274 million for fiscal 2008. These amounts are reflected in the Private Funds net assets and earnings. Additionally, subsequent to December 31, 2008, we invested an additional $250 million in the Private Funds.

We conduct our activities in a manner so as not to be deemed as an investment company under the Investment Company Act of 1940, as amended, or the Investment Company Act. Generally, this means that we do not invest or intend to invest in securities as our primary business and that no more than 40% of our total assets will be invested in investment securities as such term is defined in the Investment Company Act. In addition, we intend to structure our investments so as to continue to be taxed as a partnership rather than as a corporation under the applicable publicly traded partnership rules of the Internal Revenue Code of 1986, as amended.

Our Website and Access to Filed Reports

We maintain an internet website at *www.ielp.com.* We provide access to our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports free of charge through this website as soon as reasonably practicable after such material is electronically filed with the SEC. In addition, paper copies of annual and periodic reports filed with the SEC may be obtained free of charge upon written request by contacting our headquarters at the address located on the front cover of this report or under Investor Relations on the Company s website.

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Item 1A. Risk Factors

Risks Relating to Our Structure

Our general partner and its control person could exercise their influence over us to your detriment.

Mr. Icahn, through affiliates, currently owns 100% of Icahn Enterprises GP, our general partner, and approximately 86.5% of our outstanding preferred units and approximately 91.8%of our depositary units and, as a result, has the ability to influence many aspects of our operations and affairs. Icahn Enterprises GP also is the general partner of Icahn Enterprises Holdings.

In addition, if Mr. Icahn were to sell, or otherwise transfer, some or all of his interests in us to an unrelated party or group, a change of control could be deemed to have occurred under the terms of the indentures governing our notes which would require us to offer to repurchase all outstanding notes at 101% of their principal amount plus accrued and unpaid interest and liquidated damages, if any, to the date of repurchase. However, it is possible that we will not have sufficient funds at the time of the change of control to make the required repurchase of notes.

We have engaged, and in the future may engage, in transactions with our affiliates.

We have invested and may in the future invest in entities in which Mr. Icahn also invests. We also have purchased and may in the future purchase entities or investments from him or his affiliates. Although Icahn Enterprises GP has never received fees in connection with our investments, our partnership agreement allows for the payment of these fees. Mr. Icahn may pursue other business opportunities in industries in which we compete and there is no requirement that any additional business opportunities be presented to us. We continuously identify, evaluate and engage in discussions concerning potential investments and acquisitions, including potential investments in and acquisitions of affiliates of Mr. Icahn. There cannot be any assurance that any potential transactions that we consider will be completed.

The market for our securities may be volatile.

The market for our equity securities may be subject to disruptions that could cause substantial volatility in their prices. In general, the current global economic crisis has caused substantial market volatility and unrest. Any such disruptions or continuing volatility may adversely affect the value of your securities.

Future cash distributions to our unitholders, if any, can be affected by numerous factors.

While we made cash distributions in the amount of $0.25 per depositary unit in each of the four quarters of fiscal 2008, the payment of future distributions will be determined by the board of directors of Icahn Enterprises GP, our general partner, quarterly, based on a review of a number of factors, including those described below and other factors that it deems relevant at the time that declaration of a distribution is considered.

Our ability to pay distributions will depend on numerous factors, including the availability of adequate cash flow from operations; the proceeds, if any, from divestitures; our capital requirements and other obligations; restrictions contained in our financing arrangements; and our issuances of additional equity and debt securities. The availability of cash flow in the future depends as well upon events and circumstances outside our control, including prevailing economic and industry conditions and financial, business and similar factors. No assurance can be given that we will be able to make distributions or as to the timing of any distribution. If distributions are made, there can be no assurance that holders of depositary units may not be required to recognize taxable income in excess of cash distributions made in respect of the period in which a distribution is made.

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Holders of our depositary units have limited voting rights, rights to participate in our management and control of us.

Our general partner manages and operates Icahn Enterprises. Unlike the holders of common stock in a corporation, holders of our outstanding depositary units have only limited voting rights on matters affecting our business. Holders of depositary units have no right to elect the general partner on an annual or other continuing basis, and our general partner generally may not be removed except pursuant to the vote of the holders of not less than 75% of the outstanding depositary units. In addition, removal of the general partner may result in a default under our debt securities. As a result, holders of depositary units have limited say in matters affecting our operations and others may find it difficult to attempt to gain control or influence our activities.

