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Employee Benefits Security Administration

Notice of Proposed Exemption; BlackRock, Inc. and Its Investment Advisory, Investment Management and Broker-Dealer Affiliates and Their Successors (Applicants) Located in New York; Notice

DEPARTMENT OF LABOR

Employee Benefits Security Administration

[Application No. D–11588]

Notice of Proposed Exemption; BlackRock, Inc. and Its Investment Advisory, Investment Management and Broker-Dealer Affiliates and Their Successors (Applicants) Located in New York, NY

AGENCY: Employee Benefits Security Administration, U.S. Department of Labor.

ACTION: Notice of proposed exemption.

SUMMARY: This document contains a notice of pendency before the Department of Labor (the Department) of a proposed individual exemption from certain prohibited transaction restrictions of the Employee Retirement Income Security Act of 1974, as amended (ERISA), the Federal Employees' Retirement System Act of 1986, as amended (FERSA), and the Internal Revenue Code of 1986, as amended (the Code). The proposed transactions involve BlackRock, Inc. and its investment advisory, investment management and broker-dealer affiliates and their successors. The proposed exemption, if granted, would affect plans for which BlackRock, Inc. and its investment advisory, investment management and broker-dealer affiliates and their successors serve as fiduciaries, and the participants and beneficiaries of such plans.

DATES: *Effective Date:* If granted, this proposed exemption will be effective as of December 1, 2009.

Written Comments and Hearing Requests: All interested persons are invited to submit written comments and/or requests for a hearing on the proposed exemption within forty-five (45) days from the date of the publication of this **Federal Register** Notice. Comments and requests for a hearing should state: (1) The name, address and telephone number of the person making the comment or the request for a hearing and (2) the nature of the person's interest in the proposed exemption and the manner in which the person would be adversely affected by the proposed exemption. A request for a hearing must also state the issues to be addressed at the requested hearing and include a general description of the evidence to be presented at the requested hearing.

ADDRESSES: All written comments and requests for a public hearing concerning the proposed exemption should be sent to the Office of Exemption Determinations, Employee Benefits Security Administration, Room N–5700, U.S. Department of Labor, 200 Constitution Avenue, NW., Washington, DC 202010, *Attention:* Application No. D–11588. Interested persons are also invited to submit comments and/or hearing requests to the Employee Benefits Security Administration by e-mail or FAX. Any such comments or requests should be sent either to: *moffitt.betty@dol.gov,* or by FAX to (202) 219–0204 by the end of the scheduled comment period. The application for exemption and the comments received will be available for inspection in the Public Documents Room of the Employee Benefits Security Administration, U.S. Department of Labor, Room N–1513, 200 Constitution Avenue, NW., Washington, DC 20210.

Warning: If you submit written comments or hearing requests, do not include any personally-identifiable or confidential business information that you do not want to be publicly-disclosed. All comments and hearing requests are posted on the Internet exactly as they are received, and they can be retrieved by most Internet search engines. The Department will make no deletions, modifications or redactions to the comments or hearing requests received, as they are public records.

FOR FURTHER INFORMATION CONTACT: Brian L. Shiker, Office of Exemption Determinations, Employee Benefits Security Administration, U.S. Department of Labor, telephone (202) 693–8552. (This is not a toll-free number.)

SUPPLEMENTARY INFORMATION: This document contains a notice of proposed individual exemption from the restrictions of ERISA sections 406(a)(1) and 406(b), FERSA sections 8477(c)(1) and (c)(2) and the sanctions resulting from the application of Code section 4975, by reason of Code section 4975(c)(1). The proposed exemption has been requested by BlackRock, Inc. and its investment advisory, investment management and broker-dealer affiliates and their successors pursuant to ERISA section 408(a), Code section 4975(c)(2) and FERSA section 8477(c)(3), and in accordance with the procedures set forth in 29 CFR Part 2570, Subpart B (55 FR 32836, 32847, August 10, 1990). Effective December 31, 1978, section 102 of the Reorganization Plan No. 4 of 1978, (43 FR 47713, October 17, 1978) transferred the authority of the Secretary of the Treasury to issue exemptions of the type requested to the Secretary of Labor. Accordingly, this proposed exemption is being issued solely by the Department.

Summary of Facts and Representations [1]

1. BlackRock, Inc. (BlackRock), based in New York, NY, is the largest publicly-traded investment management firm in the United States. BlackRock, through its investment advisory and investment management subsidiaries, currently manages assets for institutional and individual investors worldwide through a variety of equity, fixed income, cash management and alternative investment products. As of September 30, 2010, BlackRock, through its advisor subsidiaries, had approximately $3.446 trillion in assets under management, including assets managed by BlackRock Institutional Trust Company, N.A. (BTC) (formerly known as Barclays Global Investors, N.A. (BGI)) and its affiliates. The Applicants [2] together with any other entity presently or subsequently under the direct or indirect control, through one or more intermediaries, of BlackRock and successors of any of the foregoing are referred to herein as the "BlackRock Entities."

2. BTC is a national banking association headquartered in San Francisco, California. Prior to its acquisition by BlackRock on December 1, 2009 (the Acquisition), BTC (then BGI) was the largest asset manager in the U.S. A significant amount of BTC's assets under management in the U.S. consist of assets of employee benefit plans subject to ERISA, FERSA and/or the Code. BTC is a market leader in index and model-driven investment products. Until its sale to BlackRock, BGI was an indirect subsidiary of Barclays PLC, a public limited company

[1] Capitalized terms used but not defined in the Summary of Facts and Representations have the meaning set forth in Section VI of the proposed exemption.

[2] For purposes of this application, references to the "Applicants" include each of the banks, investment advisors and investment managers directly or indirectly, through one or more intermediaries, under the control of BlackRock, and any other bank, investment advisor or investment manager which subsequently becomes directly or indirectly, through one or more intermediaries, under the control of BlackRock, and successors of the foregoing. As of the date hereof, banks, investment advisors and investment managers under the control of BlackRock include, but are not limited to, BlackRock Advisors, LLC, BlackRock Financial Management, Inc., BlackRock Capital Management, Inc., BlackRock Institutional Management Corporation, BlackRock International, Ltd., State Street Research and Management Company, BlackRock Realty Advisors, Inc., BlackRock Investment Management, LLC, BlackRock Fund Advisors, and BTC (collectively, the BlackRock Managers). "Applicants" also includes broker-dealers presently or subsequently under the direct or indirect control, through one or more intermediaries, of BlackRock.

organized under the laws of England and Wales. BTC, as of the date of the Acquisition, is now a wholly-owned subsidiary of BlackRock.

3. The Applicants represent that they are regulated by various federal government agencies such as the SEC and the Office of the Comptroller of the Currency, as well as state government agencies and industry self-regulatory organizations (*e.g.,* the Financial Industry Regulatory Authority or, in the case of some broker-dealers and banks, corresponding foreign regulatory authorities). As with the Applicants, each of (a) Barclays PLC (Barclays), (b) Bank of America Corporation (BOA), (c) The PNC Financial Services Group, Inc. (PNC), and (d) each entity directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with one or more of Barclays, BOA or PNC [3] has previously made representations to the Department regarding the significant extent to which they are regulated.[4]

The Acquisition

4. There have recently occurred extraordinary circumstances in both the U.S. financial services industry and the global financial services industry. Many entities in the financial services industry have faced severe economic hardship. During this period of upheaval, the recent trend of industry consolidation amongst significant banks, broker-dealers and other providers of financial services has accelerated. For example, BOA became the parent company of the Merrill Lynch Group, Inc. (the Merrill Group) as of January 1, 2009; in September 2008, Barclays Bank PLC (Barclays Bank), a subsidiary of Barclays PLC, acquired most of the U.S. broker-dealer business of Lehman Brothers Holdings Inc.; and, in May 2008, Bear Stearns Companies Inc. was acquired by JPMorgan Chase & Co.

5. In this context, BlackRock, in June 2009, made a binding offer to Barclays pursuant to an Amended and Restated Stock Purchase Agreement by and among BlackRock, Barclays Bank and (for limited purposes) Barclays, which ultimately resulted in the Acquisition. BlackRock completed the Acquisition on December 1, 2009, in exchange for an aggregate of 37,566,771 shares of BlackRock common stock and participating preferred stock (which ownership is discussed in more detail below) and approximately $6.6 billion in cash. Barclays' decision to enter into the Acquisition was based upon a variety of factors that Barclays stated would be beneficial to its shareholders, including the creation of material economic exposure to a highly competitive global asset manager.

6. Prior to the Acquisition, PNC, indirectly through its subsidiary PNC Bancorp, Inc. (PNC Bancorp), held an approximately 31.9% economic interest and an approximately 43.2% voting interest in BlackRock. BOA, through its (indirect) wholly-owned subsidiary the Merrill Group, held an approximately 48.3% economic interest and approximately 4.6% voting interest in BlackRock. Immediately following the Acquisition, the MPS ownership was as follows:

(a) *Bank of America/Merrill Group.* The Merrill Group owned approximately 3.7% of BlackRock voting common stock and approximately 34.2% of BlackRock equity by value, consisting of Series B Non-Voting Preferred Stock [5] in addition to the voting common stock held. The Merrill Group also owned (and owns) the equity of the Merrill brokerage firms (including Merrill Lynch, Pierce, Fenner & Smith Incorporated) and other financial service providers, which firms are owned down different chains of ownership from the Merrill Group's stake in BlackRock. The Merrill Group is 100% owned by Merrill Lynch & Co. Inc. (the former publicly traded holding company), which in turn is 100% owned by BOA, the publicly traded overall Bank of America holding company. BOA owns Bank of America, N.A. down a different ownership chain from the Merrill Group-BlackRock ownership chain.

(b) *PNC Ownership Interest.* PNC Bancorp owned approximately 35.2% of BlackRock voting common stock and approximately 24.5% of BlackRock equity by value, consisting of Series B, C and D [6] Non-Voting Preferred Stock. PNC Bancorp owned (and owns) PNC Bank, N.A. down a different chain of ownership. PNC Bancorp is wholly-owned by PNC, the publicly traded overall PNC holding company.

(c) *Barclays Ownership Interest.* Barclays BlackRock Holdings, S.a.r.l. (Barclays Luxembourg), a wholly-owned Luxembourg subsidiary of Barclays Bank, owned approximately 4.8% of BlackRock voting common stock and approximately 19.8% of BlackRock equity by value, consisting of Series B Non-Voting Preferred Stock and Series D Non-Voting Preferred Stock in addition to the voting common stock. Barclays Bank is a 100% owned subsidiary of Barclays PLC, the publicly traded Barclays holding company.[7]

7. Post-Acquisition, a secondary offering of BlackRock common stock was completed on November 15, 2010, by the Merrill Group and PNC Bancorp (the Secondary Offering). BlackRock's ownership structure following the Secondary Offering was as follows: (a) The Merrill Group owned 0% of BlackRock's voting common stock and approximately 7.1% of BlackRock's equity by value, consisting of Series B Non-Voting Preferred Stock; (b) PNC Bancorp owned approximately 25.3% of BlackRock's voting common stock and approximately 20.3% of BlackRock's equity by value, consisting of Series B and C Non-Voting Preferred Stock in addition to the voting common stock held; and (c) Barclays Bank owned approximately 2.3% of BlackRock's voting common stock and approximately 19.7% of BlackRock's equity by value, consisting of Series B Non-Voting Preferred Stock in addition to the voting common stock held.

