

Blackstone Group L.P.
Form 40-6B/A
May 14, 2009
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File No. 813-00375

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1 TO APPLICATION FOR AN ORDER

UNDER SECTIONS 6(b) AND 6(e)

OF THE INVESTMENT COMPANY ACT OF 1940

of

THE BLACKSTONE GROUP L.P.

(Exact name of applicant as specified in charter)

345 Park Avenue

New York, NY 10154

(Address of principal executive offices)

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Application pursuant to Sections 6(b) and 6(e) of the Investment Company Act of 1940.

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GLOSSARY

Terms defined throughout the text of this Application have been collected in this Glossary for the convenience of the reader. Please refer to the definitions found in the text of this Application.

Advisers Act means the Investment Advisers Act of 1940, as amended.

Advisory Person means any person who is not an employee, officer or director of Blackstone or is an entity outside of Blackstone and is an affiliated person of a Partnership as defined in Section 2(a)(3)(E) of the 1940 Act.

Affiliate has the meaning found in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as amended.

Applicant means the Company.

Application means this amended application for the Order.

Blackstone means the Company, together with any Affiliate of the Company.

Blackstone Third Party Fund means an investment fund or separate account, organized primarily for the benefit of investors who are not affiliated with Blackstone, over which a Blackstone entity exercises investment discretion or which is sponsored by a Blackstone entity.

Board means the General Partner or board of directors (or similar body) of the General Partner or any committee serving similar functions of the General Partner.

Co-Investor means with respect to any Partnership any person who is (i) an affiliated person (as such term is defined in the 1940 Act) of such Partnership (other than a Blackstone Third Party Fund); (ii) a Blackstone entity; (iii) an officer, director or partner of a Blackstone entity; or (iv) an entity (other than a Blackstone Third Party Fund) in which the General Partner or an Affiliate acts as a general partner or has a similar capacity to control the sale or other disposition of the entity's securities.

Commission means the Securities and Exchange Commission.

Company means The Blackstone Group L.P., a Delaware limited partnership.

Consultants means persons or entities whom Blackstone has engaged on retainer to provide services and professional expertise on an ongoing basis as regular consultants or business or legal advisors to Blackstone.

Eligible Employee means (a) an individual who (i) is a current or former employee, officer, director or current Consultant of Blackstone and (ii) except for a maximum of 35 employees described in this Application, meets the standards of an accredited investor under Rule 501(a)(5) or (6) of Regulation D or (b) an entity that (i) is a current Consultant of Blackstone and (ii) meets the standards of an accredited investor under Rule 501(a) of Regulation D.

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Eligible Family Member means a spouse, parent, child, spouse of child, brother, sister or grandchild of an Eligible Employee, including step and adoptive relationships.

General Partner means an Affiliate of the Company that acts as a general partner or manager of a Partnership or in a similar capacity.

Interests mean the limited partner or similar ownership interests in a Partnership held by the Limited Partners.

Investment Manager means any Blackstone entity or group of Blackstone employees that has investment management responsibility with respect to the acquisition, management and disposition of Portfolio Investments for the Partnerships.

Limited Partner or Participant means any Partner other than the General Partner.

Managing Employee means any individual who (i) manages the day-to-day affairs of a Partnership and (ii) meets the definition of knowledgeable employee in Rule 3c-5(a)(4) under the 1940 Act as if a Partnership were a Covered Company within the meaning of the Rule.

1933 Act means the Securities Act of 1933, as amended.

1934 Act means the Securities Exchange Act of 1934, as amended.

1940 Act means the Investment Company Act of 1940, as amended.

Non-Accredited Investor means a Managing Employee or other employee of Blackstone who does not meet the standards of an accredited investor under Rule 501(a)(5) or (6) of Regulation D.

Order means the order requested herein.

Partner means any partner or member of, or other investor in, a Partnership, including the General Partner unless otherwise specified.

Partnerships means the partnerships, limited liability companies or other investment vehicles identical in all material respects (other than investment objectives and strategies, form of organization and terms) sponsored by Blackstone that may be offered in reliance on the Order.

Partnership Agreement means the partnership agreement or other organizational document of a Partnership.

Portfolio Investments mean all Partnership investments (which may be made directly or through a Blackstone Third Party Fund or a Third Party Sponsored Fund).

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Pretax Plan means a pre-tax deferred or bonus compensation program.

Qualified Investment Vehicle means (i) a trust of which the trustee, grantor and/or beneficiary is an Eligible Employee, (ii) a partnership, corporation or other entity controlled by an Eligible Employee or (iii) a trust or other entity established solely for the benefit of Eligible Family Members of an Eligible Employee.

Qualified Participant means an individual or entity who or that (i) is an Eligible Family Member or a Qualified Investment Vehicle, and (ii) if such individual or entity is purchasing an Interest directly from the Partnership, except as permitted by Regulation D comes within one of the categories of an accredited investor under Rule 501(a) of Regulation D.

Regulation D means Regulation D under the 1933 Act.

Third Party Investor means any person or entity that is not affiliated with Blackstone and is a partner or other investor in a Blackstone Third Party Fund or Third Party Sponsored Fund.

Third Party Sponsored Fund means an investment fund or pooled investment vehicle for which entities or persons unaffiliated with Blackstone are the sponsors or investment advisers.

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1 TO APPLICATION

FOR AN ORDER

of

THE BLACKSTONE GROUP L.P.

Amendment No. 1 to Application pursuant to Sections 6(b) and 6(e) of the Investment Company Act of 1940.

The Blackstone Group L.P., a Delaware limited partnership (the Applicant or the Company), hereby amends and restates in its entirety its application to the Securities and Exchange Commission (the Commission) pursuant to Sections 6(b) and 6(e) of the Investment Company Act of 1940, as amended (the 1940 Act), for an order (the Order) exempting certain future partnerships, limited liability companies or other investment vehicles identical in all material respects (other than investment objectives and strategies, form of organization and terms) sponsored by the Applicant and/or its Affiliates (the Partnerships) from all provisions of the 1940 Act, except Section 9 and Sections 36 through 53, and the rules and regulations under the 1940 Act, as described herein. With respect to Sections 17(a), (d), (e), (f), (g) and (j) and 30(a), (b), (e) and (h) of the 1940 Act, and the rules and regulations thereunder, and Rule 38a-1 under the 1940 Act, the exemption is limited as set forth in this application (the Application).

No form having been prescribed by the rules and regulations of the Commission, the Applicant proceeds under Rule 0-2 of the 1940 Act.

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The Partnerships will be established primarily for the benefit of Eligible Employees (defined below) of the Company or of any Affiliate (as defined in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as amended (the 1934 Act)) of the Company (such Affiliates together with the Company being hereinafter referred to as Blackstone) as part of a program designed to create capital building opportunities that are competitive with those at other financial services firms and to facilitate the recruitment of high caliber professionals. Blackstone will control the Partnerships within the meaning of Section 2(a)(9) of the 1940 Act. Each Partnership will comply with the terms and conditions of the Application.