Holders of depositary units may not have limited liability in certain circumstances and may be liable for the return of distributions that cause our liabilities to exceed our assets.

We conduct our businesses through Icahn Enterprises Holdings in several states. Maintenance of limited liability will require compliance with legal requirements of those states. We are the sole limited partner of Icahn Enterprises Holdings. Limitations on the liability of a limited partner for the obligations of a limited partnership have not clearly been established in several states. If it were determined that Icahn Enterprises Holdings has been conducting business in any state without compliance with the applicable limited partnership statute or the possession or exercise of the right by the partnership, as limited partner of Icahn Enterprises Holdings, to remove its general partner, to approve certain amendments to the Icahn Enterprises Holdings partnership agreement or to take other action pursuant to the Icahn Enterprises Holdings partnership agreement, constituted control of Icahn Enterprises Holdings business for the purposes of the statutes of any relevant state, Icahn Enterprises and/or unitholders, under certain circumstances, might be held personally liable for Icahn Enterprises Holdings obligations to the same extent as our general partner. Further, under the laws of certain states, Icahn Enterprises might be liable for the amount of distributions made to Icahn Enterprises by Icahn Enterprises Holdings.

Holders of our depositary units may also have to repay Icahn Enterprises amounts wrongfully distributed to them. Under Delaware law, we may not make a distribution to holders of common units if the distribution causes our liabilities to exceed the fair value of our assets. Liabilities to partners on account of their partnership interests and nonrecourse liabilities are not counted for purposes of determining whether a distribution is permitted. Delaware law provides that a limited partner who receives such a distribution and knew at the time of the distribution that the distribution violated Delaware law will be liable to the limited partnership for the distribution amount for three years from the distribution date.

Additionally, under Delaware law an assignee who becomes a substituted limited partner of a limited partnership is liable for the obligations, if any, of the assignor to make contributions to the partnership. However, such an assignee is not obligated for liabilities unknown to him or her at the time he or she became a limited partner if the liabilities could not be determined from the partnership agreement.

To service our indebtedness and pay distributions with respect to our depositary units, we require a significant amount of cash. Our ability to maintain our current cash position or generate cash depends on many factors beyond our control.

Our ability to make payments on and to refinance our indebtedness, to pay distributions with respect to our depositary units and to fund operations depends on existing cash balances and our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, regulatory and other factors that are beyond our control.

Our current businesses and businesses that we acquire may not generate sufficient cash to service our debt. In addition, we may not generate sufficient cash flow from operations or investments and future borrowings may not be available to us in an amount sufficient to enable us to service our indebtedness or to fund our other liquidity needs. Based on our current level of indebtedness which includes all of our unsecured senior notes and related interest payments due thereon, mortgages payable and credit facilities, approximately $429 million of indebtedness will come due in the three-year period ending December 31, 2011. We may need

to refinance all or a portion of our indebtedness on or before maturity. We cannot assure you that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all.

We are a holding company and depend on the businesses of our subsidiaries to satisfy our obligations.

We are a holding company. In addition to cash and cash equivalents, U.S. government and agency obligations, marketable equity and debt securities and other short-term investments, our assets consist primarily of investments in our subsidiaries. Moreover, if we make significant investments in operating businesses, it is likely that we will reduce the liquid assets at Icahn Enterprises and Icahn Enterprises Holdings in order to fund those investments and the ongoing operations of our subsidiaries. Consequently, our cash flow and our ability to meet our debt service obligations and make distributions with respect to depositary units and preferred units likely will depend on the cash flow of our subsidiaries and the payment of funds to us by our subsidiaries in the form of dividends, distributions, loans or otherwise.

The operating results of our subsidiaries may not be sufficient to make distributions to us. In addition, our subsidiaries are not obligated to make funds available to us and distributions and intercompany transfers from our subsidiaries to us may be restricted by applicable law or covenants contained in debt agreements and other agreements to which these subsidiaries may be subject or enter into in the future. The terms of any borrowings of our subsidiaries or other entities in which we own equity may restrict dividends, distributions or loans to us. For example, we have credit facilities for Federal-Mogul and WPI, our majority owned subsidiaries, and our real estate development properties that also restrict dividends, distributions and other transactions with us. To the degree any distributions and transfers are impaired or prohibited, our ability to make payments on our debt and to make distributions on our depositary units will be limited.