8. Immediately following the Acquisition, the approximately 56.3% of BlackRock's voting common stock not owned by the MPSs (representing an approximately 21.5% economic interest in BlackRock) was beneficially owned by the employees of BlackRock and retail and institutional investors unrelated to BlackRock or an MPS. Immediately following the Secondary Offering, the approximately 72.4% of BlackRock's voting common stock not owned by the MPSs (representing an approximately 52.9% economic interest in BlackRock) was beneficially owned

[3] Each of Barclays, BOA and PNC is a "Minority Passive Shareholder" or "MPS," but, for avoidance of doubt, an MPS does not include any BlackRock Entity.

[4] *See* applications associated with PTE 2009–25, 74 FR 45300 (September 1, 2009) (Barclays); PTE 2009–22, 74 FR 45284 (September 1, 2009) (PNC); and proposed exemption for application D–11576, 75 FR 61932 (October 6, 2010) (Bank of America/Merrill Lynch).

[5] Series B Non-Voting Preferred Stock provides for the same economic rights as BlackRock common stock, but it is non-voting. The Series B Non-Voting Preferred Stock is automatically converted to common stock when transferred to a third party.

[6] Series C Non-Voting Preferred Stock provides for the same terms as Series B Non-Voting Preferred Stock, except that it (a) has a liquidation preference of $40 per share as opposed to $.01 for Series B Non-Voting Preferred Stock, (b) is only convertible to common stock upon the termination of a Share Surrender Agreement between BlackRock, and (c) can only be transferred to BlackRock pursuant to such Share Surrender Agreement. Series D Non-Voting Preferred Stock provides for the same terms as Series B Non-Voting Preferred Stock and was automatically converted to Series B Non-Voting Preferred Stock on January 31, 2010.

[7] On November 17, 2010, Barclays Luxembourg transferred approximately ninety nine percent (99%) of its BlackRock voting common stock and approximately ninety nine (99%) of its Series B Non-Voting Preferred Stock to Lapis (Gers Investments) LP, a newly-formed Delaware limited partnership and an indirect subsidiary of Barclays Bank PLC.

by the employees of BlackRock and retail and institutional investors unrelated to BlackRock or an MPS.

All BlackRock stock beneficially owned by each MPS (other than stock held in certain fiduciary capacities and customer or market making accounts) is subject to a stockholders agreement entered into by and between that MPS and BlackRock (collectively, the Stockholders Agreements). Pursuant to each Stockholders Agreement, each MPS has or had the right to identify to BlackRock two (2) prospective directors, and, if such nominees are reasonably acceptable to the BlackRock Board of Directors (the Board), BlackRock and each respective MPS agrees to use best efforts to cause the election of such nominees to the Board. The Stockholder Agreements also contemplate a reduction in the number of Board seats which an MPS is entitled to designate to one upon the MPS' interest falling below a ten percent (10%) equity interest for ninety (90) consecutive days, and to zero upon the MPS' interest falling below a five percent (5%) equity interest for ninety (90) consecutive days. The Board may waive this provision. As a result of the Secondary Offering, the Merrill Group fell below a ten percent (10%) equity interest, and, assuming that it remains below this level, the Merrill Group lost the right to identify to BlackRock one representative director on or about February 13, 2011 (the Merrill Director Reduction). It is anticipated that the Board will not waive the Merrill Director Reduction.

At least 10 of the current 19 directors must be "independent" (within the meaning of New York Stock Exchange (NYSE) rules [8]) of the MPSs and BlackRock management and each MPS must vote its BlackRock voting common stock in accordance with the recommendations of the Board. In addition, the Audit Committee, the Management Development and Compensation Committee, and the Nominating and Governance Committee of the Board consist entirely of independent directors, and a majority of each other Board committee (if any), with the exception of the Executive Committee,[9] must consist of independent directors. With limited exceptions, all decisions of any committee of the Board require the presence of a majority of the directors at a meeting at which a quorum is present. As of the date hereof, none of the directors representing an MPS serve on any Board committee, except that one director representing PNC serves on the Executive Committee. Further, no MPS representative directors sit on any of the Board of Directors of BlackRock Managers. While each MPS monitors its investment in BlackRock through its Board representatives and each MPS has certain limited governance rights,[10] no MPS has or will have any involvement in the day-to-day management of BlackRock, any BlackRock Manager or any other BlackRock Entity.

In addition, the respective Stockholder Agreements provide for the following additional restrictions on the ability of an MPS to control BlackRock or any BlackRock Manager:

(a) *Standstill Agreements.* The Stockholder Agreements cap the MPSs' ownership interest in BlackRock's capital stock at certain prescribed levels of voting power on an issued and outstanding basis, and economic interest on a fully diluted basis, and they generally restrict each MPS from purchasing additional stock if doing so would cause its respective interests in BlackRock to exceed the applicable ownership cap.[11]

(b) *Transfer Restrictions.* The Stockholder Agreements include limitations on the transfer of an MPS' BlackRock capital stock, and provide for a right of first refusal in BlackRock's favor should the MPS desire to sell its BlackRock capital stock privately.

(c) *Arm's Length Business Relationships.* The MPSs and BlackRock conduct business on a competitive basis, including executions and other services for the clients of each. Under the Stockholder Agreements, any new material transaction between BlackRock or its affiliates and an MPS or its affiliates not in the ordinary course of business on behalf of clients or not pursuant to a policy, transaction or agreement (or form of agreement) previously approved must generally be approved by a majority of the BlackRock directors (other than the directors designated by the applicable MPS).

Requested Relief

9. Given the unique nature of the BlackRock ownership structure following the Acquisition, the Applicants believe that no MPS should be regarded for ERISA purposes as an "affiliate" of BlackRock or any BlackRock Manager because the Applicants believe that no MPS, alone or with another MPS, will be in a position to "control" BlackRock. In addition to the BlackRock ownership structure itself preventing MPS control of BlackRock, the Stockholder Agreements provide several important safeguards to mitigate the possibility of an MPS exerting any form of control that might otherwise raise concerns under ERISA. In particular, the standstill agreements, transfer restrictions and arm's length business relationship provisions are designed to ensure that BlackRock maintains its independence. Even if the MPSs wished to act together to control BlackRock, BlackRock believes that the MPSs would not be able control BlackRock because the Stockholder Agreements mandate that each MPS vote its BlackRock shares in accordance with the recommendations of the Board, which is dominated by persons other than MPS nominees. Lastly, the MPSs are competitors in the financial services industry, and as such, concerted action among the MPSs is extremely unlikely.

10. Nevertheless, the Applicants represent that when a BlackRock

[8] Section 303A.01 of the NYSE Listed Company Manual requires listed companies to have a majority of independent directors. Although an exception is made for companies controlled by a group of shareholders, the Stockholders Agreements among BlackRock and the MPSs preclude the MPSs from becoming part of any such group. BlackRock represents that the Board must include a minimum of fourteen (14) directors total, which minimum would be applicable only if one or more of the MPSs has its equity stake drop to the point where it loses the ability to identify representative BlackRock directors, due to the interplay of the Shareholders Agreements and NYSE rules.

[9] While the Executive Committee may exercise the powers of the Board during intervals between Board meetings or at times when the Board is unable to convene, the Executive Committee has not met for over five (5) years.

[10] Pursuant to the BOA Stockholder Agreement, the following significant actions would require BOA's consent: (a) Certain amendments to the certificate of incorporation or bylaws; (b) entering into certain regulatory settlements with specified adverse consequences to BOA; (c) amending or modifying the PNC Stockholder Agreement in a manner that would be viewed as materially adverse to BOA or materially more advantageous to PNC, and (d) any voluntary bankruptcy filing by BlackRock. Pursuant to the PNC Stockholder Agreement, the following significant actions would require approval by two-thirds of all directors or all of the independent directors: (a) Appointment of a new Chief Executive Officer; (b) certain major acquisitions, divestures or share issuances; (c) amendments to the certificate of incorporation or bylaws applicable to BlackRock; and (d) any amendment, modification or waiver of any obligation of another significant stockholder pursuant to a stockholder agreement with such significant stockholder. Further, the PNC Stockholder Agreement provides that the following actions would require the consent of PNC: (a) Certain major acquisition or divestitures; and (b) the same matters for which BOA has a consent right as described previously. Pursuant to the Barclays Stockholder Agreement, the following significant actions would require the consent of Barclays: (a) Amending the certificate of incorporation or bylaws in a manner that would in any material respect adversely change the powers or preferences of any capital stock; (b) entering into certain regulatory settlements with specified adverse consequences to Barclays and (c) any voluntary bankruptcy of BlackRock.

[11] The following are the caps on voting interests: BOA = 4.9%; PNC = 49.9%; and Barclays = 4.9%. The following are the caps on economic interest: BOA = 9.9%; PNC = 38%; and Barclays = 19.9%.

Manager is a fiduciary with investment discretion with respect to a Client Plan,[12] and the BlackRock Manager is deciding whether to enter into a Covered Transaction [13] with or involving an MPS, the ownership interest of the MPS in BlackRock could affect the BlackRock Manager's best judgment as a fiduciary, raising issues under ERISA section 406(b). The Applicants note that the Department's regulation at 29 CFR 2550.408b–2(e)(1) provides that "[a] person in which a fiduciary has an interest which may affect the exercise of such fiduciary's best judgment as a fiduciary includes, for example, a person who is a party in interest by reason of a relationship to such fiduciary described in section 3(14)(E), (F), (G), (H), or (I)" of ERISA. ERISA section 3(14)(H) provides that a 10% or more shareholder of a service provider (which may include a plan fiduciary) is a party in interest to the plan in question by reason of that relationship to the service provider. Accordingly, the Applicants seek relief from the prohibitions of ERISA section 406(b) to cover the Covered Transactions described hereinafter. Further, if BlackRock Entities and one or more MPS are deemed affiliates, and because each MPS and its affiliates are very likely parties in interest within the meaning of ERISA section 3(14) with respect to many Client Plans, the Applicants also seek relief from the prohibitions of ERISA section 406(a) with respect to such Covered Transactions. Specifically, many prohibited transaction class exemptions from ERISA section 406(a) require as a condition for relief that the plan fiduciary and the party in interest not be "affiliates." Although the Applicants believe that no MPS should be regarded for ERISA purposes as an "affiliate" of BlackRock, the Applicants desire the certainty of relief which the proposed exemption would provide if Covered Transactions are entered into in conformance therewith. The Applicants, however, are seeking relief with respect to BOA only until the day after the effective date of the Merrill Director Reduction.

