

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 27747; 813-284]

SA Investment Partners LLC, et al.; Notice of Application

March 5, 2007

Agency: Securities and Exchange Commission (“Commission”).

Action: Notice of an application for an order under sections 6(b) and 6(e) of the Investment Company Act of 1940 (the “Act”) granting an exemption from all provisions of the Act, except section 9, and sections 36 through 53, and the rules and regulations under the Act. With respect to sections 17 and 30 of the Act, and the rules and regulations thereunder, and rule 38a-1 under the Act, the exemption is limited as set forth in the application.

Summary of Application: Applicants request an order to exempt certain investment funds formed for the benefit of eligible current and former employees of Sidley Austin LLP and its affiliates from certain provisions of the Act. Each fund will be an employees’ securities company within the meaning of section 2(a)(13) of the Act.

Applicants: SA Investment Partnership LLC (the “Investment Fund”), and Sidley Austin LLP and any entity controlling, controlled by, or under common control with Sidley Austin LLP (the “Firm”).

Filing Dates: The application was filed on July 26, 2000, and amended on March 8, 2001, March 23, 2001, November 14, 2003, and November 13, 2006. Applicants have agreed to file an amendment during the notice period, the substance of which is reflected in this notice.

Hearing or Notification of Hearing: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission’s Secretary and serving applicants with a copy of the request, personally or by mail.

Hearing requests should be received by the Commission by 5:30 p.m. on, March 30, 2007, and

should be accompanied by proof of service on applicants, in the form of an affidavit, or for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission's Secretary.

Addresses: Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090; Applicants: One South Dearborn, Chicago, IL 60603.

For Further Information Contact: Deepak T. Pai, Senior Counsel, at (202) 551-6876 or Julia Kim Gilmer, Branch Chief, at (202) 551-6821, (Division of Investment Management, Office of Investment Company Regulation).

Supplementary Information: The following is a summary of the application. The complete application may be obtained for a fee at the Commission's Public Reference Branch, 100 F Street, NE, Washington, DC 20549-0102 (telephone (202) 551-5850).

Applicants' Representations:

1. The Firm is a law firm organized as a Delaware limited liability partnership. The Investment Fund is a Delaware limited liability company. Applicants may offer additional pooled investment vehicles to the same class of investors eligible to invest in the Investment Fund (the "Subsequent Funds," and together with the Investment Fund, the "Funds") which will be substantially similar in all material respects to the Investment Fund except for investment objectives and strategies, operational differences related to the form of organization, and differences which reflect revisions to applicable law. Each Subsequent Fund, if any, will be structured as a general partnership, limited partnership or limited liability company, although a Subsequent Fund could be structured as a corporation, trust or other entity. The Funds will operate as non-diversified, closed-end management investment companies.

2. The Funds will enable Eligible Investors to participate in investment opportunities that come to the attention of the Firm. Each entity in which a Fund invests is referred to as a “Portfolio Company.” Participation as investors in a Fund will allow Eligible Investors (defined below) to diversify their investments and to have the opportunity to participate in investments that might not otherwise be available to them or that might be beyond their individual means.

3. Interests in each Fund (“Interests”) will be offered and sold in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act of 1933 (the “Securities Act”) or Regulation D under the Securities Act. Interests will be offered solely to investors who, at the time of the offer, are: (a) Eligible Employees (defined below); (b) trusts of which the trustees and/or grantors are Eligible Employees or of which the sole beneficiaries are Eligible Employees and their immediate family members (spouses, parents, brothers, sisters, children, spouses of children, and grandchildren) (“Eligible Trusts”); (c) entities, all of the voting power of which is controlled by Eligible Employees¹ (together with Eligible Trusts, “Qualified Investment Vehicles”); (d) spouses of Eligible Employees; and (e) the Firm (collectively, “Eligible Investors”).

4. “Eligible Employees” are current or former partners of the Firm, lawyers and other professionals employed by the Firm, and certain current or former employees of the Firm involved in managing the day-to-day affairs of the Funds.² An Eligible Employee must be either

¹ The inclusion of entities controlled by an Eligible Employee in the definition of Eligible Investor is intended to enable Eligible Employees and their immediate family members to make investments in the Funds through private investment vehicles for the purpose of personal and family investment and estate planning objectives. Eligible Employees will exercise investment discretion and control over these investment vehicles, thereby creating a close nexus between the Firm and these investment vehicles.