All partners or members of, or other investors (the Partners), in the Partnerships other than the General Partner (the Limited Partners or Participants) will be informed that (i) interests in the Partnerships will be sold in a transaction exempt under Section 4(2) of the Securities Act of 1933, as amended (the 1933 Act), or Regulation D (Regulation D) promulgated thereunder, and thus are offered without registration under the 1933 Act and the protections afforded by that law, and (ii) the Partnerships will be exempt from most provisions of the 1940 Act and from the protections afforded thereby.

Applicant believes that, in view of the facts described below and the conditions contained in this Application, concerns of abuse of investors and overreaching, which the 1940 Act was designed to prevent, will not be present.

PART I. STATEMENT OF FACTS

A statement of the facts relied upon as the basis for the action of the Commission herein requested is as follows:

Organization of the Partnerships

Blackstone is a leading global alternative asset manager and provider of financial advisory services. The alternative asset management businesses include the management of corporate private equity funds, real estate funds, funds of hedge funds, credit-oriented funds,

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collateralized loan obligation (CLO) vehicles and publicly-traded closed-end mutual funds. Blackstone also provides a wide range of financial advisory services, including corporate and mergers and acquisitions advisory, restructuring and reorganization advisory and fund placement services.

Each of the Partnerships will be a limited partnership, limited liability company, corporation, business trust or other entity organized under the laws of the State of Delaware or any other U.S. or non-U.S. jurisdiction. (A Partnership may be organized under the laws of a non-U.S. jurisdiction to facilitate the tax, legal, accounting and regulatory objectives of certain of Blackstone's Eligible Employees.) The General Partner of each Partnership will be an Affiliate of the Company. The term "General Partner" shall hereinafter refer to any Affiliate that is or will be an Affiliate of the Company which acts as the general partner or manager of a Partnership or acts in a similar capacity, *i.e.*, manages, operates and controls such Partnership.

Purposes

The Company intends to form Partnerships to enable Eligible Employees of Blackstone and their Qualified Participants (in each case, as defined below) to pool their investment resources and to receive the benefit of certain investment opportunities that come to the attention of Blackstone without the necessity of having each investor identify such opportunities and analyze their investment merit.¹ In addition, the pooling of resources should allow the Limited Partners diversification of investments and participation in investments which usually would not be available to them as individual investors and the minimum investment level of which might otherwise be beyond their individual means. The Partnerships will each be an "employees' securities company" as defined in Section 2(a)(13) of the 1940 Act.

¹ Blackstone has in the past and may in the future sponsor and manage other investment vehicles for the benefit of certain current and former employees and other affiliated persons that rely on exemptions from the 1940 Act (*e.g.*, Sections 3(c)(1) or 3(c)(7)). Such vehicles will not rely on the Order.

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Eligible Employees

Limited Partner interests or similar ownership interests in the Partnerships (Interests) will be offered without registration in transactions under a claim of exemption pursuant to Section 4(2) of the 1933 Act or Regulation D thereunder and will be sold only (i) to Eligible Employees, (ii) at the request of Eligible Employees and in the discretion of the General Partner, to Qualified Participants of such Eligible Employees or (iii) to Blackstone entities.² As a result, prior to offering Interests to an Eligible Employee, the General Partner must reasonably believe that each Eligible Employee that is required to make an investment decision with respect to whether or not to participate, or to request that a related Qualified Participant be permitted to participate, in a Partnership will be a sophisticated investor capable of understanding and evaluating the risks of participating in such Partnership without the benefit of regulatory safeguards. The General Partner may impose more restrictive suitability standards in its sole discretion. Whenever a General Partner, a Blackstone entity, an Investment Manager (defined below) and any other person acting for or on behalf of the Partnerships is required or permitted to make a decision, take or approve an action, or omit to do any of the foregoing in such person's discretion, then such person shall exercise such discretion in accordance with reasonableness and good faith and any fiduciary duties owed to the Partnership, its Participants and, if applicable, to Blackstone Third Party Funds and Third Party Investors (each as defined below) in such funds and related parties.

² If the Applicant implements a Pretax Plan, as defined below, participation rights in such Pretax Plan will only be offered to Eligible Employees who are current employees or Consultants, as defined below, of Blackstone.

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Participation in a Partnership will be voluntary on the part of the Eligible Employee. Eligible Employees may be offered the opportunity to participate in Partnerships through deferred or bonus compensation programs pursuant to which they will be granted awards of (i) Interests in a Partnership or (ii) economic interests substantially similar to those which would be achieved by direct investments in a Partnership of the deferred or bonus amounts.

A Blackstone entity may purchase Interests in a Partnership which it may award to Eligible Employees as bonus or similar compensation. Interests so acquired by Blackstone will be acquired for cash from the Partnership at the same time and at the same price as Interests offered to Limited Partners and will be voted in proportion to the votes of the other Limited Partners. The Blackstone entity may award these Interests at any time during the life of the Partnership to Eligible Employees as bonus or similar compensation. Such awards may be subject to vesting arrangements to be determined at the time.

The Applicant may also implement a deferred or bonus compensation program through, among other things, a pretax plan arrangement (Pretax Plan). If the Applicant implements the structure through a Pretax Plan, no investment vehicle will be formed with respect to such Pretax Plan. Pursuant to a Pretax Plan, Blackstone will enter into arrangements with certain Eligible Employees of Blackstone which will generally provide that (i) an Eligible Employee will defer a portion of his or her compensation payable by Blackstone, (ii) such deferred compensation will be treated as having been notionally invested in investments designated for these purposes pursuant to the specific compensation plan and (iii) an Eligible Employee will be entitled to receive cash, securities or other property at the times and in the amounts set forth in the specific

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compensation plan, where the aggregate amount received by such Eligible Employee would be based upon the investment performance of the investments designated for these purposes pursuant to such compensation plan. Because a Pretax Plan will be voluntary and contributory on the part of the Eligible Employees, it could be deemed to be an investment company for purposes of the 1940 Act even in the absence of the organization of an actual entity. Blackstone expects to offer, through any Pretax Plans, economic benefits comparable to what would have been offered in an arrangement where an investment vehicle is formed, and the Applicant requests that the Order sought herein be made applicable to any such Pretax Plan on the terms and conditions made applicable to a Partnership. For purposes of this Application, a Partnership will be deemed to be formed with respect to each Pretax Plan and each reference to Partnership, capital contribution, General Partner, Limited Partner, loans and Interest in this Application will be deemed to refer to the Pretax Plan, the notional capital contribution to the Pretax Plan, Blackstone, a participant of the Pretax Plan, notional loans and participation rights in the Pretax Plan, respectively.

In order to qualify as an Eligible Employee, (a) an individual must (i) be a current or former employee, officer, director or current Consultant (as defined below) of Blackstone and (ii) except for certain individuals who manage the day-to day affairs of the Partnership in question (Managing Employees³) and a limited number of other employees of Blackstone⁴

³ A Managing Employee may invest in a Partnership if he or she meets the definition of knowledgeable employee in Rule 3c-5(a)(4) under the 1940 Act with the Partnership treated as though it were a Covered Company for purposes of the Rule.