11. As discussed above, there have recently occurred extraordinary circumstances in both the U.S. and the global financial services industry. Many entities in the financial services industry have faced severe economic hardship. During this period of upheaval, the trend of industry consolidation amongst significant banks, broker-dealers and other providers of financial services has accelerated. Thus, it is the Applicants' belief that each MPS' involvement in financial services has expanded at the same time as the number of participants in the capital markets has declined. As a result, the Applicants believe that the failure to obtain exemptive relief proposed herein would deny Client Plans access to a significant portion of the financial markets and that such denial would unduly harm Client Plans and their participants and beneficiaries.

12. The Applicants request that the proposed exemption provide relief for certain enumerated types of Covered Transactions entered into after the Acquisition and, in certain cases, before the Acquisition and that have continued after the Acquisition.

Structure of Relief

13. The structure of the Applicants' requested relief is founded upon compliance with five sets of general conditions. The five sets of general conditions are: (a) Modified conditions derived from PTE 84–14, as amended (sometimes referred to as the QPAM Exemption);[14] (b) restrictions on the compensation of BlackRock Managers and their employees; (c) the establishment and implementation of certain policies and procedures (the Exemption Polices and Procedures or EPPs); (d) the appointment by BlackRock of an Exemption Compliance Officer (ECO); and (5) the retention by BlackRock of an Independent Monitor (IM). The purpose of these general conditions is, when coupled with the restrictions of the Stockholders Agreements and the BlackRock ownership structure, to foster independence of action by the BlackRock Managers notwithstanding the equity interests in BlackRock held by the MPSs. This unique overarching structure includes a comprehensive compliance function and an independent monitor, each of which work together for the benefit of Client Plans and their participants and beneficiaries by allowing Covered Transactions with or involving an MPS only if the Covered Transaction is, as best as can be determined, as favorable to the Client Plans as arm's length transactions with third parties.

14. In addition to the general conditions, each Covered Transaction has its own set of additional conditions deemed suitable for it in light of the nature of the transaction. Many of the conditions for individual Covered Transactions are derived from statutory exemptions, administrative class exemptions or administrative individual exemptions frequently relied upon by fiduciaries and parties in interest (sometimes affiliated and sometimes not) to exempt similar transactions. The general and transaction-specific conditions for relief attempt to strike a balance that takes into account both the MPSs' unique equity interests in BlackRock and the ability of BlackRock Managers acting on behalf of Client Plans to engage in arm's length Covered Transactions with or involving institutions as significant in their markets as are the MPSs.

15. With respect to the relief for all Covered Transactions described herein, Section II of the proposed exemption provides that the following general safeguards must be met:

Section II.A—Compliance with the QPAM Exemption. With certain exceptions, the conditions for relief under Part I of PTE 84–14 must be satisfied with respect to each Covered Transaction.[15] Compliance with the QPAM Exemption conditions, as modified, is intended to assure that BlackRock Managers will be independent of the MPSs with which they enter into transactions. These conditions impose, among other requirements, the requirement that there be no agreement, arrangement or understanding designed to benefit an MPS, and the requirement that the terms of the Covered Transaction be at least as favorable to the Client Plans as the terms generally available in arm's length transactions between unrelated parties. Each BlackRock Manager utilizing the requested relief must meet the definition of a "qualified professional asset manager" as described in Section VI(a) of the QPAM Exemption, and each Covered Transaction must satisfy the

[12] "Client Plan" means any plan subject to ERISA section 406, Code section 4975 or FERSA section 8477(c) for which a BlackRock Manager is a fiduciary as described in ERISA section 3(21), including, but not limited to, any Pooled Fund, MPS Plan, Index Account or Fund, Model-Driven Account or Fund, Other Account or Fund, or In-House Plan, as defined in Section VI of the proposed exemption, except where specified to the contrary.

[13] "Covered Transaction" means each transaction set forth in Section III of the proposed exemption by a BlackRock Manager for a Client Plan with or involving, directly or indirectly, an MPS and/or a BlackRock Entity.

[14] 49 FR 9494 (Mar. 13, 1984), as amended, 70 FR 49305 (Aug. 23, 2005), and as amended, 75 FR 38837 (July 6, 2010).

[15] The QPAM Exemption may not be relied upon for securities lending. *See* Section I(b)(1) of the QPAM Exemption. However, for purposes of this proposed exemption, securities lending constituting Covered Transactions involving an MPS must comply with the QPAM Exemption conditions set forth in Section II.A. of the proposed exemption as well as the specific conditions (modeled on PTE 2006–16, 71 FR 63786 (October 31, 2006)) set forth in Section III.M. of the proposed exemption.

conditions described in the following paragraphs.

With certain exceptions discussed in the descriptions of the Covered Transactions, Section II.A.2. of the proposed exemption provides that, at the time of a Covered Transaction with or involving an MPS, the MPS, or its affiliate (within the meaning of section VI(c) of the QPAM Exemption),[16] must not have the authority to appoint or terminate the BlackRock Manager as a manager of the Client Plan assets involved in the Covered Transaction, or negotiate on behalf of the Client Plan the terms of the management agreement with the BlackRock Manager (including renewals or modifications thereof) with respect to the Client Plan assets involved in the Covered Transaction. Under Section II.A.3(a), notwithstanding the foregoing, in the case of an investment fund in which two or more unrelated Client Plans have an interest, a Covered Transaction with an MPS will be deemed to satisfy the requirements of the foregoing condition if the assets of a Client Plan on behalf of which the MPS or its affiliate possesses the authority described above and which is managed by the BlackRock Manager in the investment fund, when combined with the assets of other Client Plans established or maintained by the same employer (or an affiliate thereof) or by the same employee organization, on behalf of which the same MPS possesses such authority and which are managed in the same investment fund, represent less than ten percent (10%) of the assets of the investment fund (this rule is referred to herein as the 10% Rule).

In this regard, the Applicants represent that, in certain cases, as of the date of the Acquisition, assets of MPS Plans, whether or not combined with the assets of other plans of the same employer, represented ten percent (10%) or more of a BTC bank collective trust fund. These investments in the BTC bank collective trust fund, at the time they were made or authorized, were selected by fiduciaries of MPS Plans (or participants therein) as being in the interests of the MPS Plans and their participants and beneficiaries when no relationship existed between BlackRock and the MPSs in question that might be viewed as affecting the best judgment of the fiduciaries of the MPS Plans. While the appropriate fiduciary of these Client Plans, rather than the MPS itself, appointed the BlackRock Manager by investing or permitting investment in the bank collective trust fund, the Applicants nevertheless desire certainty that Section II.A.2. of this proposed exemption will be deemed to be met during the an unwind period that shall last until July 1, 2010 (the Unwind Period). There were practical obstacles to otherwise achieving compliance with the ten percent (10%) limitation in a shorter time frame, such as the need of the MPS Plans for sufficient time to adequately explore replacement investment managers. During the Unwind Period, such MPS Plans would be deemed for purposes of the proposed exemption to satisfy the 10% Rule if certain conditions are met; such conditions focus on fees paid by MPS Plans to BlackRock Managers during the Unwind Period, the termination provisions of the MPS Plans' investments in the Pooled Fund, and the IM's oversight of the terms of the investments in the Pooled Fund.[17]

The remaining conditions of Section II.A. of the proposed exemption generally track conditions set forth in Sections I(c)–I(g) of the QPAM Exemption, with an exception for the condition set forth in Section I(d) of the QPAM Exemption because MPSs are deemed not "related to" BlackRock for purposes of the proposed exemption.[18]

Section II.B.—Compensation Restrictions. The Applicants recognize that an unrestricted ability for employees of BlackRock to receive compensation in connection with the Covered Transactions could give rise to potential ERISA conflicts. In order to address this potential for conflicts, the Applicants will agree that no employees of a BlackRock Manager can receive any compensation that is based on any Covered Transaction having taken place between Client Plans and any of the MPSs (as opposed to with another institution that is not an MPS). The fact that a specific Covered Transaction occurred with an MPS as opposed to a non-MPS counterparty must be ignored by BlackRock and BlackRock Managers for compensation purposes. None of the employees of BlackRock or a BlackRock Manager can receive any compensation from BlackRock or a BlackRock Manager which consists of equity Securities issued by an MPS, which fluctuates in value based on changes in the value of equity Securities issued by an MPS, or which is otherwise based on the financial performance of an MPS independent of BlackRock's performance, provided that this condition shall not fail to be met because of the compensation of an employee of a BlackRock Manager fluctuates with the value of a broadly-based index which includes equity Securities issued by an MPS.

Section II.C.—Exemption Policies and Procedures. The Applicants recognize that in order for BlackRock to successfully manage and monitor Covered Transactions, the establishment of systematic policies and procedures is essential. The proposed exemption requires that BlackRock adopt and implement Exemption Policies and Procedures (EPPs), as defined in the proposed exemption, that address each of the Covered Transactions and that are reasonably designed to achieve the goals of: (a) Compliance with the terms of the exemption, (b) ensuring BlackRock's decisionmaking with respect to the Covered Transactions on behalf of Client Plans is done in the interests of the Client Plans and their participants and beneficiaries and, (c) to the extent possible, verifying that the terms of such Covered Transactions are at least as favorable to Client Plans as the terms generally available in arm's length transactions with unrelated parties. The EPPs are to be developed with the cooperation of both the ECO and the IM, and such EPPs are subject to the approval of the IM. The EPPs need not address transactions which are not within the definition of the term Covered Transactions.

Transgressions of the EPPs fall into three categories: (a) transgressions that constitute prohibited transactions under ERISA sections 406, Code section 4975, or FERSA section 8477(c) and which are not exempt by reason of a failure to comply with the proposed exemption or another administrative or statutory exemption (referred to herein as Violations), (b) transgressions that involve material amounts or material deviations from the EPPs, taking into account the amount of Client Plan assets affected by such transgressions (EPP Corrections), but that do not constitute Violations, and (c) transgressions that involve immaterial amounts and deviations from the EPPs and do not constitute Violations. The ECO will make a written determination as to whether such transgressions constitute Violations and require corrective action pursuant to Section V of the proposed exemption, require EPP Correction, or

[16] For the avoidance of doubt, no BlackRock Entity will be regarded as an affiliate of an MPS for these purposes.

[17] For purposes of Section I.A.3.(b) of the proposed exemption and for the 10% Rule set forth in Sections III.I., III.L., III.M. and III.U. of the proposed exemption, the MPS Plans of each of the MPS Groups (the PNC MPSs, the BOA MPSs, and the Barclays MPSs) are separately aggregated (*e.g.,* all MPS Plans of BOA MPSs are aggregated together but are not aggregated with MPS Plans of Barclays MPSs or PNC MPSs).

[18] For the avoidance of doubt, MPSs are excluded from the terms "affiliate" and "owner" for purposes of Section II.A. of the proposed exemption.

require no action. If the ECO determines a Violation has occurred, the provisions of Section V of the proposed exemption are applicable. If the ECO determines an EPP Correction is required, the ECO will provide written notice to the IM of the EPP Correction and the IM would have the authority to mandate further corrective action. The ECO will provide summaries for the IM of any such EPP Corrections as part of the required quarterly report.