We or our subsidiaries may be able to incur substantially more debt.

We or our subsidiaries may be able to incur substantial additional indebtedness in the future. The terms of the indentures governing our 8.125% senior notes due 2012, our 7.125% senior notes due 2013 and our variable rate notes due 2013 do not prohibit us or our subsidiaries from incurring additional debt. We and Icahn Enterprises Holdings may incur additional indebtedness if we comply with certain financial tests contained in the indentures that govern these notes. As of December 31, 2008, based upon these tests, we and Icahn Enterprises Holdings cannot incur additional indebtedness. However, our subsidiaries other than Icahn Enterprises Holdings are not subject to any of the covenants contained in the indentures with respect to our senior notes, including the covenant restricting debt incurrence. If new debt is added to our and our subsidiaries current debt levels, the related risks that we, and they, now face could intensify.

Our failure to comply with the covenants contained under any of our debt instruments, including the indentures governing our outstanding notes, including our failure as a result of events beyond our control, could result in an event of default which would materially and adversely affect our financial condition.

If there were an event of default under one of our debt instruments, the holders of the defaulted debt could cause all amounts outstanding with respect to that debt to be due and payable immediately. In addition, any event of default or declaration of acceleration under one debt instrument could result in an event of default under one or more of our other debt instruments. It is possible that, if the defaulted debt is accelerated, our assets and cash flow may not be sufficient to fully repay borrowings under our outstanding debt instruments and we cannot assure you that we would be able to refinance or restructure the payments on those debt securities.

We may be subject to the pension liabilities of our affiliates.

Mr. Icahn, through certain affiliates, currently owns 100% of Icahn Enterprises GP and approximately 91.8% of our outstanding depositary units and 86.5% of our outstanding preferred units. Applicable pension and tax laws make each member of a controlled group of entities, generally defined as entities in which there are at least an 80% common ownership interest, jointly and severally liable for certain pension plan obligations of any member of the controlled group. These pension obligations include ongoing contributions to fund the plan, as well as liability for any unfunded liabilities that may exist at the time the plan is terminated. In addition, the failure to pay these pension obligations when due may result in the creation of liens in favor of the pension plan or the Pension Benefit Guaranty Corporation, or the PBGC, against the assets of each member of the controlled group.

As a result of the more than 80% ownership interest in us by Mr. Icahn s affiliates, we and our subsidiaries are subject to the pension liabilities of all entities in which Mr. Icahn has a direct or indirect ownership interest of at least 80%. One such entity, ACF Industries LLC, is the sponsor of several pension plans which, as of December 31, 2008, were not underfunded on an ongoing actuarial basis but would be underfunded by approximately $80 million if those plans were terminated, as most recently reported by the plans actuaries. These liabilities could increase or decrease, depending on a number of factors, including future changes in promised benefits, investment returns, and the assumptions used to calculate the liability. As members of the controlled group, we would be liable for any failure of ACF to make ongoing pension contributions or to pay the unfunded liabilities upon a termination of the ACF pension plans. In addition, other entities now or in the future within the controlled group that includes us may have pension plan obligations that are, or may become, underfunded and we would be liable for any failure of such entities to make ongoing pension contributions or to pay the unfunded liabilities upon a termination of such plans.

The current underfunded status of the ACF pension plans requires ACF to notify the PBGC of certain reportable events, such as if we cease to be a member of the ACF controlled group, or if we make certain extraordinary dividends or stock redemptions. The obligation to report could cause us to seek to delay or reconsider the occurrence of such reportable events.

Starfire Holding Corporation, or Starfire, which is 100% owned by Mr. Icahn, has undertaken to indemnify us and our subsidiaries from losses resulting from any imposition of certain pension funding or termination liabilities that may be imposed on us and our subsidiaries or our assets as a result of being a member of the Icahn controlled group. The Starfire indemnity (which does not extend to pension liabilities of our subsidiaries that would be imposed on us as a result of our interest in these subsidiaries and not as a result of Mr. Icahn and his affiliates more than 80% ownership interest in us) provides, among other things, that so long as such contingent liabilities exist and could be imposed on us, Starfire will not make any distributions to its stockholders that would reduce its net worth to below $250 million. Nonetheless, Starfire may not be able to fund its indemnification obligations to us.

We are subject to the risk of possibly becoming an investment company.