⁴ Such employees must meet the sophistication requirements set forth in Rule 506(b)(2)(ii) of Regulation D under the 1933 Act and may be permitted to invest his or her own funds in the Partnership if, at the time of the employee's investment in a Partnership, he or she (a) has a graduate degree in business, law or accounting, (b) has a minimum of five years of consulting, investment banking or similar business experience, and (c) has had reportable income from all sources of at least \$100,000 in each of the two most recent years and a reasonable expectation of income from all sources of at least \$140,000 in each year in which such person will be committed to make investments in a Partnership. In addition, such an employee will not be permitted to invest in any year more than 10% of his or her income from all sources for the immediately preceding year in the aggregate in such Partnership and in all other Partnerships in which he or she has previously invested.

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(collectively, Non-Accredited Investors), meet the standards of an accredited investor under Rule 501(a)(5) or (6) of Regulation D, or (b) an entity must (i) be a current Consultant of Blackstone and (ii) meet the standards of an accredited investor under Rule 501(a) of Regulation D. A Partnership may not have more than 35 Non-Accredited Investors.

In the discretion of the General Partner and at the request of an Eligible Employee, Interests may be assigned by such Eligible Employee, or sold directly by the Partnership, to a Qualified Participant of an Eligible Employee. In order to qualify as a Qualified Participant, an individual or entity must (i) be an Eligible Family Member or Qualified Investment Vehicle (in each case as defined below), respectively, of an Eligible Employee and (ii) if purchasing an Interest from a Partnership, except as permitted by Regulation D and as discussed below, come within one of the categories of an accredited investor under Rule 501(a) of Regulation D. An Eligible Family Member is a spouse, parent, child, spouse of child, brother, sister or grandchild of an Eligible Employee, including step and adoptive relationships. A Qualified Investment Vehicle is (i) a trust of which the trustee, grantor and/or beneficiary is an Eligible Employee, (ii) a partnership, corporation or other entity controlled by an Eligible Employee or (iii) a trust or other entity established solely for the benefit of Eligible Family Members of an Eligible Employee. A Qualified Investment Vehicle that is not an accredited investor will be counted in accordance with Regulation D toward the 35 person limit for Non-Accredited Investors.

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The inclusion of partnerships, corporations or other entities that are controlled by Eligible Employees who are individuals in the definition of Qualified Investment Vehicle is intended to enable these individuals to make investments in the Partnerships through personal investment vehicles over which they exercise investment discretion or other investment vehicles the management or affairs of which they otherwise control. Individuals often form these types of investment vehicles for the purpose of implementing their personal and family investment and estate planning objectives.

Depending upon the purpose the investment vehicle was intended to serve, the individual and/or the individual's family members also may have a significant economic interest in the investment vehicle, but in any event the individual will exercise control over the entity through ownership of voting securities or otherwise. Accordingly, there is a close nexus between Blackstone and the investment vehicle through the individual who controls the vehicle.

Because of the requirements described above, Interests in each Partnership will be held by persons and entities with a close nexus to Blackstone through employment (or other ongoing relationship in the case of Consultants (as described below)) and/or family ties. However, the status of an individual or entity as a Qualified Participant will not be affected by the termination of employment or other relationship of the relevant Eligible Employee, except under the circumstances described below with respect to Consultants and under the Terms of the Partnership⁵. The General Partner will have the absolute right to purchase any Interest for its fair value if the General Partner determines in good faith that any Partner's continued ownership

⁵ As permitted under Section 2(a)(13) of the 1940 Act, Interests may be held by current and former employees, officers and directors of Blackstone and their Qualified Participants.

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of such Interest in a Partnership jeopardizes such Partnership's status as an employee securities company under the 1940 Act; provided that the foregoing is without prejudice to any other rights the General Partner may have as a result of a breach of a representation or other agreement by a Partner.

In addition, in order to further ensure that the close nexus between the Partners of a Partnership and Blackstone is maintained, the terms of each Partnership Agreement (defined below) for a Partnership will provide that any Eligible Family Member participating in such Partnership (either through direct beneficial ownership of an Interest or as an indirect beneficial owner through a Qualified Investment Vehicle) cannot, in any event, be more than two generations removed from an Eligible Employee. If a person more than two generations removed (*e.g.*, a great-grandchild) becomes the beneficial owner of an Interest, the Partnership will be required to repurchase the Interest from such person at fair value or otherwise cause such Interest to be transferred by such person for fair value.

It is anticipated that, at the sole discretion of the General Partner, current consultants or business or legal advisors of Blackstone may be offered the opportunity to participate in the Partnerships. Blackstone believes that persons or entities whom Blackstone has engaged on retainer to provide services and professional expertise on an ongoing basis as regular consultants or business or legal advisors to Blackstone (Consultants) share a community of interest with Blackstone and Blackstone's employees. In order to participate in the Partnerships, Consultants will be required to be sophisticated investors who qualify as accredited investors under Rule 501(a)(5) or (6) of Regulation D (if a Consultant is an individual) or, if not an individual, meet the standards of an accredited investor under Rule 501(a) of Regulation D. Qualified Participants of Consultants may invest in a Partnership. If a Consultant is an entity (such as, for

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example, a law firm or consulting firm), and the Consultant proposes to invest in the Partnership through a partnership, corporation or other entity that is controlled by the Consultant, the individual participants in such partnership, corporation or other entity will be limited to senior level employees, members or partners of the Consultant who are responsible for the activities of the Consultant and will be required to qualify as accredited investors under Rule 501(a)(5) or (6) of Regulation D. In addition, such entities will be limited to businesses controlled by individuals who have levels of expertise and sophistication in the area of investments in securities that are comparable to other Eligible Employees who are employees, officers or directors of Blackstone and who have an interest in maintaining an ongoing relationship with Blackstone. Most importantly, the individuals participating through such entities will belong to that class of persons who will have access to the directors and officers of the General Partner and its Affiliates and/or the officers of Blackstone responsible for making investments for the Partnerships similar to the access afforded other Eligible Employees who are employees, officers or directors of Blackstone. Accordingly, there is a close nexus between Blackstone and such entities. Once a Consultant's ongoing relationship with Blackstone is terminated, such Consultant and its Qualified Participants, if any, will not be permitted to retain their Interests in a Partnership.

Interests in each Partnership will be non-transferable except with the prior written consent of the General Partner, and, in any event, no person or entity will be admitted into the Partnership as a Partner unless such person is (i) an Eligible Employee, (ii) a Qualified

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Participant of an Eligible Employee or (iii) a Blackstone entity.⁶ Consequently, the limitations on the transferability of Interests in the Partnership ensure that the community of interest among the Partners will continue through the life of the Partnership.

Only those employees who qualify as Eligible Employees would be able to participate in the Partnerships. Eligible Employees will be professionals with experience in investing, financial planning, securities brokerage, investment banking, asset management, business operations, banking, cash management or trust services or other similar areas, or in administrative, financial, tax, legal, accounting or operational activities related thereto. Many will have both undergraduate and graduate degrees.