² Any such former partners, lawyers or employees will maintain a sufficiently close nexus with the Firm so as to preserve the community of interest between the Eligible Employee and the Firm.

an accredited investor who meets the income requirements in rule 501(a)(6) of regulation D under the Securities Act, or, one of a maximum of 35 people (collectively, “Non-Accredited Investors”) who: (a) meets the sophistication requirements in rule 506(b)(2)(ii) of regulation D under the Securities Act, has a graduate degree, a minimum of five years of legal or business experience, and compensation of at least \$150,000 in the prior year and a reasonable expectation of at least \$150,000 in each of the two immediately succeeding years;³ or (b) meets the definition of a knowledgeable employee in rule 3c-5 under the Act (with a Fund treated as though it were a covered company for purposes of the rule. Qualified Investment Vehicles that are not accredited investors must (a) have an Eligible Employee or a spouse of an Eligible Employee as the settlor, and the Eligible Employee as principal investment decision maker, and (b) be counted as one of the 35 Non-Accredited Investors.⁴ A spouse of an Eligible Employee must be an accredited investor who meets the requirements of rule 501(a)(5) or 501(a)(6) of regulation D under the Securities Act. Any other Eligible Investor must be an accredited investor as defined in rule 501(a) of Regulation D. Prior to offering Interests in a Fund to an Eligible Employee or a spouse of an Eligible Employee, the Managing Members (defined below) must reasonably believe that such individual has such knowledge, sophistication, and experience in business and financial matters to be capable of evaluating the merits and risks of participating in the Fund, is able to bear the economic risk of the investment and is able to afford a complete loss of the investment. Each investor in a Fund shall be a (“Member”) of such Fund.

³ In addition, such Eligible Employee may not invest or commit to invest (as applicable) in any year more than 10% of such person’s income from all sources for the immediately preceding year, in the aggregate in a Fund and in all other Funds in which that Eligible Employee has previously invested.

⁴ If such Qualified Investment Vehicle is an entity other than a trust, the reference to “settlor” shall be construed to mean a person who created the vehicle, alone or together with others and who contributed funds or other assets to the vehicle.

5. Administration of the Funds, including the screening of investment opportunities, will be vested in one or more (“Managing Members”) who are also Eligible Investors. Managing Members may delegate certain functions to one or more investment committees consisting of partners or employees of the Firm or delegate investment decisions to one or more advisers (each, an “Adviser”). An Adviser will either be an individual that is a Managing Member, or an entity that is wholly-owned by the Firm.⁵ An Eligible Investor who is a Managing Member will not receive any form of compensation for acting as a Managing Member.

6. The Investment Fund will bear its own expenses. No fees or compensation shall be paid to the Firm by the Funds, except for the reimbursement of direct out of pocket costs of disbursements and expenses incurred on behalf of such Funds. These direct out of pocket expenses will not include any markup or profit component.

7. Each Eligible Investor will receive a copy of the organizational documents and offering memorandum for a Fund, which will disclose the Fund’s specific investment objective and strategies and other material terms of the Fund, before investing in such Fund. Each Fund will send its Members an annual report regarding its operations which will contain audited financial statements. Each Fund will also transmit a report to each Member containing information on that Members’ distributive share of income, gains, losses, credits and other items for federal and state income tax purposes, resulting from operations of the Fund that year. Members will not be entitled to redeem their Interests in the Investment Fund, but the Investment

⁵ An Adviser will register as an investment adviser under the Investment Advisers Act of 1940 (“Advisers Act”) if required. Any performance fee or carried interest payable by a Fund to an Adviser (a) will be charged only if permitted by rule 205-3 under the Advisers Act if paid to an Adviser registered under the Advisers Act, and (b) will comply with section 205(b)(3) of the Advisers Act (with the Fund treated as if it were a business development company solely for the purpose of that section) if paid to an Adviser not registered under the Advisers Act. A

Fund may in the future be restructured to periodically repurchase Interests from Members. Subsequent Funds may also periodically repurchase Interests from Members. Except in the case of death, a Member will not be permitted to transfer or assign his or her Interest in the Investment Fund absent approval of a Managing Member. No fee will be charged in connection with the sale or a Fund's repurchase of Interests of the Funds.

8. A Member may be required to withdraw from a Fund if that Member's continued participation would subject the Fund to possible adverse tax consequences, or violate applicable law or regulations. Upon withdrawal, the Member shall receive an amount equal to the Member's net capital contributions (capital contributions less all distributions received to the date of withdrawal) plus interest from the date each capital contribution was made at the prime rate.

9. A Fund will not acquire any security issued by a registered investment company if immediately after the acquisition such Fund would own more than 3% of the total outstanding voting securities of the registered investment company.