To illustrate the implementation of the rules with respect to the three categories outlined above, the Applicants have provided the following hypothetical examples.

(a) Hypothetical Example One: A portfolio manager (PM) at a BlackRock Manager purchases Barclays common stock on the secondary market on behalf of several Client Plan portfolios, which if such purchases were below fifteen percent (15%) of the aggregate average daily trading volume (ADTV) for the previous ten trading days or below fifteen percent (15%) of the trading volume on the day of the purchase would otherwise appear to satisfy the criteria for relief under Section III.S. of the proposed exemption. The PM fails to aggregate the purchases of all of the accounts, and it purchases 15.2% of the ten trading day ADTV (which is also higher than the day in question's volume), thereby exceeding fifteen percent (15%) of both the ten day ADTV and the trading volume on the day of the transactions. As a result, they are no longer eligible for purchase under Section III.S. of the proposed exemption. Unless timely corrected under Section V of the proposed exemption, the purchase would constitute a Violation.

(b) Hypothetical Example Two: A PM at a BlackRock Manager purchases Barclays common stock on the secondary market on behalf of several Client Plan portfolios. The PM purchases an amount of Barclay stock equal to thirteen percent (13%) of the ten trading day ADTV. In order to simplify a compliance monitoring process that oversees three separate trading desks, the EPPs provide that purchases with respect to certain groups of portfolios be limited to purchases of MPS stock that equal no more than five percent (5%) of the ten day ADTV, unless approved in advance by the ECO. The purchases are made and no Violation has occurred because BlackRock is well below fifteen percent (15%) of the ten trading day ADTV, but there has been a serious transgression of the EPPs in that the PM failed to adhere to the carefully designed EPPs. Assuming for these purposes no mitigating further circumstances, the ECO Function would make a determination of an appropriate EPP Correction, including whether the implicated Client Plans would be better served by keeping or selling the securities acquired. The ECO would provide written notice to the IM of the EPP Correction. The IM would have the authority to mandate further corrective action.

(c) Hypothetical Example Three: The circumstances of the Barclays stock purchase are essentially the same as those in Hypothetical Example Two, except the PM at the BlackRock Manager in question, when he checks his trade list and aggregates the total percentage of Barclays stock to be purchased, issues instructions to cancel enough of the proposed purchase to bring it below five percent (5%). However, through inadvertence of the broker, the cancellation is not implemented and the full thirteen percent (13%) purchase is made of Barclays stock. There is no Violation, the original purchase order was a transgression of the EPPs, and correction may or may not be necessary depending on the circumstances, including why it was that the original purchase order was given and why it was the cancellation was not effected.

Section II.D.—Exemption Compliance Officer. In order to comply with the proposed exemption, the Applicants represent that it is essential to appoint an ECO and an ECO Function.[19] The ECO and the ECO Function will be developed and maintained by BlackRock to monitor compliance with the Code, ERISA, FERSA and the proposed exemption. The use of a dedicated ECO is more advantageous than simple reliance upon the Applicants' existing compliance department because the ECO will have a single focus on ERISA compliance as well as the expertise to ensure such compliance. In addition, the ECO and the ECO Function provide a centralized resource that is well suited to providing and receiving information to and from the IM (as discussed below).

The proposed exemption requires that BlackRock appoint an ECO. If the ECO resigns or is removed, BlackRock shall appoint a successor ECO within a reasonable period of time, not to exceed thirty (30) days, which successor shall be subject to the affirmative written approval of the IM. The ECO is a professional with at least ten years of experience and extensive knowledge of the regulation of financial services and products, including such regulation under ERISA and FERSA.

The conditions of Section II.D. of the proposed exemption govern the ECO's employment with BlackRock, including compensation, termination, treatment and responsibilities. The responsibilities set forth in Section II.D. of the proposed exemption generally include, but are not limited to: Monitoring Covered Transactions (including transactions and situations resulting from transactions with MPSs), monitoring compliance with the EPPs, determining whether corrective action, if any, is necessary with respect to Violations and EPP Corrections, determining whether revisions are necessary to the EPPs, the supervision of the ECO Function, the provision of a quarterly report to the IM, and the provision of certain certifications to the IM.

Section II.E.—Independent Monitor. The applicant represents that the ECO and the ECO Function alone may not be sufficient to completely avoid potential conflicts of interests. Conversely, the Applicants also believe that a wholly independent third party alone would not be able to efficiently or effectively monitor and oversee all of the relevant BlackRock activities. Therefore, BlackRock will appoint an IM that will provide an independent perspective, be capable of making independent decisions when necessary, and, to the extent any Violations occur or corrections are necessary, pass upon the same without any risk of self-interested motives that could be perceived if the ECO alone were to be responsible for making such decisions. The IM serves some of the same functions that a Qualified Professional Asset Manager might under similar circumstances but, as discussed above, due to the unique nature and complexities of the requirements contained in the proposed exemption, reliance upon the IM alone, without the support of the ECO and the ECO Function (and the EPPs) would be inadequate. The Applicants believe that the ECO, the ECO Function and the IM together will complement each other in serving their respective roles and combine, through frequent communication and coordination, to provide the necessary compliance regime.

The proposed exemption, therefore, requires that BlackRock retain an IM. If the IM resigns or is removed, BlackRock

[19] "ECO Function" means the ECO and such other BlackRock Entity employees in legal and compliance roles working under the supervision of the ECO in connection with the Covered Transactions. The list of BlackRock Entity employees shall be shared with the IM from time to time, not less than quarterly, and such employees will be made available to discuss the relevant Covered Transactions with the IM to the extent the IM or the ECO deem it reasonably prudent.

shall appoint a successor IM within a reasonable period of time, not to exceed thirty (30) days. The IM agrees in writing to serve as IM, and he or she is independent within the meaning of the proposed exemption.

The conditions of Section II.E. of the proposed exemption set forth the IM's responsibilities. The IM's responsibilities generally include, but are not limited to, the following: approval of the ECO and his or her compensation, assistance in the development, alteration and monitoring of the EPPs, consulting with the ECO regarding EPP Corrections and Violations (including modifications regarding such), exercising discretion for Client Plans when BlackRock Managers may have conflicts, reviewing the ECO's quarterly reports and certifications, determining whether a pattern or practice of BlackRock non-compliance exists, and the completion of an annual report.

Section II.F.—Special Notice Provisions. As an added safeguard to affected Client Plans, the proposed exemption requires specific disclosure to a plan fiduciary independent of BlackRock with respect to certain Covered Transactions. Such additional disclosure makes the provision of exemptive relief for certain Covered Transactions consistent with existing exemptive relief regimes. In that vein, a Special Notice containing (a) a notice of all of the conditions for relief under Sections III.C., E., F., G., Q., R., S. and V. of the proposed exemption and (b) a copy of the Notice to Interested Persons, must be provided to affected Client Plans in writing (which may be provided by U.S. mail or electronically, including by e-mail or use of a centralized electronic mailbox, so long as such electronic communication is reasonably calculated to result in the applicable Client Plan's receipt) as soon as practical, but no later than fifteen (15) days, following the date that the Notice to Interested Persons is provided to Client Plans generally, through publication in the **Federal Register**. As soon as practical following the Special Notice, a Client Plan fiduciary independent of any BlackRock Entity must be provided any additional material information regarding Covered Transactions described in Sections III.C., E., F., G., Q., R., S. and V. of the proposed exemption by the applicable BlackRock Manager on reasonable request; provided, that, solely for purposes of this provision, the fiduciary of an In-House Plan is not required to be independent of any BlackRock Entity.

Covered Transactions

16. As discussed above, the structure of the requested relief is founded upon compliance with five sets of general conditions. These five sets of general conditions are then modified by additional conditions deemed suitable for each Covered Transaction. Many of the conditions for individual Covered Transactions are derived from statutory exemptions, administrative class exemptions or administrative individual exemptions frequently relied upon by fiduciaries and parties in interest (sometimes affiliated and sometimes not) to exempt similar transactions. Section III of the proposed exemption sets forth the Covered Transactions for which the Applicants are seeking exemptive relief and the conditions which must be satisfied in respect of such Covered Transactions in order to be accorded such relief. Each Covered Transaction is set forth below, corresponding to the subsections of Section III of the proposed exemption.

A. Continuing Covered Transactions

17. The Applicants represent that as of the closing date of the Acquisition, there were three types of continuing Covered Transactions still in place which were previously entered into between BlackRock Managers and one or more of the MPSs in reliance on PTE 84–14 (the QPAM Exemption) and/or PTE 91–38 [20] (a class exemption for transactions entered into on behalf of bank collective trust funds), with such transactions relying upon the continuing transaction provisions therein (*i.e.,* Section VI(i) of the QPAM Exemption and Section IV(h) of PTE 91–38). The three types of continuing transactions (Continuing Covered Transactions) are defined in the proposed exemption as Type A, Type B and Type C.

18. The three types of Continuing Covered transactions can be described as follows:

(a) *Type A:* Continuing Covered transactions where there is no discretion on the part of either party, other than the ability of the BlackRock Manager to sell or otherwise transfer the Client Plan's position to a third party, the ability of the MPS to sell or otherwise transfer its position to a third party, or the ability of an MPS to otherwise terminate the transaction on previously specified terms. This could include, for example, the holding by a Client Plan of a corporate debt instrument issued by an MPS, which the BlackRock Manager may sell on behalf of a Client Plan or which the MPS may redeem. Another example is a commercial mortgage loan made to a Client Plan by an MPS that does not include a prepayment provision, which loan the MPS might sell to a third party.

(b) *Type B:* Continuing Covered Transactions such as those described as Type A, with the additional feature that the BlackRock Manager, on behalf of a Client Plan, has the option to terminate the Transaction with the MPS on previously specified terms. This could include a note issued by an MPS which the BlackRock Manager, on behalf of a Client Plan, has the ability to sell to a third party, or could choose to "put" back to the MPS on previously specified terms.

(c) *Type C:* Continuing Covered Transactions similar to Type B where the BlackRock Manager may terminate or modify the Transaction on behalf of a Client Plan under certain circumstances, but only with negotiation and/or payment of consideration to the MPS or to the Client Plan which was not predetermined. An example of such a Transaction could include a swap between a Client Plan and an MPS with a fixed term, under which the BlackRock Manager can seek novation to a third party if the MPS consents (perhaps for a price, for example, to reflect any credit differences between the selling Client Plan and the buyer), or which the BlackRock manager can terminate at any time if there is agreement on the termination payments.

The Applicants represent that each continuing Covered Transaction was believed to be in the interests of Client Plans and their participants and beneficiaries as of the date entered into.