Terms of the Partnerships

Blackstone has offered and proposes to continue to offer various investment programs for the benefit of its Eligible Employees.⁷ These programs may have varying structures including, without limitation, different Partnerships, or separate plans within the same Partnership or a master limited partnership in which one or more Partnerships and/or Blackstone invest as limited partners and a Blackstone entity serves as the general partner, and the terms of these programs are likely to differ from one another. Interests in these Partnerships will be sold without a sales load. A Partnership may have a set term or may have an indefinite life.

⁶ If the Applicant implements a proposed investment program through a Pretax Plan, an Eligible Employee's participation rights in such Pretax Plan may not be transferred (other than to a Qualified Participant in the event of the Eligible Employee's death).

⁷ A proposed investment program may be offered only to certain Eligible Employees, and if the Applicant implements such proposed investment program through a Pretax Plan, such investment program will be offered only to Eligible Employees who are current employees or Consultants of Blackstone.

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While the terms of a Partnership will be determined by Blackstone in its discretion, these terms will be fully disclosed to each Eligible Employee and, if a Qualified Participant of such Eligible Employee is required to make an investment decision with respect to whether or not to participate in a Partnership, to such Qualified Participant, prior to the time such person or entity is admitted to the Partnership. Among other things, each Eligible Employee and, if a Qualified Participant of such Eligible Employee is required to make an investment decision with respect to whether or not to participate in a Partnership, such Qualified Participant, will be furnished with offering materials, including a copy of the partnership agreement or other organizational document (the Partnership Agreement) for the relevant Partnership or a description of the terms of the relevant Partnership,⁸ which will set forth at a minimum the following terms of the proposed investment program, if applicable:

(i) whether Blackstone will make a co-investment in the same portfolio securities as the Partnership, and the terms generally applicable to the Partnership's investment as compared to those of Blackstone's investment;

(ii) the maximum amount of capital contributions that a Participant will be required to make to the Partnership during the term of the relevant investment program, or the manner in which such amount will be determined, and the manner in which the capital contributions will be applied towards investments made, and expenses incurred, by the Partnership;

⁸ If the Applicant implements a proposed investment program through a Pretax Plan, Eligible Employees participating in such Pretax Plan will be furnished with a copy of the Pretax Plan, which will set forth at a minimum the same applicable terms of the proposed investment program as those that would have been set forth in a Partnership Agreement if a Partnership entity were to be formed, with such changes as are appropriate to reflect the fact that an entity is not formed in order to implement the Pretax Plan.

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(iii) whether the General Partner or a Blackstone entity will offer to make any loans to a Participant to purchase the Interest in the Partnership and, if so, the terms of such loans;⁹

(iv) whether the General Partner, Blackstone or any employees of the General Partner or Blackstone will be entitled to receive any compensation from, or a performance-based fee (such as a carried interest¹⁰) based on the gains and losses of, the investment program or of the Partnership's investment portfolio and, if so, the terms of such compensation or performance-based fee;

(v) whether the General Partner or a Blackstone entity will acquire a senior or preferred limited partner interest or other senior equity interest in the Partnership or will make any capital contributions or loans to the Partnership and, if so, the terms applicable to the General Partner's or the Blackstone entity's investment in the Partnership or its extension of credit to the Partnership, provided that the applicable rate will be no less favorable than the rate obtainable in an arm's-length transaction; any indebtedness of the Partnership, other than indebtedness incurred specifically on behalf of a Limited Partner where the Limited Partner has agreed to guarantee the loan or to act as co-obligor on the

⁹ A Participant will not borrow from any person if such borrowing would cause any person not named in Section 2(a)(13) of the 1940 Act to own outstanding securities of a Partnership (other than short term paper).

¹⁰ A carried interest is an allocation to the General Partner, a Limited Partner or an Investment Manager based on net gains in addition to the amount allocable to any such entity in proportion to its invested capital. A General Partner, Limited Partner or Investment Manager that is registered as an investment adviser under the Advisers Act may charge a carried interest only if permitted by Rule 205-3 under the Advisers Act. Any carried interest paid to a General Partner, Limited Partner or Investment Manager that is not registered under the Advisers Act also may be paid only if permitted by Rule 205-3 under the Advisers Act as if such entity were registered under the Advisers Act.

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loan, will be the debt of the Partnership and without recourse to the Limited Partners; and whether the Partnership may borrow from an unaffiliated third party;¹¹

(vi) the consequences to a Participant who defaults on such Participant's obligation to fund required capital contributions to the Partnership (including whether such defaulting person's Interest in existing and future investments will be affected and, if so, the nature of such effects), provided that the General Partner will not elect to exercise any alternative involving the forfeiture by the defaulting person of a portion of such person's capital account if the General Partner determines that the defaulting person at the time of default is suffering from, or will suffer, severe hardship as a result of such forfeiture; and

(vii) whether any vesting and forfeiture provisions will apply to a Participant's Interest in the Partnership and, if so, the terms of such vesting and forfeiture provisions.¹²

The organizational documents for and any other contractual arrangement regarding the Partnerships will not contain any provision which protects or purports to protect a Blackstone entity, any Investment Manager or their delegates against any liability to a Partnership or its security holders to which such person would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence in the performance of such person's duties, or by reason of such person's reckless disregard of such person's obligations and duties under such contract or organizational documents.

¹¹ A Partnership will not lend funds to any Blackstone entity. No Partnership will borrow from any person if the borrowing would cause any person not named in Section 2(a)(13) of the 1940 Act to own outstanding securities of the Partnership (other than short term paper).

¹² The offering documents will disclose such items as risk, leverage, and the manner of allocating profits and losses and distributions. Events that would trigger the dissolution of a Partnership and what would happen to a Partnership's assets under dissolution will also be disclosed.

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In an investment program that provides for vesting provisions, some or all of an Eligible Employee's Interest at the commencement of the program will be treated as being unvested, and vesting will occur upon certain circumstances, including (i) through the passage of a specified period of time (for example, an Interest might vest over a three year period, 1/3 for each year), (ii) upon the occurrence of a specified event (for example, a change of control), or (iii) the making of periodic capital contributions to the Partnership (for example, a Participant with a \$10,000 commitment may be considered to be 50% vested as a result of having made \$5,000 in capital contributions to the Partnership). To the extent an Eligible Employee's Interest is or becomes vested, the termination of such Eligible Employee's relationship with Blackstone will not affect the Eligible Employee's rights with respect to the vested portion of the Interest, unless certain specified events described in the following paragraph occur. The portion of an Eligible Employee's Interest that is unvested at the time of termination of such Eligible Employee's relationship with Blackstone may be subject to repurchase or cancellation by Blackstone or the imposition of different terms and conditions, as described in the offering documents related to the relevant Partnership. In any event, the consequences of the vesting and forfeiture provisions will not be more onerous than those set forth below.