10. A Fund or Member will not borrow from any person if such borrowing would cause any person not named in section 2(a)(13) of the Act to own outstanding securities of the Fund (other than short term paper). Any borrowing by a Fund will be non-recourse to the Fund's Members.

11. The applicants reserve the right to impose vesting provisions on a Member's investments in a Fund. In an investment program that provides for vesting, all or a portion of a Member's Interests would be treated as unvested, and vesting would occur over a specified

'carried interest' is an allocation to an Adviser based on the net gains in addition to the amount allocable to the Adviser that is in proportion to its capital contributions, if any.

period of time. To the extent a Member's Interests are or become vested, the termination of the Member's association or employment with the Firm would not affect the Member's rights with respect to the vested Interests. The portion of a Member's Interests that are unvested at the time of the termination of a Member's association or employment with the Firm may be subject to repurchase or cancellation by the Fund. Upon any repurchase or cancellation of all or a portion of a Member's Interests, the Fund will at a minimum pay to the Member the lesser of (a) the amount actually paid by the Member to acquire the Interests (plus interest at or above the prime rate, as determined by the Managing Members); and (b) the fair market value of the Interests determined at the time of repurchase or cancellation, as the case may be, as determined in good faith by the Managing Members. Any interest owed to a Member pursuant to (a) above will begin to accrue at the end of the investment period.

Applicants' Legal Analysis:

1. Section 6(b) of the Act provides, in part, that the Commission will exempt employees' securities companies from the provisions of the Act to the extent that the exemption is consistent with the protection of investors. Section 6(b) provides that the Commission will consider, in determining the provisions of the 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 2(a)(13) defines an employees' securities company, in relevant part, as any investment company all of whose securities are beneficially owned (a) by current or former employees, or persons on retainer, of one or more affiliated employers, (b) by

immediate family members of such persons, or (c) by such employer or employers together with any of the persons in (a) or (b).

2. Section 7 of the Act generally prohibits an investment company that is not registered under section 8 of the Act from selling or redeeming its securities. Section 6(e) provides that, in connection with any order exempting an investment company from any provision of section 7, certain provisions of the Act, as specified by the Commission, will be applicable to the company and other persons dealing with the company as though the company were registered under the Act. Applicants request relief under sections 6(b) and 6(e) of the Act for an exemption from all provisions of the Act except section 9 and sections 36 through 53, and the rules and regulations under the Act. With respect to sections 17 and 30 of the Act, and the rules and regulations thereunder, and rule 38a-1 under the Act, the exemption is limited as set forth in the application.

3. Section 17(a) generally prohibits any affiliated person of a registered investment company, or any affiliated person of such an affiliated person, acting as principal, from knowingly selling or purchasing any security or other property to or from the company. Applicants request an exemption from section 17(a) to the extent necessary to permit a Fund: (a) to purchase, from the Firm or any affiliated person thereof, securities or interests in properties acquired for the account of the Firm or any affiliated person thereof; (b) to sell, to the Firm or any affiliated person thereof, securities or interests in properties previously acquired by the Funds; (c) to invest in companies, partnerships, or other investment vehicles offered, sponsored or managed by the Firm or any affiliated person thereof; (d) to invest in securities of issuers for which the Firm or any affiliated person thereof have performed services and from which they may have received fees; (e) to purchase interests in any company or other investment vehicle: (i)

in which the Firm or its partners or employees own 5% or more of the voting securities, or (ii) that is otherwise an affiliated person of the Fund or the Firm (or any affiliated person of the Fund); and (f) to participate as a selling security holder in a public offering in which the Firm or any affiliated person thereof acts as or represents as counsel a member of the selling group or the issuer or underwriter.

4. Applicants state that an exemption from Section 17(a) is consistent with the purposes of the Act and the protection of investors. Applicants state that the risks associated with a Fund engaging in transactions with affiliated parties will be disclosed to Eligible Investors. Applicants state that Eligible Investors, as financially sophisticated persons, will be able to understand and evaluate the risks associated with those dealings. Applicants also assert that the community of interest among the Members and the Firm will serve to reduce the risk of abuse in transactions involving a Fund and the Firm or any affiliated person thereof.

5. Section 17(d) and rule 17d-1 thereunder prohibit any affiliated person of a registered investment company, or any affiliated person of such person, acting as principal, from participating in any joint arrangement with the company unless authorized by the Commission. Applicants request relief under section 17(d) and rule 17d-1 to the extent necessary to permit a Fund to engage in transactions in which an affiliated person of the Fund or an affiliated person of such person participates as a joint, or a joint and several participants with such Fund.