19. With respect to Type A Covered Transactions in reliance on PTE 84–14 or PTE 91–38, the Applicants' position is that relief for any prohibited transaction that might arise under ERISA section 406(a) should continue to be available, if such relief applied pre-Acquisition, whether or not needed, pursuant to Section VI(i) of PTE 84–14 and Section IV(h) of PTE 91–38, the "continuing transactions" provisions of the exemptions, until or unless a modification, renewal or other discretionary action becomes necessary. The Department has previously concurred with a similar analysis of the "continuing transaction" provisions of PTE 84–14 and 91–38 in the Notice of Proposed Exemption with respect to PTE 2009–11.[21] However, the Department additionally noted that no relief is provided from ERISA section

[20] 56 FR 31966 (July 12, 1991), as corrected at 56 FR 59299 (Nov. 25, 1991).

[21] 73 FR 63200, 63204 (Oct. 23, 2008).

406(b) for an act of self-dealing that arises if circumstances change during the course of the continuing transaction.

20. With respect to Type B and Type C Continuing Covered Transactions, and the unwind, settlement or other termination thereof, ERISA section 406(a) and 406(b) relief is afforded under the proposed exemption, subject to the conditions outlined below. In conjunction therewith, the Applicants' position is that the provision of the exemptive relief from ERISA sections 406(a) and (b) for Type B and Type C continuing Covered Transactions does not necessarily mean that ERISA section 406(a) relief was not available for at least some of these Continuing Covered Transactions under PTE 84–14 or PTE 91–38. The Applicants acknowledge, however, that the Department is expressing no view as to whether such relief was otherwise available.

21. A list of all Type B Covered Transactions and all Type C Covered Transactions (B and C List) as of the Acquisition must be prepared and provided to the ECO and the IM. Any discretionary act by a BlackRock Managers with respect to a transaction on the B and C List must be approved in writing in advance by the ECO. Such approval is required for, but not limited to, sales and other transfers to a third party, redemptions, the exercise of options and the declaration of default or other credit impairment driven decisions. The ECO must determine that the terms of the action are in the interests of the affected Client Plans. The ECO Function periodically monitors outstanding transactions on the B and C List to inquire if an affirmative discretionary act, such as a credit driven action would be appropriate. If the ECO makes such a determination, the ECO must direct the action be taken and must approve the terms thereof as being in the interests of the affected Client Plans. The ECO Function must send to the IM an updated copy of the B and C List as of the end of each fiscal quarter summarizing the Type B Covered Transactions and the Type C Covered Transactions remaining at the end of the quarter and any discretionary actions taken during the quarter by BlackRock Managers with respect to such transactions. Upon the determination by the IM that an action taken with respect to a Type B Covered Transaction or a Type C Covered Transaction was inappropriate or that the compensation the Client Plans received was inadequate, or that an action should have been taken but was not, the Client Plans will be made whole by BlackRock.

B. Purchases and Holdings by BlackRock Managers of Fixed Income Obligations Issued by an MPS in an Underwriting on Behalf of Client Plans Invested in an Index Account or Fund, or in a Model-Driven Account or Fund

22. The MPSs are significant issuers of Fixed Income Obligations [22] both in the United States and in the United Kingdom. The Applicants represent that BlackRock Managers in their normal course may determine that an investment for Client Plans in Fixed Income Obligations newly issued by an MPS will be a beneficial investment for Client Plans. In the case of Index Funds or Model-Driven Funds, BlackRock Managers will need to make purchases of MPS Fixed Income Obligations for Index Funds for purposes of tracking the relevant Index, and for Model-Driven Funds for purposes of tracking the relevant Model. The Applicants represent that the purchase of such MPS Fixed Income Obligations for Index Funds or Model-Driven Funds in the primary market may be the best way to acquire such Fixed Income Obligations. The purchase of such Fixed Income Obligations, however, may convey an economic benefit on the issuing MPS, and establishes a debtor-creditor relationship. In addition, if an MPS is a member or manager of the selling syndicate, the purchase might convey an economic benefit on such MPS.

23. The Applicants represent that: (a) Each BlackRock Manager makes investment decisions on behalf of, or renders investment advice to, its Client Plans in accordance with the governing document of the particular Client Plan and the guidelines and objectives established in the relevant trust agreement or investment management or advisory agreement; (b) a decision to invest in a particular offering of Fixed Income Obligations is made on the basis of price, value, and a Client Plan's investment criteria; (c) a BlackRock Manager has little incentive to make purchases from offerings in which an MPS is an issuer that are not in the interests of a Client Plan because the BlackRock Manager's compensation for its services is generally based upon assets under management; and (d) if the assets under its management do not perform well, the BlackRock Manager will over time receive less compensation and could lose clients.[23]

24. In order for relief under the proposed exemption to be available for this transaction, such purchase and holding must be for the sole purpose of maintaining quantitative conformity with the weight of such Securities prescribed by the relevant Index, for Index Accounts or Funds, or the weight of such Securities prescribed by the relevant Model, for Model-Driven Accounts or Funds, and such purchase may not exceed the purchase amount necessary for such Model or quantitative conformity. In addition, such purchase shall not be made from any MPS and no BlackRock Entity shall be in the selling syndicate. Furthermore, the responsible BlackRock Manager must notify the ECO if circumstances arise in which an action or inaction on the part of the BlackRock Manager regarding an MPS Fixed Income Obligation so acquired might be thought to be motivated by an interest which may affect the exercise of such BlackRock Manager's best judgment as a fiduciary (*e.g.,* participation in a creditor's committee, exercise of a put, waiver of covenants or other substantially similar actions), and the BlackRock Manager must comply with decisions of the ECO regarding the taking, or the refraining from taking, of actions in such circumstances. After the purchase, any decision regarding the conversion of an MPS Fixed Income Obligation into equity in the MPS must be made by the IM.

C. Purchase and Holding by BlackRock Managers of Fixed Income Obligations Issued by an MPS in an Underwriting on Behalf of Client Plans Invested in an Other Account or Fund

25. Because the MPSs are significant issuers of Fixed Income Obligations in the United States and the United Kingdom, the Applicants represent that BlackRock Managers in their normal course may determine that an investment in a new offering of Fixed Income Obligations issued by an MPS will be a beneficial investment for Client Plans in an account or a pooled fund which is not an Index Fund or Model-Driven Fund (an Other Account or Fund). As stated above, the purchase of such Fixed Income Obligations, however, may convey an economic benefit on the issuing MPS, and establishes a debtor-creditor relationship. In addition, if an MPS is a member or manager of the selling

[22] For purposes of the proposed exemption, Fixed Income Obligations is a defined term generally meaning fixed income obligations characterized as debt pursuant to 29 CFR 2510.3–101 (other than loans with respect to which an MPS is the entity which acts as lead lender and other than Asset-Backed Securities).

[23] The Applicants' representations in this regard are equally applicable to other Covered Transactions.

syndicate, the purchase might convey an economic benefit on such MPS.

26. In order for relief under the proposed exemption to be available for this transaction, such purchase and holding must satisfy the conditions of Section IV.A. (Affiliated Underwritings) of the proposed exemption, except that for purposes of the ratings requirement described therein, the MPS-issued Fixed Income Obligations at the time of purchase must be rated in one of the three highest rating categories by a Rating Organization and none of the Rating Organizations may rate the Fixed Income Obligations lower than in the third highest rating category. In addition, such purchase must not be made from an MPS and no BlackRock Entity can be in the selling syndicate.

27. After purchase, the responsible BlackRock Manager must notify the ECO if circumstances arise in which an action or inaction on the part of the BlackRock Manager regarding an MPS Fixed Income Obligation so acquired might be thought to be motivated by an interest which may affect the exercise of such BlackRock Manager's best judgment as a fiduciary, and the BlackRock Manager must comply with decisions of the ECO regarding the taking, or the refraining from taking, of actions in such circumstances. After purchase, any decision regarding conversion of an MPS Fixed Income Obligation into equity in the MPS must be made by the IM.

D. Certain Transactions in the Secondary Market by BlackRock Managers of Fixed Income Obligations Including Fixed Income Obligations Issued by or Traded With an MPS

28. Because the MPSs and their affiliates are significant issuers of Fixed Income Obligations in the United States and the United Kingdom, the Applicants represent that BlackRock Managers in their normal course may determine that a secondary market investment for Client Plans in Fixed Income Obligations issued by an MPS will be a beneficial investment for Client Plans. The Applicants further represent that BlackRock Managers in the normal course may determine that the purchase from or sale to an MPS in the secondary market of third party Fixed Income Obligations will be beneficial investments for Client Plans. The MPSs are significant participants in the fixed income markets as broker-dealers and offer significant sources of trading liquidity to investment managers. Furthermore, multiple MPSs are often ranked in the top five counterparties in the debt markets in the aggregate as well as many asset classes and geographies. A leading 2008 survey (completed before Barclays/Lehman and BOA/Merrill Group acquisitions) of investment managers ranking the quality of fixed income broker-dealers ranked Bank of America, Barclays, Lehman Brothers, and Merrill Lynch in the top 10 broker-dealers.[24]

29. While purchases of Fixed Income Obligations in the secondary market convey no economic benefit on the issuing MPS, a debtor-creditor relationship is still established thereby. Also, such a purchase from an MPS may be a prohibited transaction in and of itself, requiring exemptive relief.

30. The Applicants state that obtaining the best available purchase or sales price for a particular trade presents special challenges in the fixed income markets, which trade a very large array of different Fixed Income Obligations with specific features, including some Fixed Income Obligations issued in relatively small numbers and/or in which markets are made by only a small number of dealers. The diminution in the number of market makers due to the recent exit of several major participants from the financial services industry through bankruptcies or acquisitions has heightened these challenges. Accordingly, the Applicants represent that purchases and sales to or from an MPS will be done in compliance with the Three Quote Process,[25] which will demonstrate that the MPS provides the best available purchase or sale price for the Fixed Income Obligation being traded.

31. In order for relief under the proposed exemption to be available for this transaction, the following additional conditions are applicable solely to the extent that the Fixed Income Obligations are issued by an MPS and are purchased and held by a BlackRock Manager for a Client Plan: (a) The purchase of the Fixed Income Obligation issued by an MPS is not made from the issuing MPS; (b) after purchase, the responsible BlackRock Manager must notify the ECO if circumstances arise in which an action or inaction on the part of the BlackRock Manager regarding an MPS Fixed Income Obligation so acquired might be thought to be motivated by an interest which may affect the exercise of such BlackRock Manager's best judgment as a fiduciary, and must comply with the decisions of the ECO regarding the taking, or the refraining from taking, of actions in such circumstances; (c) after purchase, any decision regarding conversion of an MPS Fixed Income Obligation into equity in the MPS must be made by the IM; and (d) if purchased for an Index Account or Fund, or a Model-Driven Account or Fund, such purchase must be for the sole purpose of maintaining quantitative conformity with the weight of such Securities prescribed by the relevant Index, for Index Accounts or Funds, or the weight of such Securities prescribed by the relevant Model, for Model-Driven Accounts or Funds, and such purchase may not exceed the purchase amount necessary for such Model or quantitative conformity.

32. With respect to Fixed Income Obligations, whether or not issued by an MPS, held by a BlackRock Manager for a Client Plan under which an MPS has an ongoing function, such as servicing of collateral for asset-backed debt, or the potential for liability, such as under representations or warranties made by an MPS with respect to collateral for such asset-backed debt which the MPS originated, the taking of or refraining

[24] Greenwich Associates, Leading Dealers (2008).