Unless (x) an Eligible Employee's relationship with Blackstone is terminated (or would have been eligible for termination) for cause (as defined in the applicable Partnership Agreement or by Blackstone from time to time pursuant to its internal policies relating to the termination of employment of Blackstone employees generally), or (y) a former Eligible Employee becomes employed by, or a partner in, consultant to or otherwise joins any firm that the General Partner

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determines, in its reasonable discretion, to be competitive with any business of Blackstone, or otherwise engages in conduct that the General Partner determines, in its reasonable discretion, to be detrimental to Blackstone, his or her vested Interest in the Partnership will not be affected in any manner. However, if the events described in clauses (x) or (y) above occur, the General Partner may deem the Eligible Employee's entire Interest to be unvested and subject to repurchase or cancellation, as described below, or to the imposition of different terms and conditions, as described in the offering documents related to the relevant Partnership. In addition, if an Eligible Employee voluntarily resigns his or her employment with Blackstone or otherwise has his or her employment terminated for any other reason, any unvested Interest will similarly be subject to repurchase or cancellation, as described below, or the imposition of different terms and conditions, as described in the offering documents related to the relevant Partnership.

In an investment program that does not provide for vesting provisions, an Eligible Employee's entire Interest may be subject to repurchase or cancellation by the General Partner, as described below, or the imposition of different terms and conditions, as described in the offering documents related to the relevant Partnership, upon termination of such Eligible Employee's relationship with Blackstone.

Upon any repurchase or cancellation of a former Eligible Employee's Interest, the General Partner will at a minimum pay to the Eligible Employee the lesser of (i) the amount actually paid by the Eligible Employee to acquire the Interest plus interest less those amounts returned to the Eligible Employee as distributions, and (ii) the fair market value, determined at the time of repurchase or cancellation in good faith by the General Partner, of such Interest. If the terminated Limited Partner financed any part of his or her acquisition of an Interest or capital

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commitment thereunder by borrowing from a Blackstone entity, upon such repurchase or cancellation the entire amount of the loan may come due. Blackstone shall be entitled to offset against the payment for a purchased or cancelled Interest (i) any outstanding principal amount of, and unpaid interest on, any loans made by Blackstone to such Eligible Employee to acquire such Interest and (ii) the costs of repurchasing such Interest, such as legal fees and administrative expenses. In addition, if the Eligible Employee has pledged such Interest to secure any such loan, Blackstone may foreclose upon such Interest upon any failure to repay such loan when due.

The terms described above as to the vesting and forfeiture of Interests will apply equally to any Qualified Participant of an Eligible Employee under the circumstances where such Eligible Employee has triggered such provisions.

A Partnership may permit a Partner to purchase or redeem Interests at any time and from time to time, at the discretion of the General Partner, as described in the Partnership's Partnership Agreement and offering documents.

Registration of an Investment Adviser Pursuant to the Investment Advisers Act of 1940

The Blackstone entity acting as the investment adviser to a Partnership, including, if applicable, the General Partner, will be registered as an investment adviser under the Advisers Act, if required under applicable law. The determination as to whether a General Partner or other investment adviser that is an Affiliate of the Company is required to register under the Advisers Act will be made by Blackstone; no relief in respect of such determination is requested herein.

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Investments and Operations

Each of the Partnerships will operate as a diversified or non-diversified, closed-end or open-end investment company of the management type within the meaning of the 1940 Act. The investment objective of each Partnership and whether it will operate as a diversified or non-diversified and open-end or closed-end vehicle may vary from Partnership to Partnership, and will be set forth in the offering documents relating to the specific Partnership.¹³ Partnerships may be expected to seek capital appreciation through speculative and high-risk investments in securities (including debt and equity partnership interests) associated with, among other things, leveraged buyouts, venture capital investments, private placements, bankrupt entities, hedge funds, bridge loans, real estate and other similar situations. Potential investments for the Partnerships include a wide variety of U.S. and non-U.S. assets, including but not limited to public and private debt and equity securities, real estate, commodity futures, derivatives and other financial instruments and assets. Investments may be made either directly or indirectly through one or more other pooled investment vehicles (including private funds relying on Sections 3(c)(1) and 3(c)(7) of the 1940 Act)¹⁴ and registered investment companies sponsored or managed by Blackstone or by third parties.¹⁵ Pending investment of capital contributions, reinvestment of proceeds of investments and distribution of proceeds to Participants, a Partnership's funds may be invested in short-term investments. A Partnership may utilize leverage as part of its investment operations. All Partnership investments are referred to herein collectively as Portfolio Investments.

¹³ If the Applicant implements a proposed investment program through a Pretax Plan, the investments that will be designated for purposes of such investment program are expected to be primarily equity and equity-related investments. Other types of investments may be designated if first approved by senior management of Blackstone.

¹⁴ Applicant is not requesting any exemption from any provision of the 1940 Act or any rule thereunder that may govern a Partnership's eligibility to invest in a Portfolio Investment (defined below) relying on Section 3(c)(1) or 3(c)(7) of the 1940 Act or the Portfolio Investment's status under the 1940 Act.

¹⁵ In addition, one Partnership may also invest in another Partnership. For example, a Partnership established under non-U.S. law may be organized primarily for non-U.S. Eligible Employees that would invest in a Partnership established under U.S. law primarily with U.S. resident Eligible Employees in order to more efficiently address U.S. or non-U.S. tax issues.

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The General Partner of each Partnership will manage, operate and control that Partnership. However, the General Partner will be authorized to delegate investment management responsibility with respect to the acquisition, management and disposition of Portfolio Investments to a Blackstone entity or to a group of Blackstone employees (the Investment Manager). As described above, any Blackstone entity that is delegated the responsibility of making investment decisions for the Partnership will be registered as an investment adviser under the Advisers Act (or, in the case of a group of Blackstone employees, be reflected in the Form ADV of the applicable Blackstone entity) if required under applicable law. The ultimate responsibility for the Partnerships investments delegated to an Investment Manager will remain with the General Partner. In addition, the General Partner of a Partnership may, in the case of certain investment programs, contribute substantial funds to the Partnerships or to entities (including Blackstone Third Party Funds) in which the Partnership will invest, in addition to the capital contributions of the Partnerships Limited Partners, for Portfolio Investments.

The General Partner will provide Partners of the Partnerships access to information concerning their Partnership s operations and results as described below under Reports and Accounting. A Partnership may directly engage, or the General Partner may delegate to and pay, Affiliates or unaffiliated third parties to provide administrative, bookkeeping, financial statement and tax accounting and other services.

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Investment programs may be structured in which a Partnership will co-invest in a portfolio company (or a pooled investment vehicle) with Blackstone or with or in an investment fund or separate account, organized primarily for the benefit of investors who are not affiliated with Blackstone,¹⁶ over which a Blackstone entity exercises investment discretion or which is sponsored by a Blackstone entity (a Blackstone Third Party Fund). Side-by-side investments held by a Blackstone Third Party Fund, or by a Blackstone entity in a transaction in which the Blackstone investment was made pursuant to a contractual obligation to a Blackstone Third Party Fund, will not be subject to the restrictions contained in Condition 3 in Part III Applicant's Conditions, below. All other side-by-side investments held by Blackstone entities will be subject to the restrictions contained in Condition 3 below.