6. Applicants submit that compliance with section 17(d) would cause the Funds to forgo investment opportunities simply because a Member, the Firm, or another affiliated person of a Fund made, or is concurrently making, an investment. Applicants also state that because certain attractive investment opportunities often require that each participant make available funds in an amount that may be substantially greater than that available to one Fund alone, there

may be attractive opportunities that a Fund may be unable to take advantage of except as a co-participant with other persons, including affiliated persons. Applicants assert that the flexibility to structure co-investments and joint investments will not involve abuses of the type section 17(d) and rule 17d-1 were designed to prevent.

7. Section 17(f) of the Act designates the entities that may act as investment company custodians, and rule 17f-2 allows an investment company to act as self-custodian, subject to certain requirements. Applicants request an exemption from section 17(f) and rule 17f-2 to permit the following exceptions from the requirements of rule 17f-2: (a) compliance with paragraph (b) of the rule may be achieved through safekeeping in the locked files of the Firm, a partner of the Firm, or a senior administrator of the Firm; (b) for purposes of paragraph (d) of the rule, (i) employees of the Firm will be deemed employees of the Funds, (ii) officers and Managing Members of a Fund will be deemed to be officers of such Fund, and (iii) the Managing Members of a Fund will be deemed to be the board of directors of such Fund; and (c) instead of the verifications procedure under paragraph (f) of the rule, the verification will be effected quarterly by no fewer than two employees of the Firm. Applicants state that they expect that many of the Funds' investments are most suitably kept in the Firm's files where they can be referred to as necessary.

8. Section 17(g) and rule 17g-1 generally require the bonding of officers and employees of a registered investment company who have access to its securities or funds. 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 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 section 17(d) of the Act and the rules thereunder, but also requires, in 17g-1(j)(3), that the board of directors of such company satisfy the fund governance standards in rule 0-1(a)(7).

9. Applicants request an exemption from section 17(g) and rule 17g-1 to the extent necessary to permit the Managing Members, who would all be considered interested persons of the Funds, to take the actions and make the approvals set forth in rule 17g-1. Applicants could not comply with rule 17g-1 absent such relief. Applicants also request an exemption from the requirements of 17g-1(g) and (h) because applicants believe that they are burdensome and unnecessary as applied to the Funds. The Managing Members will retain the materials required to be filed under 17g-1(g) and designate a person to maintain such records. Finally, applicants request an exemption from section 17g-1(j)(3) because the Funds will not have boards of directors. Additionally, in light of the purpose of the Funds and the community of interest among the Funds, and between the Funds and the Managing Members, applicants believe that little purpose would be served by this requirement.

10. 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 investment company report personal securities transactions. Applicants request an exemption from the requirements of rule 17j-1, except for

the anti-fraud provisions of paragraph (b), because they are unnecessarily burdensome as applied to the Funds and would serve little purpose in light of the community of interests among the Members of the Funds by virtue of their common association with the Firm.

11. Applicants request an exemption from the requirements in sections 30(a), 30(b) and 30(e) of the Act, and the rules and regulations thereunder, that registered investment companies file with the Commission and mail their shareholders certain periodic reports and financial statements. Applicants contend that the forms prescribed by the Commission for periodic reports have little relevance to a Fund and would entail administrative and legal costs that outweigh any benefit to the Members. Applicants request exemptive relief to the extent necessary to permit a Fund to report annually to its Members in the manner described in the application. Applicants also request an exemption from section 30(h) of the Act to the extent necessary to exempt the Managing Members and any other persons who may be deemed to be members of an advisory board of a Fund from filing Forms 3, 4, and 5, under Section 16 of the Securities Exchange Act of 1934, as amended (“Exchange Act”) with respect to their ownership of Interests in a Fund. Applicants assert that, because there is no trading market for Interests and the transferability of Interests is severely restricted, these filings are unnecessary for the protection of investors and burdensome to those required to file them.

12. 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, appoint a chief compliance officer and maintain certain records. The Funds will comply with rule 38a-1(a), (c) and (d), except that the Managing Members of each Fund will fulfill the responsibilities assigned to a Fund’s board of directors under the rule, and since all

Managing Members would be considered interested persons of the Funds, approval by a majority of the disinterested directors required by rule 38a-1 will not be obtained.