[25] As defined in the proposed exemption, "Three Quote Process" means three bids or offers (either of which being sometimes referred to as quotes) are received by a trader for a BlackRock Manager each of which such quotes such trader reasonably believes is an indication that the dealer presenting the bid or offer is willing to transact the trade at the stipulated volume under discussion, and all material terms (including volume) under discussion are materially similar with respect to each other such quote. In selecting the best of three such quotes, a BlackRock Manager may maintain books and records for the three firm bids/offers in a convention that it reasonably believes is customary for the specific asset class (such as "price" quotes, "yield" quotes or "spread" quotes). For example, corporate bonds are often quoted on a spread basis and dealers customarily quote the spread above a certain benchmark bond's yield (*e.g.,* for a given size and direction a BlackRock trader may ask for quotes to sell $1 million of a particular bond, dealer 1 may quote 50 bps above the yield of the ten (10) year treasury bond, dealer 2 might quote 52 bps above the yield of the ten (10) year treasury bond and dealer 3 might quote 53 bps above the yield of the ten (10) year treasury bond). If only two firm bids/offers can be obtained, the trade requires prior approval by the ECO and the ECO must inquire as to why three firm bids/offers could not be obtained. If in the case of a sale or purchase a trader for a BlackRock Manager reasonably believes it would be injurious to the Client Plan to specify the size of the intended trade to certain bidders, a bid on a portion of the intended trade may be treated as a firm bid if the trader documents (a) why the bid price is a realistic indication of the economic terms for the actual amount being traded despite the difference in the size of the actual trade and (b) why it would be harmful to the Client Plan to solicit multiple bids on the actual amount of the trade. If a trader for a BlackRock Manager solicits bids from three or more dealers on a sale or purchase of a certain volume of Securities, and receives back three or more bids, but at least one bid is not for the full amount of the intended sale, if the price offered by the partial bidder(s) is less than the price offered by the full bidder(s), the trader may assume a full bid by the partial bidder(s) would not be the best bid, and the trader can consummate the trade, in the case of at least two full bids, with the dealer making the better of the full bids, or in the case of only one full bid, with the dealer making that full bid.

from taking of any action (*e.g.,* instituting legal action for breach of representation) by the responsible BlackRock Manager which could have a material positive or negative effect upon the MPS must be decided upon by the ECO. For purposes of this Covered Transaction, Asset-Backed Securities,[26] as defined in the proposed exemption, are not Fixed Income Obligations.

E. Purchase in an Underwriting and Holding by BlackRock Managers of Fixed Income Obligations Issued by a Third Party When an MPS is Underwriter, Manager or Member of the Selling Syndicate, or a Debt Trustee

33. The Applicants represent that BlackRock Managers in their normal course may determine that an investment in a new offering of third-party Fixed Income Obligations where an MPS is an underwriter, manager or member of the selling syndicate and/or where an MPS is the debt trustee will be a beneficial investment for Client Plans. As discussed above, the purchase of Securities in an offering when an MPS is a member or manager of the syndicate might convey an economic benefit on such MPS. In addition, if an MPS is a debt trustee of such Securities, the purchase might enable such MPS to earn a fee, or earn a larger fee.[27]

34. The Applicants estimate that the majority of the syndicated offerings that they review as potentially attractive investments for Client Plans include one or more MPS as an underwriter. Additionally, multiple MPS are often ranked in the top five underwriters for total debt issued in the Americas and globally. Thus, the failure to obtain relief for primary market offerings due to an MPS acting as an underwriter, whether as a manager or member, would deny Client Plans access to a majority of primary market offerings for Fixed Income Obligations.

35. In order for relief under the proposed exemption to be available for this transaction, the following conditions apply: (a) The conditions of Section IV.A. (Affiliated Underwritings) of the proposed exemption must be satisfied; (b) such purchase must not be made from an MPS; (c) no BlackRock Entity may be in the selling syndicate; and (d) with respect to Fixed Income Obligations under which an MPS has either an ongoing function, such as debt trustee, servicer of collateral for asset–backed debt, or the potential for liability, such as under representations or warranties made by an MPS with respect to collateral for such asset-backed debt which the MPS originated, the taking of or refraining from taking any action by the responsible BlackRock Manager which could have a material positive or negative effect upon the MPS must be decided upon by the ECO. For purposes of this Covered Transaction, Asset-Backed Securities are not Fixed Income Obligations.

F. Purchase in an Underwriting and Holding by BlackRock Managers of Asset-Backed Securities, When an MPS is Underwriter, in the Capacity as Either a Manager or a Member of the Selling Syndicate, Trustee, or, in the Case of Asset-Backed Securities Which Are CMBS, Servicer[28]

36. The Applicants represent that BlackRock Managers in their normal course may determine that an investment in a new offering of Asset-Backed Securities treated as equity for ERISA purposes where an MPS is an underwriter, in the capacity as either a manager or a member of the selling syndicate, or trustee (or, in the case of CMBS, servicer, when the MPS serves solely as servicer and not as underwriter or trustee while being such servicer) will be a beneficial investment for Client Plans. The Applicants also represent that multiple MPSs are often ranked in the top ten underwriters for Asset-Backed Securities. Thus, the failure to obtain relief for primary market offerings due to an MPS acting as an underwriter or CMBS Servicer would have a significant impact on Client Plans. A failure to obtain relief would prevent Client Plans from investing in a large part of the Asset-Backed Securities market, resulting in tracking error for Index or Model Driven Funds and greatly reducing opportunities for Other Funds or Accounts.

37. In order for relief under the proposed exemption to be available for this transaction, the following conditions apply: (a) The conditions of Section IV.A. (Affiliated Underwritings) of the proposed exemption must be satisfied, except that (i) for purposes of the ratings requirement therein, the Asset-Backed Securities at the time of purchase must be rated in one of the three highest rating categories by a Rating Organization and none of the Rating Organizations may rate the Asset-Backed Securities lower than the third highest rating category; and (ii) in the case of Asset-Backed Securities which are CMBS and for which the MPS is servicer, the conditions of Section IV.B. (Affiliated Servicing) of the proposed exemption must be satisfied instead of the conditions of Section IV.A. (Affiliated Underwritings) of the proposed exemption (if an MPS serves in both an Affiliated Underwriting capacity and an Affiliated Servicing capacity, both Section IV.A. and Section IV.B. of the proposed exemption must be satisfied, with respect to the applicable capacity); (b) such purchase must not be made from an MPS; (c) no BlackRock Entity may be in the selling syndicate; (d) in the case of Asset-Backed Securities with respect to which either (i) an MPS has an ongoing function (such as trustee, or servicer of collateral for CMBS) or (ii) the potential for liability exists (such as under representations or warranties made by an MPS with respect to collateral for CMBS which collateral the MPS originated), the taking of or refraining from taking of any action by a responsible BlackRock Manager which could have a material positive or negative effect upon the MPS must be decided upon by the ECO;[29] and (e) the purchase must meet the conditions of an applicable "Underwriter Exemption."[30]

[26] As defined in the proposed exemption, Asset-Backed Securities means Securities which are pass-through certificates or trust certificates characterized as equity pursuant to 29 CFR 2510.3–101 that represent a beneficial ownership interest in the assets of an issuer which is a trust, with any such trust limited to (a) a single or multi-family residential or commercial mortgage investment trust, (b) a motor vehicle receivable investment trust, or (c) a guaranteed governmental mortgage pool certificate investment trust, and which entitles the holder to payments of principal, interest and/or other payments made with respect to the assets of the trust, the corpus or assets of which consist solely or primarily of secured obligations that bear interest or are purchased at a discount. For purposes of Section IV.A. of the proposed exemption, Asset-Backed Securities are treated as debt Securities.

[27] The Department has issued individual exemptions for situations where an asset manager purchases securities in an underwriting and an affiliate is trustee of the issuer. *See, e.g.,* PTE 2003–24, granted to Deutsche Bank AG and JPMorgan Chase Bank, 68 FR 48637 (August 14, 2003).

[28] Applicants note that the Department concluded under similar circumstances that relief is not necessary for the purchase of investment grade CMBS Securities on behalf of employee benefit plans during an underwriting syndicate, where the investment manager is related to an originator of one or more of the loans in the CMBS pool, once the loan originator has transferred the loans to the pool because the loan originator has no other responsibilities to the pool other than a limited repurchase obligation. *See* Notice of Proposed Exemption with respect to PTE 2008–16, 73 FR 60325, 60328 (Oct. 10, 2008).

[29] Relief is not provided in the proposed exemption for purchases of Asset-Backed Securities in the primary market if an MPS is a sponsor, swap counterparty, servicer (except in the case of CMBS), originator (except in the case of CMBS), liquidity provider, or insurer with respect to the Asset-Backed Securities. With respect to originators and CMBS, see footnote 28.

[30] As defined in the proposed exemption, "Underwriter Exemption(s)" means a group of individual exemptions granted by the Department to provide relief for the origination and operation

Continued

G. Purchase and Holding by BlackRock Managers of Equity Securities Issued by an Entity Which Is Not an MPS and Is Not a BlackRock Entity, in an Underwriting When an MPS is an Underwriter, in Either a Manager or Member Capacity, of the Selling Syndicate

38. The Applicants represent that BlackRock Managers in their normal course may determine that equity Securities issued by an independent third party where an MPS is an underwriter, in either a manager or a member capacity, of the selling syndicate will be a beneficial investment for Client Plans.

39. The Applicants estimate that the majority of the syndicated offerings that they review as potentially attractive investments for Client Plans include one or more MPS as an underwriter. Additionally, multiple MPS are often ranked in the top ten underwriters for equity securities issued in the Americas and globally. Thus, a failure to obtain relief for primary market offerings due to an MPS acting as an underwriter would deny Client Plans access to a majority of primary markets offerings for equity securities.

40. In order for relief under the proposed exemption to be available for this transaction, such purchase and holding must meet the following conditions: (a) The conditions of Section IV.A. (Affiliated Underwritings) of the proposed exemption must be satisfied; (b) such purchase must not be made from an MPS; (c) no BlackRock Entity may be in the selling syndicate; and (d) the Securities must not be Asset-Backed Securities.

H. Purchase and Sale by BlackRock Managers of Asset-Backed Securities in the Secondary Market, From or to an MPS, and/or When an MPS is Sponsor, Servicer, Originator, Swap Counterparty, Liquidity Provider, Trustee or Insurer, and the Holding Thereof

41. The Applicants represent that BlackRock Managers in their normal course may determine that the purchase in the secondary market of Asset-Backed Securities treated as equity for ERISA purposes where an MPS fills one of the captioned roles will be a beneficial investment decision for Client Plans. There may also be situations where the purchase or sale of such instruments to or from an MPS is in the interests of Client Plans.