Applicant believes that the interests of the Eligible Employees participating in a Partnership will be adequately protected even in situations where Condition 3 does not apply. In structuring a Blackstone Third Party Fund, it is common for the unaffiliated investors of such fund to require that Blackstone invest its own capital in fund investments, either through the fund or on a side-by-side basis, and that such Blackstone investments be subject to substantially the same terms as those applicable to the fund's investments. It is important to Blackstone that the interests of the Blackstone Third Party Fund take priority over the interests of the Partnerships, and that the activities of the Blackstone Third Party Fund not be burdened or otherwise affected by activities of the Partnerships. If Condition 3 were to apply to Blackstone's investment in these situations, the effect of such a requirement would be to indirectly burden the Blackstone Third Party Fund with the requirements of Condition 3. In addition, the relationship of a Partnership to a Blackstone Third Party Fund, in the context of this Application, is fundamentally

¹⁶ These unaffiliated investors include U.S. and non-U.S. institutional investors such as public and private pension funds, foundations, endowments, and corporations, and high net worth individuals resident in and outside of the United States.

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different from such Partnership's relationship to Blackstone. The focus of, and the rationale for, the protections contained in this Application are to protect the Partnerships from any overreaching by Blackstone in the employer/employee context, whereas the same concerns are not present with respect to the Partnerships vis-a-vis the investors of a Blackstone Third Party Fund.

It is also possible that an investment program may be structured in which a Partnership will invest directly in an investment fund or pooled investment vehicle for which entities or persons unaffiliated with Blackstone are the sponsors or investment advisers (a Third Party Sponsored Fund). In connection with such an investment, the Third Party Sponsored Fund may permit the Partnership to invest only if a Blackstone entity (including, in certain circumstances, a Blackstone Third Party Fund) will co-invest with the Partnership in the Third Party Sponsored Fund. In addition, a Blackstone entity (including, in certain circumstances, a Blackstone Third Party Fund) may choose to co-invest with a Partnership in a Third Party Sponsored Fund even if there is no requirement to do so. The Partnership's investment (excluding a Blackstone entity's co-investment) will not exceed 50% of the combined amount of the Partnership's and a Blackstone entity's investment in the Third Party Sponsored Fund. The Partnership and the Blackstone entity (other than a Blackstone Third Party Fund) will co-invest in a lock-step manner in the Third Party Sponsored Fund. Such a Blackstone entity's co-investment in the Third Party Sponsored Fund may take the form of an investment in a third party sponsored investment fund or pooled investment vehicle, or an investment in a Partnership. In such a situation, the Partnership may be required to pay its share of management, performance and other fees and expense reimbursements to the sponsor of the Third Party Sponsored Fund on terms that are no less favorable than those applicable to such Blackstone entity (taking into account differences in investment structure). Fees and expenses

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may be paid by the Partnership directly to the sponsor of the Third Party Sponsored Fund or to the Blackstone entity in reimbursement of payments made by it in respect of the Partnership's participation in the Third Party Sponsored Fund. A Blackstone entity's (other than a Blackstone Third Party Fund's) co-investment in a Third Party Sponsored Fund will be subject to the restrictions contained in Condition 3 below. The General Partner will not delegate management and investment discretion for the Partnership to the sponsor of the Third Party Sponsored Fund. The ultimate responsibility for the Partnership's investments will remain with the General Partner; however, the Third Party Sponsored Fund may provide for limited termination rights and therefore the General Partner may be unable to terminate a Partnership's involvement in the Third Party Sponsored Fund without breaching the investment contract or triggering contractual remedies in favor of the sponsor of the Third Party Sponsored Fund. For the avoidance of doubt, nothing in this paragraph requires a Blackstone entity to co-invest with a Partnership in a Third Party Sponsored Fund, and to the extent permitted by the applicable Third Party Sponsored Fund, a Partnership may invest therein without such a co-investment.

A Partnership will not acquire any security issued by a registered investment company if immediately after such acquisition such Partnership will own more than 3% of the outstanding voting stock of the registered investment company.

Subject to the terms of the applicable Partnership Agreement, a Partnership will be permitted to enter into transactions involving (i) a Blackstone entity, (ii) a portfolio company, (iii) any Partner or person or entity affiliated with a Partner, (iv) a Blackstone Third Party Fund, or (v) any person or entity who is not affiliated with Blackstone and is a partner or other investor in a Blackstone Third Party Fund or a Third Party Sponsored Fund (a Third Party Investor). Such transactions may include, without limitation, the purchase or sale by the Partnership of an

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investment, or an interest therein, from or to any Blackstone entity or Blackstone Third Party Fund, acting as principal. With regard to such transactions, the General Partner or board of directors (or similar body) of the General Partner or any committee serving similar functions of the General Partner (the Board) must determine prior to entering into such transaction that the terms thereof are fair to the Partners participating in the relevant investment program and the Partnership, in addition to satisfying any requirements in the organizational document for the Blackstone Third Party Fund or the Third Party Sponsored Fund.

A Blackstone entity (including the General Partner), acting as an agent or broker, may receive placement fees, advisory fees or other compensation from a Partnership or a portfolio company in connection with the purchase or sale by the Partnership of securities (paid directly or indirectly by a Blackstone Third Party Fund or a Third Party Sponsored Fund); provided that such placement fees, advisory fees or other compensation from a Partnership can be deemed to be usual and customary in the manner described below.

For purposes of this Application, the Blackstone entity will be permitted to charge such fees or otherwise receive such compensation in a transaction from a Partnership, and such fees or other compensation will be deemed to be usual and customary, only if (i) the Partnership is purchasing or selling securities (directly or indirectly) alongside other unaffiliated third parties (including Blackstone Third Party Funds or Third Party Investors) who are also similarly purchasing or selling securities, (ii) the fees or other compensation that are being charged to the Partnership (directly or indirectly) are also being charged (on a *pro rata* basis) to the unaffiliated

¹⁷ If the Applicant implements a proposed investment program through a Pretax Plan, the Pretax Plan will not actually purchase or sell any securities.

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third parties (including Blackstone Third Party Funds or Third Party Investors), and (iii) the amount of securities being purchased or sold by the Partnership (directly or indirectly) does not exceed 50% of the total amount of securities being purchased or sold by the Partnership (directly or indirectly) and the unaffiliated third parties (including Blackstone Third Party Funds and Third Party Investors).

A comparison of brokerage commissions or other remuneration charged by a Blackstone entity can readily be made to that charged by other firms for providing execution services for comparable trades of similar securities on an exchange during a comparable period of time, as required under Rule 17e-1 under the 1940 Act. However, such comparisons are not as feasible or readily determinable in the context of compensation for investment banking services, such as financial advisory fees and private placement fees. Fees for investment banking services are extremely transaction specific and reflect the scope and nature of the services (and the value added component) furnished by the particular investment banking firm to the particular transaction. These transaction- and firm-specific factors make it inherently difficult to establish a universe of comparables with the compensation earned by other firms. Applicant believes that the interests of the Eligible Employees participating in a Partnership will be adequately protected because the requirement described in clause (ii) above ensures that the amount of such compensation will be determined on the basis of arm's-length negotiations between unaffiliated parties.