Applicants' Conditions:

Applicants agree that any order granting the requested relief will be subject to the following conditions:

1. Each proposed transaction to which a Fund is a party otherwise prohibited by section 17(a) or section 17(d) and Rule 17d-1 (the "Section 17 Transactions") will be effected only if the Managing Members determine that: (a) the terms of the Section 17 Transaction, including the consideration to be paid or received, are fair and reasonable to the Members of the participating Fund and do not involve overreaching of the Fund or its Members on the part of any person concerned, and (b) the Section 17 Transaction is consistent with the interests of the Members of the participating Fund, the Fund's organizational documents and the Fund's reports to its Members. In addition, the Managing Members will record and preserve a description of Section 17 Transactions, their findings, the information or materials upon which their findings are based and the basis therefore. All such records will be maintained for the life of a Fund and at least six years thereafter, and will be subject to examination by the Commission and its staff. All such records will be maintained in an easily accessible place for at least the first two years.
2. If purchases or sales are made by a Fund from or to a Portfolio Company affiliated with the Fund by reason of a partner or employee of the Firm (a) serving as officer, director, general partner or investment adviser of the Portfolio Company, or (b) having a 5% or more investment in the Portfolio Company, such individual will not participate in the Fund's determination of whether or not to effect the purchase or sale.

3. The Managing Members will adopt, and periodically review and update, procedures designed to ensure that reasonable inquiry is made, prior to the consummation of any Section 17 Transaction, with respect to the possible involvement in the transaction of any affiliated person or promoter of or principal underwriter for the Funds, or any affiliated person of such a person, promoter, or principal underwriter.

4. The Managing Members will not make available to the Members of a Fund any investment in which a Co-Investor (as defined below), with respect to any Fund, has or proposes to acquire the same class of securities of the same issuer, where the investment may involve a joint enterprise or other joint arrangement within the meaning of rule 17d-1 in which the Fund and the Co-Investor are participants, unless any such Co-Investor, prior to disposing of all or part of its investment: (a) gives the Managing Members of the participating Fund holding such investment sufficient, but not less than one day's, notice of its intent to dispose of its investment, and (b) refrains from disposing of its investment unless the participating Fund holding such investment has the opportunity to dispose of its investment prior to or concurrently with, on the same terms as, and on a pro rata basis with, the Co-Investor. The term ("Co-Investor") with respect to any Fund, means any person who is: (a) an "affiliated person" (as such term is defined in section 2(a)(3) of the Act) of the Fund, (b) the Firm and any entities controlled by the Firm, (c) a current or former partner or employee of the Firm, (d) an investment vehicle offered, sponsored, or managed by the Firm or an affiliated person of the Firm, or (e) a company in which the Firm or a Managing Member acts as an officer, director, or general partner, or has a similar capacity to control the sale or disposition of the company's securities.

The restrictions contained in this condition, however, shall not be deemed to limit or prevent the disposition of an investment by a Co-Investor: (a) to its direct or indirect wholly-

owned subsidiary, to any company (a “parent”) of which the Co-Investor is a direct or indirect wholly-owned subsidiary, or to a direct or indirect wholly-owned subsidiary of its parent, (b) to immediate family members of the Co-Investor or a trust established for any such family member, (c) when the investment is comprised of securities that are listed on a national securities exchange registered under section 6 of the Exchange Act, or (d) when the investment is composed of securities that are national market system securities pursuant to section 11A(a)(2) of the Exchange Act and rule 11Aa2-1 thereunder.

5. The Managing Members of each Fund will send to each Member who had an Interest in that Fund, at any time during the fiscal year then ended, Fund financial statements. Such financial statements shall be audited, by independent accountants in accordance with United States generally accepted accounting principles. At the end of each fiscal year, the Managing Members will make a valuation or have a valuation made of all of the assets of the Fund as of such fiscal year end in a manner consistent with customary practice with respect to the valuation of assets of the kind held by the Fund. In addition, within 90 days after the end of each tax year of the Fund, or as promptly as practicable thereafter, the Managing Members shall send a report to each person who was a Member at any time during the fiscal year then ended, setting forth such tax information as shall be necessary for the preparation by the Member of his or her federal and state income tax returns and a report of the investment activities of the Fund during such year.

6. Each Fund and its Managing Members will maintain and preserve, for the life of each such Fund and at least six years thereafter, such accounts, books, and other documents as constitute the record forming the basis for the financial statements and annual reports of such Fund to be provided to its Members, and agree that all such records will be subject to

examination by the Commission and its staff. All such records will be maintained in an easily accessible place for at least the first two years.

For the Commission, by the Division of Investment Management, under delegated authority.

Florence E. Harmon
Deputy Secretary