42. The Applicants represent that multiple MPSs are significant counterparties for Asset-Backed Securities in the Secondary Market and have large businesses as sponsor, servicer, originator, swap counterparty, liquidity provider, trustee or insurer thereof. Thus, the failure to obtain relief for secondary market purchases and sales with an MPS or where an MPS is a CMBS servicer or fills one of the captioned roles would have a significant impact on Client Plans. The failure to obtain relief would prevent Client Plans from investing in a large part of the Asset-Backed Securities market, resulting in tracking error for Index or Model-Driven Funds and greatly reducing opportunities for Other Funds or Accounts.

43. In order for relief under the proposed exemption to be available for this transaction, the following conditions apply: (a) The Asset-Backed Securities are purchased from or sold to an MPS as a result of the Three Quote Process as defined in the proposed exemption; (b) regardless of from whom the BlackRock Manager purchases the Asset-Backed Securities, the purchase and holding of the Asset-Backed Security otherwise must meet the conditions of an applicable Underwriter Exemption;[31] and (c) regardless of from whom the BlackRock Manager purchased the Asset-Backed Securities, if an MPS is, with respect to such Asset-Backed Securities, a sponsor, servicer, originator, swap counterparty, liquidity provider, insurer or trustee, as those terms are utilized or defined in the Underwriter Exemption, and circumstances arise in which the taking of or refraining from taking of any action (*e.g.,* instituting legal action for breach of representation, a decision with respect to dismissing or retaining a special servicer, etc.) by the responsible BlackRock Manager could have a material positive or negative effect upon the MPS, the taking of or refraining from taking of any such action must be decided upon by the ECO.

I. Repurchase Agreements When MPS Is the Seller

44. The Applicants represent that a BlackRock Manager may transfer cash of a Client Plan to an MPS in exchange for Securities (*e.g.,* Treasuries, corporate debt, etc.). The MPS will agree to buy back the same Securities from the Client Plan at a fixed price or fixed spread at an agreed upon later date. The Securities transferred serve as collateral in the case of a default by the MPS. Applicants believe that the value to plans of engaging in repurchase transactions was tacitly recognized by the Department by including such transactions in PTE 81–8, the prohibited transaction class exemption covering certain short-term investments.[32]

45. The Applicants represent that historically a BTC cash management program has held a significant amount of Client Plan assets invested in repurchase agreements with a counterparty who is now an MPS (constituting roughly 25% of BTC's repurchase positions). Generally, these Covered Transactions are "on open," which means that they roll over automatically but are subject to termination by either party every business day. In practice, the "on open" repurchase transactions may continue indefinitely with rates changing daily to reflect market conditions as continually mutually agreed upon by the parties.

46. The Applicants further represent that there are an extremely limited number of counterparties available for these large "on open" repurchase Covered Transactions. On any given day, it is very likely that a single MPS will be the only counterparty for these overnight "on open" repurchase transactions. While BlackRock Managers may be able to find another counterparty to bid on a repurchase transaction, with like collateral and like terms, for a part of the overall amount, it is likely that only one MPS would be available as a counterparty for the full balance.

47. The Applicants represent further that on a daily basis, when such Covered Transactions roll over, another counterparty may offer a better rate than the one MPS, on that day for a partial size of the repurchase balance. Despite this rate differential, for overnight repurchase, on each business day, BlackRock Managers still need to consider whether continuing the repurchase with the MPS for some or all of the full repurchase balance is in the interests of the Client Plans. If BlackRock Managers pull part of the

of certain asset pool investment trusts and the acquisition, holding and disposition by plans of Asset-Backed Securities representing undivided interests in those trusts. Such group of individual exemptions was collectively amended by PTE 2009–31, 74 FR 59001 (Nov. 16, 2009).

[31] In Advisory Opinion 99–03A (January 25, 1999) (sometimes called the "Lawson Letter"), the Department provided that an affiliate of an ERISA fiduciary could provide sub-servicer services to a trust invested in mortgage loans without violating ERISA section 406(b) if the ERISA fiduciary could not use any of its authority or control to change or influence, in any way, compensation paid to the sub-servicer affiliate. The Applicants represent that unless and until a decision must be made which could materially affect an MPS performing one or more roles with respect to Asset-Backed Securities the reasoning articulated in the Lawson Letter should apply to such MPS roles.

[32] 46 FR 7511 (January 23, 1981); as amended, 50 FR 14043 (April 9, 1985).

trades to place with another counterparty offering a better rate on a particular day, such action can jeopardize the ability to re-place that amount with the MPS, and to continue to place large amounts with the MPS, since the MPS seeks consistent ongoing funding. Thus, over time, BlackRock Managers may continue to roll over large repurchase transactions with the MPS even though another counterparty may have offered somewhat better terms for a fraction of the repurchase amount.

48. In order for relief under the proposed exemption to be available for this transaction, the conditions of PTE 81–8 applicable to repurchase agreements, with some revisions and additional conditions, generally apply. Such revisions and additional conditions include, but are not limited to: (a) The written agreement that is referenced in Section III.A. of PTE 81–8 is required to be a standardized industry form, with the exception of certain written agreements entered into prior to the Acquisition and disclosed to the ECO; and (b) the limitation on "restricted securities" that is referenced in Section III.G. of PTE 81–8 is modified to permit Client Plans to receive Securities that are "restricted securities" within the meaning of Rule 144 under the 1933 Act, until July 31, 2010. Additionally, while this proposed exemption, consistent with PTE 81–8, provides that neither the MPS seller nor any MPS which is a member of the same MPS Group may have discretionary authority or control with respect to the investment of the Client Plan assets involved in the transaction or render investment advice (within the meaning of 29 CFR 2510.3–21(c)) with respect to such assets, it also provides an exception to such condition in the form of the 10% Rule.

49. In addition to the conditions of PTE 81–8, in order for relief under the proposed exemption to be available for this transaction, two additional conditions must be met:

(a) In the event of any dispute between a BlackRock Manager and an MPS seller involving a Covered Transaction under Section I of the proposed exemption, the IM must have the responsibility to decide whether, and if so how, BlackRock is to pursue relief on behalf of the Client Plan(s) against the MPS Seller; and

(b) At time of entry into or renewal of each Covered Transaction under this Section III.I., including both term repurchase transactions and daily renewals for "open" or "overnight" transactions, either (i) each Covered Transaction under Section III.I. of the proposed exemption, must be as a result of the Three Quote Process, or, (ii) the BlackRock Manager must determine that the yield on the proposed transaction, or the renewal thereof, is at least as favorable to the Client Plans as the yield of the Client Plan on two (2) other available transactions which are comparable in terms of size, collateral type, credit quality of the counterparty, term and rate. The methodology employed for purposes of the comparison in (ii) above must (iii) be approved in advance by the ECO Function and (iv), to the extent possible, refer to objective external data points, such as the Eurodollar overnight time deposit bid rate, the rate for repurchase agreements with U.S. government Securities, or rates for commercial paper issuances or agency discount note issuances sourced from Bloomberg, or another third party pricing service or market data provider (which providers may use different terminology to refer to these same external data points). The applicable BlackRock Manager must record a description of the comparable transactions, if reliance is placed upon same, and such data must be periodically reviewed by the ECO Function. The procedures described in this paragraph 49(b) must be designed to ensure that BlackRock Managers determine to only enter into Covered Transactions with MPS sellers which are in the interests of Plan Clients, and such procedures must be reviewed and may be commented on by the IM.

J. Responding to Tender Offers and Exchange Offers Solicited by an MPS

50. One or more of the MPS are commonly hired by issuers of securities to solicit holders of Securities regarding tender offers, exchange offers and similar transactions. In such capacity, the MPS acts as agent for its client. As the holder of trillions of dollars in Securities, the Applicants commonly receive solicitations from such agents in situations where BlackRock Managers are responsible for exercising discretion on behalf of Client Plans to respond to such solicitations. The compensation of the MPS for such services will be paid by its client, may or may not vary with the relative success of the offer, and the BlackRock Managers might or might not know how the MPS is compensated. Client Plans would suffer harm if the BlackRock Managers were unable to respond to such tender offers and exchanges.

51. In order for relief under the proposed exemption to be available for this transaction, the following conditions must be met: (a) The Client Plan pays no fees to the MPS in connection with this Covered Transaction; (b) the BlackRock Manager must submit to the ECO in advance of participation a written explanation of the reasons for such participation; and (c) the ECO Function must determine that the reasons for participation by the BlackRock Manager in the Covered Transaction are appropriate from the vantage point of the Client Plans. Effective October 1, 2010, the ECO Function must affirmatively make this determination in writing prior to the BlackRock Manager participating in the Covered Transactions under Section III.J. of the proposed exemption.

K. Purchase in Underwritings of Securities Issued by an Entity Which Is Not an MPS When the Proceeds Are Used To Repay a Debt to an MPS

52. The Applicants represent that the MPSs are very significant lenders to domestic and foreign corporate and other third party borrowers. Such third party borrowers may issue debt or equity Securities in primary market offerings. BlackRock Managers might decide that the purchase of such Securities would be in the interest of Client Plans. The proceeds of such offerings might be used by the third party issuers to repay debt owed to an MPS. BlackRock Managers purchasing such Securities in a primary market offering might or might not know whether the proceeds of the offering would be used to repay debt to an MPS. The BlackRock Managers represent that Client Plans would be harmed if they were unable to participate in primary market offerings based on the possibility that some of the proceeds may be used to repay a pre-existing debt to an MPS.

53. Relief under the proposed exemption is available for this transaction if the BlackRock Manager does not know (within the meaning of the proposed exemption) that the proceeds will be applied to the repayment of debt owed to an MPS. If the BlackRock Manager does know that proceeds of the offering will be applied to the repayment of debt owed to an MPS, the purchase of the Securities and the payment of the proceeds to the MPS qualify for relief under the proposed exemption provided that no more than twenty percent (20%) of the offering is purchased by BlackRock Managers for Client Plans, and no more than fifty percent (50%) of the offering in the aggregate is purchased by BlackRock, BlackRock Managers and other BlackRock Entities for Client Plans, other clients of BlackRock Managers, or as proprietary investments.

L. Bank Deposits and Commercial Paper

54. The Applicants represent that BlackRock Managers might decide that it would be in the interest of Client Plans to invest in certificates of deposit, time deposits or other bank deposits at an MPS, or in commercial paper issued by an MPS. The applicants believe that the potential merit of such investments was recognized by Congress in enacting the statutory prohibited transaction exemption set forth in ERISA section 408(b)(4) and by the Department in promulgating PTE 81–8.

55. The Applicants represent that the MPSs are significant issuers of high quality bank debt including certificates of deposit, time deposits, other bank deposits and commercial paper, and they are able to take large deposits on short notice. The universe of large domestic issuers of such instruments is contracting as a result of the consolidation outlined above. Thus, BlackRock believes having MPSs available to provide such instruments provides necessary liquidity and portfolio diversification to Client Plans. The MPS are recognizable, household names that Client Plans are familiar with and with which Client Plans are comfortable with BlackRock holding on behalf of Client Plans.