Because we are a holding company and a significant portion of our assets may, from time to time, consist of investments in companies in which we own less than a 50% interest, we run the risk of inadvertently becoming an investment company that is required to register under the Investment Company Act. Registered investment companies are subject to extensive, restrictive and potentially adverse regulations relating to, among other things, operating methods, management, capital structure, dividends and transactions with affiliates. Registered investment companies are not permitted to operate their business in the manner in which we operate our business, nor are registered investment companies permitted to have many of the relationships that we have with our affiliated companies.

In order not to become an investment company required to register under the Investment Company Act, we monitor the value of our investments and structure transactions with an eye toward the Investment Company Act. As a result, we may structure transactions in a less advantageous manner than if we did not have Investment Company Act concerns, or we may avoid otherwise economically desirable transactions due to those concerns. In addition, events beyond our control, including significant appreciation or depreciation in the market value of certain of our publicly traded holdings or adverse developments with respect to our ownership of certain of our subsidiaries, such as our potential loss of control of WPI, could result in our inadvertently becoming an investment company. See Part II, Item 8, Note 20 Commitments and Contingencies, and Part I, Item 3, Legal Proceedings, for further discussion.

If it were established that we were an investment company, there would be a risk, among other material adverse consequences, that we could become subject to monetary penalties or injunctive relief, or both, in an action brought by the SEC, that we would be unable to enforce contracts with third parties or that third parties could seek to obtain rescission of transactions with us undertaken during the period it was established that we were an unregistered investment company.

We may become taxable as a corporation.

We believe that we have been and are properly treated as a partnership for federal income tax purposes. This allows us to pass through our income and deductions to our partners. However, the Internal Revenue Service, or IRS, could challenge our partnership status and we could fail to qualify as a partnership for past years as well as future years. Qualification as a partnership involves the application of highly technical and complex provisions of the Internal Revenue Code of 1986, as amended. For example, a publicly traded partnership is generally taxable as a corporation unless 90% or more of its gross income is qualifying income, which includes interest, dividends, oil and gas revenues, real property rents, gains from the sale or other disposition of real property, gain from the sale or other disposition of capital assets held for the production of interest or dividends, and certain other items. We believe that in all prior years of our existence at least 90% of our gross income was qualifying income and we intend to structure our business in a manner such that at least 90% of our gross income will constitute qualifying income this year and in the future. However, there can be no assurance that such structuring will be effective in all events to avoid the receipt of more than 10% of non-qualifying income. If less than 90% of our gross income constitutes qualifying income, we may be subject to corporate tax on our net income, at a Federal rate of up to 35% plus possible state taxes. Further, if less than 90% of our gross income constituted qualifying income for past years, we may be subject to corporate level tax plus interest and possibly penalties. In addition, if we register under the Investment Company Act, it is likely that we would be treated as a corporation for U.S. federal income tax purposes. The cost of paying federal and possibly state income tax, either for past years or going forward, could be a significant liability and would reduce our funds available to make distributions to holders of units, and to make interest and principal payments on our debt securities. To meet the qualifying income test we may structure transactions in a manner which is less advantageous than if this were not a consideration, or we may avoid otherwise economically desirable transactions.

Legislation has been introduced into Congress which, if enacted, could have a material and adverse effect on us. These proposals include legislation which would tax publicly traded partnerships engaged in the Investment Management segment, such as us, as corporations. Other proposals would treat the income from carried interests, when recognized for tax purposes, as ordinary income and as not qualifying as investment income for purposes of the 90% investment income test that publicly traded partnerships must meet to be classified as partnerships. It is unclear whether such legislation will be enacted. Moreover, it is unclear what specific provisions may be enacted, including what the effective date will be, and accordingly what any such legislation s impact will be on us. It is possible that if such legislation were enacted we would be treated as an association, taxable as a corporation, which would materially increase our taxes. As an alternative, we might be required to restructure our operations, and possibly dispose of certain businesses, in order to avoid or mitigate the impact of any such legislation.

Holders of depositary units may be required to pay tax on their share of our income even if they did not receive cash distributions from us.

Because we are treated as a partnership for income tax purposes, holders of units are generally required to pay federal income tax, and, in some cases, state or local income tax, on the portion of our taxable income allocated to them, whether or not such income is distributed. Accordingly, it is possible that holders of depositary units may not receive cash distributions from us equal to their share of our taxable income, or even equal to their tax liability on the portion of our income allocated to them.