In addition, a Blackstone entity (including the General Partner) may provide a full range of financial services or asset management or other services, as well as provide financing in the form of debt or equity or other financial instruments, and receive fees or other compensation and expense reimbursement in connection therewith, from entities in which a Partnership (directly or

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indirectly) makes an investment, from competitors of such entities or from other unaffiliated persons or entities. Such fees or other compensation may include, without limitation, commitment fees, advisory fees, underwriting fees, placement fees, organization or success fees, financing fees, management fees, performance-based fees, fees for brokerage and clearing services, and compensation in the form of carried interests entitling the Blackstone entity to share disproportionately in income or capital gains or similar compensation. A Blackstone entity may also engage in market-making activities with respect to the securities of entities in which a Partnership makes an investment or competitors of such entities. Employees of Blackstone may serve as officers or directors of such entities pursuant to rights held by a Partnership or Blackstone to designate such officers or directors, and receive officers' and directors' fees and expense reimbursement in connection with such services. Any such fees or other compensation or expense reimbursement received by Blackstone will generally not be shared with any Partnership. A Blackstone entity, the General Partner, the Investment Manager and any other person acting for or on behalf of a Partnership shall act in or not opposed to the best interest of the Partnership and its Participants.

Reports and Accounting

The General Partner of each Partnership will send its Partners annual financial statements within 120 days after the end of the fiscal year of the Partnership or as soon as practicable thereafter.¹⁸ The annual financial statements of each Partnership will be audited by independent

¹⁸ If the Applicant implements a proposed investment program through a Pretax Plan, Blackstone will prepare an informational statement with respect to the investments deemed to be made by such Pretax Plan, including, with respect to each investment, the name of the portfolio company and the amount deemed invested by such Pretax Plan in the portfolio company. Such informational statement will have been audited. Blackstone will send each participant of such Pretax Plan a separate statement prepared based on the audited informational statement within 120 days after the end of the fiscal year of Blackstone or as soon as practicable thereafter.

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certified public accountants, except under certain circumstances in the case of Partnerships formed to make a single Portfolio Investment.¹⁹ In addition, to enable Participants to determine the U.S. federal and state income tax consequences of their investments, as soon as practicable after the end of each tax year of a Partnership, the General Partner will send to each Partner who was a Partner at any time during the fiscal year then ended a report showing such Partner's share of income, gains, losses, credits, deductions, and other tax items for U.S. federal and state income tax purposes, resulting from the Partnership's operations during that year.

In addition, the Partnership will provide Participants with such information as may be reasonably necessary to enable each non-U.S. Participant to prepare his or her non-U.S. income tax returns, provided that the Participant has notified the General Partner of the specific information required by the jurisdiction or jurisdictions for which such Participant will be preparing income tax returns reasonably in advance of the time that such information will be required, and provided that complying with the information request does not impose an undue or disproportionate burden on the General Partner.

¹⁹ In such cases, audited financial statements will be prepared for either the Partnership or the entity that is the subject of the Portfolio Investment. The latter may be appropriate where the costs of preparing audited financial statements for the Partnership, which would be borne by the Partnership (and indirectly by the Limited Partners), would outweigh the benefits of providing such statements. If audited financial statements were prepared for the entity that is the subject of a Portfolio Investment, a Limited Partner would be able to understand the financial condition of the Partnership by reviewing the Partnership's unaudited financial statements along with the audited financial statements prepared for such entity. Because the audited statements for the Partnership would necessarily rely on the audited statements prepared for such entity, the additional expenses incurred to audit the Partnership's statements would not be expected to provide a meaningful amount of additional information regarding the Partnership's financial condition. Where a Partnership is formed to make a single Portfolio Investment, that Portfolio Investment will not be a Section 3(c)(7) fund unless all of the Limited Partners in such a Partnership are qualified purchasers within the meaning of section 2(a)(51) of the 1940 Act.

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PART II. REQUEST FOR ORDER

Applicable 1940 Act Provisions

Section 2(a)(13) of the 1940 Act defines "employees securities company" as:

Any investment company or similar issuer all of the outstanding securities of which (other than short-term paper) are beneficially owned (A) by the employees or persons on retainer of a single employer or of two or more employers each of which is an affiliated company of the other, (B) by former employees of such employer or employers, (C) by members of the immediate family of such employees, persons on retainer or former employees, (D) by any two or more of the foregoing classes of persons, or (E) by such employer or employers together with any one or more of the foregoing classes of persons.

Section 6(b) of the 1940 Act provides, in part, that the Commission may, by order upon application, conditionally or unconditionally exempt any "employees securities company" from the provisions of the 1940 Act and the rules and regulations thereunder, if and to the extent that such exemption is consistent with the protection of investors. Section 6(b) provides that the Commission will consider, in determining the provisions of the 1940 Act from which the company should be exempt, the company's form of organization and capital structure, the persons owning and controlling its securities, the price of the company's securities and the amount of any sales load, how the company's funds are invested, and the relationship between the company and the issuers of the securities in which it invests.

Section 7 of the 1940 Act generally prohibits investment companies that are not registered under Section 8 of the 1940 Act from selling or redeeming their securities. Section 6(e) of the 1940 Act provides that the Commission may determine as necessary or appropriate in the public interest or for the protection of investors that, in connection with any order exempting an investment company from Section 7 of the 1940 Act, certain provisions of the 1940 Act shall be applicable to such investment company and to other persons in their transactions and relations with such company, as though such company were a registered investment company.

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Section 9 of the 1940 Act limits persons who can act as employees, officers, directors, members of the advisory board, investment advisers and depositors of registered investment companies and provides the Commission with certain administrative powers to enforce the 1940 Act.

Section 17 of the 1940 Act generally limits certain affiliated and joint transactions between an investment company and certain affiliated persons of the investment company, its principal underwriter or affiliated persons of such persons or underwriter. Section 17 also sets forth standards for custody arrangements for an investment company's securities as well as requirements for fidelity bonding, liability limitations for directors, officers and investment advisers and a code of ethics for such investment company.

Section 17(a) of the 1940 Act, among other things, generally prohibits certain persons affiliated with an investment company, acting as principal, from knowingly selling any security or other property to the investment company or knowingly purchasing a security or other property from the investment company. Among the persons precluded from dealing as principal with an investment company under Section 17(a) are: (a) any affiliated person of the investment company; and (b) any affiliated person of an affiliated person of the investment company.

Section 17(d) of the 1940 Act and Rule 17d-1 promulgated thereunder, in the absence of an order granted by the Commission, preclude any affiliated person of an investment company, or any affiliated persons of such a person, acting as principal, from effecting any transaction in connection with any joint enterprise or other joint arrangement in which the company is a participant.

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Section 17(e) of the 1940 Act, in the absence of an order granted by the Commission, precludes any affiliated person of an investment company, or any affiliated persons of such a person, acting as agent or broker, from receiving any compensation in connection with the purchase or sale of property or securities to or from the company other than the usual and customary brokerage commissions or underwriting fees. Rule 17e-1 promulgated thereunder provides that such compensation may be deemed usual and customary if certain conditions are met, including certain actions and approvals by a majority of the directors who are not interested persons as set forth in Rule 17e-1(b). Rule 17e-1(c) provides that the board of directors of an investment company must satisfy the fund governance standards of Rule 0-1(a)(7).

