has been invested or committed for investment, other than reserves maintained for follow-on investments or operating expenses. The General Partner may under certain circumstances deem it appropriate to allocate an investment between two Partnerships.

11. It is expected that a substantial percentage of Investments will be made available to a Partnership by the ML Group. Other affiliated persons of ML&Co. may also invest in the same Investments in which the Partnerships invest.

12. The General Partner will not have the power to require that a Limited Partner withdraw from a Partnership, except that the applicable partnership agreement may provide that the General Partner has the right, but not the obligation, to acquire the Interest of a Limited Partner following his or her termination of employment or bankruptcy. The General Partner may be removed by the vote of at least two-thirds of the outstanding Interests of a Partnership. The General Partner may assign or transfer its Interest to another wholly-owned subsidiary of ML&Co.

13. The General Partner has the right to dissolve the Partnership approximately six years after its formation. It is anticipated that the General Partner will dissolve the Partnership when a Partnership's equity investments have matured and disposition of other Investments can be effected.

Applicant's Legal Analysis

1. Section 17(a) prohibits an affiliated person of a registered investment company from selling to or purchasing from such investment company any security or other property. Applicant requests an exemption from section 17(a) to the extent necessary to permit a member of the ML Group to engage in principal transactions with a Partnership. The exemption would let the Partnerships (a) purchase Investments from members of the ML Group on a principal basis; (b) purchase interests or property in a company or other investment vehicle affiliated with ML&Co. or in which a member of the ML Group already owns securities; (c) sell, put or tender, or grant options in securities or interests in a company or other investment vehicle back to such entity, where that entity is affiliated with the ML Group; and (d) participate as a selling security holder in a public offering underwritten by a member of the ML Group or in which a member of the ML Group acts as a member of the underwriting or selling group. In addition, a Partnership may purchase from, or sell to, an affiliated person of

such Partnership a Temporary Investment or other short-term investment. Applicant asserts that the requested exemption is consistent with the policy of the Partnerships and the protection of investors. The Limited Partners will be fully informed of the possible extent of the Partnerships' dealings with affiliates and, as professionals employed in the securities business, will be able to understand and evaluate the attendant risks.

2. Section 17(d) and rule 17d-1 prohibit an affiliated person of a registered investment company, acting as principal, from participating in or effecting any transaction in connection with any joint enterprise or joint arrangement in which the investment company participates. The section and rule might require the Partnerships to refrain from certain transactions in which any Limited Partner or a member of the ML Group is also a participant. Applicant requests an exemption from section 17(d) and rule 17d—1 to the extent necessary to let the Partnerships engage in transactions with "Coinvestors," as defined in condition 3 below, who may be affiliated persons of the Partnerships. Applicant believes that joint participation by the Partnerships in transactions with Co-Investors is consistent with the provisions, policies, and purpose of the Act. Each Limited Partner will receive a pro rata share of the income, profit, loss, credit, expense, and deduction of a Partnership based on the Limited Partner's investment in the Partnership, after the allocation to the General Partner of 1% of each such item. Any Investment made concurrently by a Partnership and a Co-Investor will be made on the same terms, though not necessarily in the same amount.

3. Section 17(f) requires that every registered investment management company deposit its securities and similar investments in the custody of certain specified entities. Rule 17f-1 requires that a member of a national securities exchange serving as custodian of the securities and investments of an investment company must, among other things, operate under a written contract approved by a majority of the investment company's board of directors. Applicant requests an exemption from section 17(f) and rule 17f-1 to let Merrill Lynch act as custodian without a written contract. Applicant asserts that, since there is such a close association between the Partnerships and Merrill Lynch, requiring a written contract would expose the Partnerships to unnecessary burden and expense where none is necessary. Furthermore, any funds or

securities of the Partnership held by Merrill Lynch will have the protection of fidelity bonds. Applicant further requests an exemption from rule 17f-1(b)(4), which requires that the investment company's securities and investments be verified by actual examination by an independent public accountant at certain specified times. Applicant does not believe the expense of retaining such an independent accountant is warranted, in light of the community of interest of all parties involved and the existing requirement for an independent annual audit. The Partnerships otherwise will comply with rule 17f-1.

4. Section 17(g) authorizes the SEC to require by rules thereunder that certain officers and employees of a registered management investment company be bonded against larceny and embezzlement. Rule 17g-1 requires, among other things, that a majority of the company's board of directors approve at least annually the arrangements regarding the custody and safekeeping of the company's assets. Applicant requests an exemption from section 17(g) and rule 17g-1 to let the Partnerships comply with rule 17g-1 by having the General Partner's officers and directors take actions and make determinations set forth in the rule. In all other respects, the partnerships will comply with rule 17g-1.

5. Rule 17j-1 requires that every access person of a registered investment company report to such company with respect to transactions in any security in which the access person has, or by reason of the transaction acquires, any direct or indirect beneficial ownership in the security. Applicant requests an exemption from the rule, except for the antifraud provisions set forth in rule 17j-1(a). Applicant asserts that the other provisions of the rule are burdensome and unnecessary as applied to the Partnerships and that the exemption is consistent with the policy of the Act. Applicant contends that the community of interests among the Limited Partners by virtue of their common association in ML&Co. is the best insurance against any abuse at which the rule is aimed.

6. Section 6(c) permits the SEC to exempt any person, security, or transaction from any of the provisions of the Act, or of the rules thereunder, if and to the extent that the exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Applicant submits that the requested exemption satisfies these standards.