If we discover significant deficiencies in our internal controls over financial reporting or at any recently acquired entity, it may adversely affect our ability to provide timely and reliable financial information and satisfy our reporting obligations under federal securities laws, which also could affect the market price of our depositary units or our ability to remain listed on the New York Stock Exchange.

Effective internal and disclosure controls are necessary for us to provide reliable financial reports and effectively prevent fraud and to operate successfully as a public company. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results would be harmed. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention of those responsible for oversight of the registrant s financial reporting.

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To the extent that any material weakness or significant deficiency exists in our or our consolidated subsidiaries internal control over financial reporting, such material weakness or significant deficiency may adversely affect our ability to provide timely and reliable financial information necessary for the conduct of our business and satisfaction of our reporting obligations under federal securities laws, which could affect our ability to remain listed on the New York Stock Exchange. Ineffective internal and disclosure controls could cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our depositary units or the rating of our debt.

Since we are a limited partnership, you may not be able to pursue legal claims against us in U.S. federal courts.

We are a limited partnership organized under the laws of the state of Delaware. Under the federal rules of civil procedure, you may not be able to sue us in federal court on claims other than those based solely on federal law, because of lack of complete diversity. Case law applying diversity jurisdiction deems us to have the citizenship of each of our limited partners. Because we are a publicly traded limited partnership, it may not be possible for you to attempt to sue us in a federal court because we have citizenship in all 50 U.S. states and operations in many states. Accordingly, you will be limited to bringing any claims in state court.

Certain members of our management team may be involved in other business activities that may involve conflicts of interest.

Certain individual members of our management team may, from time to time, be involved in the management of other businesses, including those owned or controlled by Mr. Icahn and his affiliates. Accordingly, these individuals may focus a portion of their time and attention on managing these other businesses. Conflicts may arise in the future between our interests and the interests of the other entities and business activities in which such individuals are involved.

Risks Relating to Our Business

General

In addition to the following risk factors specific to each of our businesses, all of our businesses are subject to the effects of the following:

- the continued threat of terrorism;
- continued or future economic downturn;
- loss of any of our or our subsidiaries key personnel;
- the unavailability, as needed, of additional financing; and
- the unavailability of insurance at acceptable rates.

Investment Management

Our Investment Management segment has been and may continue to be materially and adversely affected by conditions in the global financial markets and the economy generally.

During most of fiscal 2008, the global securities markets and the economy generally were characterized by extreme volatility and illiquidity and significant overall deterioration. These and other factors had a negative effect on the Private Funds and, therefore, our Investment Management segment. Currently, the global markets and the economic climate continue to deteriorate and experience volatility and illiquidity and these conditions could continue for a significant period of time. In the event that some or all of these conditions continue, the Private Funds could be materially and adversely affected in many different ways. Furthermore, difficult market conditions may also increase the risk of default with respect to investments held by the Private Funds that have significant debt investments. Many other factors beyond the control of our Investment Management segment may adversely affect the Private Funds, including, without limitation, rising interest rates or inflation, terrorism or political uncertainty.

The historical financial information for our Investment Management segment is not necessarily indicative of its future performance.

The financial results of our Investment Management segment are primarily driven by AUM and the performance of the Private Funds. The historical consolidated financial information contained elsewhere in our Annual Report on Form 10-K is not indicative of the future financial results of our Investment Management segment. In particular, with respect to the historical returns of our Investment Management segment:

- prior to 2008, the rates of returns of certain of the Private Funds have benefited from favorable market conditions and profitable investment opportunities that did not continue into fiscal 2008 and may not occur in the future;
- future returns may be affected by the risks described elsewhere in this report, including risks of the industries and businesses in which a particular Private Fund invests.

The performance of the Private Funds and the reduction in the net assets in the Private Funds have caused a significant decline in our Investment Management segment revenue and we may not receive incentive allocations or special profits interest allocations for a significant period of time.

Our revenue from our Investment Management segment is derived principally from three sources: (1) special profits interest allocations; (2) incentive allocations earned based upon the Private Funds performance; and (3) gains or losses in our investments in the Private Funds. During fiscal 2008, the investment performance of the Private Funds was negative and we did not receive any special profits interest allocations or incentive allocations. The incentive allocations are subject to a high watermark, whereby the General Partners do not earn incentive allocations during a particular year even though the fund had a positive return in such year until losses in prior periods are recovered. In the event that a Private Fund were to continue to have negative performance, we will not receive any special profits interest allocations in future periods from such Private Fund and the amount of the Private Fund s high watermark with respect to the incentive allocations will increase. As our Investment Management segment did not receive a special profits interest allocation or an incentive allocation in fiscal 2008 and will not receive any such allocations in future periods until a Private Fund generates profits and recovers prior losses, we have provided funds to Icahn Capital to pay for its operating expenses and may be required to continue to do so in future periods. In addition, continued negative performance could lead to additional redemptions and could make it more difficult for the Private Funds to raise new capital.