Section 17(f) of the 1940 Act requires each investment company to place and maintain its securities only in the custody of certain qualified custodians. Rule 17f-1 promulgated under Section 17(f) specifies the requirements that must be satisfied for an investment company to maintain custody of its securities and similar investments with a company that is a member of a national securities exchange. Rule 17f-2 promulgated under Section 17(f) allows an investment company to act as self-custodian, subject to certain requirements.

Section 17(g) of the 1940 Act requires that certain officers or employees of an investment company who have access to such company's securities or funds be bonded by a reputable fidelity insurance company against larceny and embezzlement in amounts as prescribed in Rule 17g-1 promulgated thereunder. Rule 17g-1 requires that a majority of directors who are not interested persons take certain actions and give certain approvals relating to fidelity bonding. Paragraph (g) of Rule 17g-1 sets forth certain materials relating to the fidelity bond that must be filed with the Commission and certain notices relating to the fidelity bond that must be given to each member of the investment company's board of directors. Paragraph (h) of Rule 17g-1

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provides that an investment company must designate one of its officers to make the filings and give the notices required by paragraph (g). Paragraph (j) of Rule 17g-1 exempts a joint insured bond provided and maintained by an investment company and one or more other parties from the prohibitions on joint transactions contained in Section 17(d) of the 1940 Act. Paragraph (j)(3) of Rule 17g-1 provides that the board of directors of an investment company must satisfy the fund governance standards of Rule 0-1(a)(7).

Section 17(j) and paragraph (b) of Rule 17j-1 make it unlawful for certain enumerated persons to engage in fraudulent or deceptive practices in connection with the purchase or sale of a security held or to be acquired by a registered investment company. Rule 17j-1 also requires that every registered investment company adopt a written code of ethics and that every access person of a registered company report personal securities transactions.

Section 30 of the 1940 Act sets forth the periodic financial reporting requirements for an investment company to its shareholders and the Commission. Section 30(h) sets forth certain reporting requirements applicable to key shareholders, directors, officers, the investment adviser and affiliated persons of the investment adviser of a closed-end investment company pursuant to Section 16 of the 1934 Act.

Sections 36 through 53 of the 1940 Act deal generally with the Commission's rule-making, investigation and enforcement powers under the 1940 Act and the rules and regulations thereunder.

Rule 38a-1 requires investment companies to adopt, implement and periodically review written policies and procedures reasonably designed to prevent violation of the federal securities laws and to appoint a chief compliance officer.

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Discussion

Section 6(b) provides that the Commission shall exempt employees securities companies from the provisions of the 1940 Act to the extent that such exemption is consistent with the protection of investors. Section 6(e) provides that in connection with any order exempting an investment company from any provision of Section 7, certain specified provisions of the 1940 Act shall be applicable to such company, and to other persons in their transactions and relations with such company, as though such company were registered under the 1940 Act, if the Commission deems it necessary. On the basis of the foregoing statement of facts, the Applicant submits that the action of the Commission herein requested is appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policies and provisions of the 1940 Act for the following reasons:

1. each Partnership will be an employees securities company as such term is defined in Section 2(a)(13) of the 1940 Act; all persons who will be officers and directors of the General Partner will be directors, officers or other appropriate employees of Blackstone and all Limited Partners of such Partnership will be Eligible Employees and/or their Qualified Participants; each Eligible Employee will be an accredited investor pursuant to the requirements set forth in Rule 501(a)(5) or (6) of Regulation D, except for a maximum of 35 Non-Accredited Investors; and the fact that no sales load, advisory fee or compensation (other than the management fee, the carried interest and/or other compensation provided for in the applicable Partnership Agreement, if any) is payable directly or indirectly to the General Partner by such Partnership;

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2. with respect to each Partnership, the substantial community of economic and other interests among Blackstone, the General Partner and the Participants of such Partnership, taking into consideration the concern of Blackstone with the morale of its personnel and the importance to Blackstone of attracting and retaining its personnel, and the absence of any public group of investors;

3. the fact that any investment program for a Partnership will be conceived and organized by persons who may be investing, directly or indirectly, or may be eligible to invest, in such Partnership and will not be promoted to Eligible Employees by persons outside of Blackstone seeking to profit from fees for investment advice or from the distribution of securities;

4. the potentially burdensome aspects of compliance, including the requirement that an application be filed each and every time each Partnership considers a (i) co-investment with Blackstone, or (ii) purchase or sale to or from Blackstone; and the imposition of a burden of unnecessary expenditures both of money and time on the part of the General Partner of such Partnership and on the part of such Partnership, and to some extent on the part of the staff of the Commission, in light of the substantial protections afforded to the Participants of such Partnership with respect to such matters as independent accountants, the furnishing of reports to Participants of such Partnership, and in the conditions and other restrictions on such Partnership's operations contained in this Application;

5. the fact that Eligible Employees will be professionals with experience in investing, financial planning, securities brokerage, investment banking, asset management, business operations, banking, cash management or trust services or other similar areas, or in administrative, financial, tax, legal, accounting or operational activities related thereto, who meet the current standard of accredited investor under the requirements set forth in Rule 501(a)(5) or (6) of Regulation D (except as described above) and, in the reasonable belief of the General

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Partner, are each equipped by experience and education to understand and evaluate the structure, management and plan of each Partnership as compared to other investment opportunities, to understand and evaluate the merits and risks of investing in such Partnership and to understand that Interests in such Partnership are being offered without registration under the 1940 Act and the 1933 Act and the protections afforded thereby; and

6. the relief sought is similar to the relief granted by the Commission to employees securities companies in *Project Capital 1995, LLC*, Docket No. 813-164, Release Nos. IC-22650 (Apr. 30, 1997) [notice] and IC-22688 (May 28, 1997) [order]; *RGIP, LLC and Ropes & Gray*, Docket No. 813-160, Release Nos. IC-23053 (Mar. 2, 1998) [notice] and IC-23092 (Mar. 30, 1998) [order]; *Hambrecht & Quist Employee Venture Fund, L.P.*, Docket No. 813-176, Release Nos. IC-23396 (Aug. 21, 1998) [notice] and IC-23438 (Sept. 16, 1998) [order]; *WS Investment Company, LLC*, Docket No. 813-252, Release Nos. IC-25173 (Sept. 25, 2001) [notice] and IC-25146 (Aug. 29, 2001) [order]; *Greenwich Street Employees Fund, L.P., et al.*, Docket No. 813-202, Release Nos. IC-25324 (Dec. 21, 2001) [notice] and IC-25367 (Jan. 16, 2002) [order]; *GDC Partners Fund, LLC*, Docket No. 813-240, Release Nos. IC-25768 (Oct. 15, 2002) [notice] and IC-25801 (Nov. 12, 2002) [order]; *GC&H Investments, LLC*, Docket No. 813-272, Release Nos. IC-25799 (Nov. 8, 2002) [notice] and IC-25843 (Dec. 4, 2002) [order]; *Opal Private Equity Fund, LP and Schottenstein, Zox & Dunn Co., L.P.A.*, Docket No. 813-356, Release Nos. IC-27612 (De