We have made significant investments in the Private Funds and negative performance of the Private Funds may result in a significant decline in the value of our investments.

We have invested an aggregate of $950 million of our capital in the Private Funds and the net asset value thereof as of December 31, 2008 is approximately $660 million. In addition, subsequent to December 31, 2008, we invested an additional $250 million in the Private Funds. The Private Funds may continue to experience negative performance, which would have a continuing negative impact on our investment.

Successful execution of the Private Funds activist investment activities involves many risks, certain of which are outside of our control.

The success of the Private Funds investment strategy may require, among other things: (i) that our Investment Management segment properly identify companies whose securities prices can be improved through corporate and/or strategic action; (ii) that the Private Funds acquire sufficient securities of such companies at a sufficiently attractive price; (iii) that the Private Funds avoid triggering anti-takeover and regulatory obstacles while aggregating their positions; (iv) that management of portfolio companies and other security holders respond positively to our proposals; and (v) that the market price of portfolio companies securities increases in response to any actions taken by the portfolio companies. We cannot assure you that any of the foregoing will succeed.

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The Private Funds investment strategy involves numerous and significant risks, including the risk that investors in the Private Funds, including us, may lose some or all of their investments in the Private Funds. This risk may be magnified due to concentration of investments and investments in undervalued securities.

Our Investment Management segment s revenue depends on the investments made by the Private Funds. There are numerous and significant risks associated with these investments, certain of which are described in this risk factor and in other risk factors set forth herein.

Certain investment positions in which each Private Fund may have an interest may be illiquid. The Private Funds may own restricted or non-publicly traded securities and securities traded on foreign exchanges. These investments could prevent a Private Fund from liquidating unfavorable positions promptly and subject the Private Fund to substantial losses.

At any given time, a Private Fund s assets may become highly concentrated within a particular company, industry, asset category, trading style or financial or economic market. In that event, the Private Fund s investment portfolio will be more susceptible to fluctuations in value resulting from adverse economic conditions affecting the performance of that particular company, industry, asset category, trading style or economic market than a less concentrated portfolio would be. As a result, the Private Funds investment portfolio could become concentrated and its aggregate return may be volatile and may be affected substantially by the performance of only one or a few holdings.

The performance of the Private Funds and the reduction in the net assets inthe Private Funds have caused a signifi

The Private Funds seek to invest in securities that are undervalued. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Private Funds investments may not adequately compensate for the business and financial risks assumed.

From time to time, each Private Fund may invest in bonds or other fixed income securities, such as commercial paper and higher yielding (and, therefore, higher risk) debt securities. It is likely that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

For reasons not necessarily attributable to any of the risks set forth in this Form 10-K (for example, supply/demand imbalances or other market forces), the prices of the securities in which the Private Funds invest may decline substantially. In particular, purchasing assets at what may appear to be undervalued levels is no guarantee that these assets will not be trading at even more undervalued levels at a future time of valuation or at the time of sale.

The prices of financial instruments in which the Private Funds may invest can be highly volatile. Price movements of forward and other derivative contracts in which the Private Funds assets may be invested are 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. The Private Funds are subject to the risk of failure of any of the exchanges on which their positions trade or of their clearinghouses.

The use of leverage in investments by the Private Funds poses a significant degree of risk and enhances the possibility of significant loss in the value of the investments in the Private Funds.

Each Private Fund may leverage its capital if its general partner believes that the use of leverage may enable the Private Fund to achieve a higher rate of return. Accordingly, a Private Fund may pledge its securities in order to borrow additional funds for investment purposes. Each Private Fund may also leverage its investment return with options, short sales, swaps, forwards and other derivative instruments. The amount of borrowings that each Private Fund may have outstanding at any time may be substantial in relation to its capital. While leverage may present opportunities for increasing a Private Fund s total return, leverage may increase losses as well. Accordingly, any event that adversely affects the value of an investment by a Private