56. In order for relief under the proposed exemption to be available for this transaction, the following conditions must be met:

(a) With respect to Covered Transaction involving bank deposits, either (i)(A) the bank must be supervised by the United States or a State, and at the outset of the Covered Transaction or renewal thereof of, such bank must have a credit rating in one of the top two (2) categories by at least one of the Rating Organizations; (B) neither the bank nor an affiliate of the bank may have discretionary authority or control with respect to the investment of Client Plan assets involved in the Covered Transaction or render investment advice (within the meaning of 29 CFR 2510.3–21(c)) with respect to those assets; and (C) such deposit must bear a reasonable interest rate, or (ii) the BlackRock Manager and the MPS must comply with ERISA section 408(b)(4);

(b) With respect to Covered Transactions involving investments in commercial paper, the conditions of PTE 81–8 applicable to commercial paper generally apply, except that the commercial paper is required to be ranked in one of the two highest rating categories of one of the Rating Organizations instead of one of the three highest rating categories of one of the Rating Organizations, as permitted under PTE 81–8; and

(c) For purposes of the Covered Transactions set forth in this Section III.L. of the proposed exemptions, (i) no BlackRock Entity shall be regarded as an affiliate of an MPS bank at which a deposit is made of Client Plan assets, nor of an MPS issuer of commercial paper in which a BlackRock Manager invests Client Plan assets, and (ii) the 10% Rule shall apply.

M. Securities Lending to an MPS

57. The Applicants represent that Securities loans, for this purpose, consist of different types of loans, "General Collateral Open Loans," "Special Open Loans," "Term Loans," and "Exclusive Loans." In the past, BGI adopted a process to ensure, in accordance with PTE 2002–46,[33] that the terms of every loan made to an affiliate of BGI (such as Barclays Capital Inc. (BCI)) were at least as favorable to the Client Plan as those of comparable arm's length transactions between unrelated parties. With effect from the date of the Acquisition, BTC has adopted the same process for loans to an MPS as previously employed with respect to loans to BCI.

58. *General Collateral (GC) Open Loans:* The Applicants represent that without regard to the identity of any given approved borrower, the large majority of Securities loans are made using an "auto borrow" functionality by which the borrower can borrow "general collateral," or very liquid Securities, in a non-negotiated manner, at a flat rate that applies to all borrowers. Accordingly, all loans of GC collateral are re-rated based on prevailing rates for the relevant Securities. An MPS may be an approved borrower.

59. *Special Open Loans:* The Applicants represent that for those loans not made using auto borrow, which involve more illiquid and thus more desirable or "special" Securities, BlackRock Managers negotiate the rebate rate individually with each borrower. The BlackRock Managers rely upon technology built into BlackRock's trading systems which shows them the rates for all other loans of the same Security to other borrowers, as well as the general market rates for that Security from third party data suppliers.

60. *Term Loans:* The Applicants represent that BTC may agree to lend a specific Security, Securities (a basket), or fixed notional value of non-specific Securities at a negotiated price for an agreed upon duration longer than overnight. Such term loans can be GC or Special. Term agreements with MPS borrowers must be executed at the best pricing available at the time of negotiation. Since such agreements include pricing terms for a specified period of time, they are not subject to re-pricing or comparison to other loans through the agreed upon term.

61. *Exclusive Loans:* The Applicants represent that BTC may agree to provide a single borrower with exclusive borrowing access to a fund for a fixed duration. Exclusive access is awarded to the qualified borrower with the highest bid. Income is accrued daily by charging a fee on the notional value of the fund and not related to the Securities actually borrowed, if any. Exclusive loan agreements with MPS borrowers must be executed at the best pricing available at the time of negotiation. Since such agreements include pricing terms for a specified period of time, they are not subject to re-pricing or comparison to other loans through the agreed upon duration of the agreement.

62. The Applicants represent that Open Loans, both GC and Special, to an MPS must be subject to competitive pricing comparisons on the day of execution and each day that the loans remain outstanding. All Special Open Loans are re-priced on a periodic basis as market conditions and supply/demand change. More specifically, BTC runs a daily pricing comparison report that compares all Open Loans to all borrowers, including an MPS, from its proprietary system, known as Global Loan Manager. The report highlights loans that are no longer priced in accordance with the arm's length transaction requirements of PTE 2002–46, i.e., where market conditions such as supply and demand have changed. If a loan to an MPS is not currently priced at least equal to or better than the least favorable pricing to a non-MPS, such loan is re-priced to the market pricing for such Security on the same day. If the MPS does not accept the re-price, the loan is recalled.

63. The Applicants represent that if the price of a loan is identified as not meeting the criteria described above but BlackRock traders determine that the loan is not comparable to outstanding loans with comparable non-MPS borrowers and therefore should not be re-priced, the BlackRock trader must insert comments into Global Loan Manager with a relevant explanation. This may be due to the size or other characteristics of the various trades being compared. The Global Loan Manager rate comparison report, including any such comments, will then be re-generated and stored

[33] Granted to Barclays Global Investors, N.A., 67 FR 59569 (September 23, 2002).

electronically. The regenerated report is reviewed on a regular basis (usually weekly) by the trading desk manager and signed off on by such trading desk manager; hard copies of the report are saved. The ECO performs a periodic review of this process.

64. The Applicants represent that it is generally more beneficial to have a Security on loan than not, and it may not be possible to relend the same Security to another borrower. In repricing a loan, the loan will only be re-priced to a rate that is within the range of other loans of that Security to non-MPS borrowers, and the loan will only be re-priced to a rate at which, in the BlackRock Manager's judgment, it would be more favorable to the lending Client Plan to re-price the loan at that rate than to terminate the loan.

65. The Applicants represent that based on the foregoing, ongoing loans will meet an arm's length standard but may not always remain at the absolute "best" rate in the market during the entire time the loan is outstanding. Borrowers are not fungible (*e.g.,* they don't have infinite demand for a given Security, and the willingness to pay varies by broker). Thus, rates will vary across borrowers over time, and the only way to ensure all loans to MPSs are always at the absolute best rate paid by all other borrowers would be to simply lend less to the MPS. Unfortunately, however, lending less would reduce client revenue and consequently is not in the Client Plans' interests.

66. The proposed exemption will only apply (a) to the lending of Securities by a BlackRock Manager that are assets of a Client Plan to an MPS which is a "U.S. Broker-Dealer" (as defined in the proposed exemption) or a "U.S. Bank" (as defined in the proposed exemption), provided that the conditions set forth in Section III.M.2. of the proposed exemption are met; (b) to the lending of Securities by a BlackRock Manager that are assets of a Client Plan to an MPS which is a "Foreign Broker-Dealer" (as defined in the proposed exemption) or "Foreign Bank" (as defined in the proposed exemption), provided that the conditions set forth in Sections III.M.2 and III.M.3. of the proposed exemption are met; and (c) to the payment to a BlackRock Manager of compensation for services rendered in connection with loans of Client Plan assets that are Securities to an MPS, provided that the conditions set forth in Section III.M.4. of the proposed exemption are met.

67. In order for relief under the proposed exemption to be available for Covered Transactions described in paragraphs 66(a) and (b), the conditions of Section II of PTE 2006–16 [34] shall generally apply, with some revisions and additional conditions. For example, in addition to the conditions of Section II of PTE 2006–16, the proposed exemption requires that the length of a securities loan to an MPS must not exceed a one-year term. Additionally, although the proposed exemption, consistent with PTE 2006–16, provides that neither the MPS borrower nor any MPS affiliate which is a member of the same MPS Group as the MPS borrower has or exercises discretionary authority or control with respect to the investment of the Client Plan assets involved in the transaction, or renders investment advice (within the meaning of 29 CFR 2510.3–21(c)) with respect to those assets, it also provides an exception to such condition in the form of the 10% Rule.

68. In addition to the general conditions of PTE 2006–16, in order for relief under the proposed exemption to be available for this transaction, additional conditions must be met:

(a) The written loan agreement must be a standardized industry form; provided, that, with the approval of the ECO on or about the date of the Acquisition, written loan agreements with an MPS borrower that were in effect as of the date of the Acquisition may continue to be used until there is a material modification of the same, at which time standardized industry forms must be adopted (Section III.M.2.(h));

(b) all fees and other consideration received by the Client Plan in connection with the loan of Securities must be reasonable. The identity of the currency in which the payment of fees and rebates will be made must be set forth either in the written loan agreement or the loan confirmation as agreed to by the MPS borrower and the BlackRock Manager prior to the making of the loan;

(i) Pricing of a loan to an MPS borrower must be based on rates for comparable loans of the same Security to non-MPS borrowers and third-party market data:

(A) For loans of liquid Securities (sometimes referred to as general collateral loans) an automatic system may be used to price loans so long as the resulting rate the Client Plan receives from the MPS borrower is at least as favorable to the Client Plan as the rate the BlackRock Managers are receiving for Client Plans or other clients from non-MPS borrowers of the same Security; and

(B) For purposes of pricing loans of less liquid Securities (sometimes referred to as special loans), and for purposes of determining whether to terminate or continue a loan which does not have a set term, pricing may also be based on a BlackRock trader determination that continuing the loan is in the interest of the Client Plan based on all relevant factors, including price (provided that price is within the range of prices of other loans of the same Security to comparable non-MPS borrowers by BlackRock Managers for Client Plans or other clients) and potential adverse consequences to the Client Plan of terminating the loan, provided that the pricing data used in making these decisions must be retained and made available for possible review by the ECO; and

(ii) Automatic pricing mechanisms and pricing decisions by traders must be subject to ongoing periodic review by the ECO Function, and the results of such review must be included in reports by the ECO to the IM. Specifically, the quarterly reports by the ECO to the IM must address the lending patterns of (I) illiquid Securities to the MPS borrowers from all Client Plans, including the percentage that loans of such Securities to the MPSs represent of all loans of such Securities from all Client Plans; and (II) illiquid Securities to the MPS borrowers from all Other Accounts or Funds, including the percentage that loans of such Securities to the MPSs represent of all loans of such Securities from all Other Accounts or Funds (Section III.M.2.(j));

(c) If the Securities being loaned to an MPS borrower are managed in an Index Account or Fund, or a Model-Driven Account or Fund where the Index or the Model are created or maintained by the MPS borrower, the ECO Function periodically must perform a review, no less than quarterly, of the use of such MPS-sponsored Index or Model, and the Securities loaned from such an account or fund to the MPS, which review is designed to enable a reasonable judgment as to whether the use of such Index or Model, or any changes thereto, were for the purpose of benefitting BlackRock or the MPS through the Securities lending activity described in this Section III.M. of the proposed exemption. If the ECO forms a reasonable judgment that the use of such Index or Model, or any changes thereto were for the purpose of benefitting BlackRock or the MPS, the ECO must promptly inform the IM (Section III.M.2.(p));

(d) In the event of any dispute between the BlackRock Manager on behalf of a Client Plan and an MPS borrower involving a Covered Transaction under Section III.M. of the

[34] 71 FR 63786 (Oct. 31, 2006).

proposed exemption, the IM shall decide whether, and if so, how the BlackRock Manager is to pursue relief on behalf of the Client Plan(s) against the MPS borrower (Section III.M.2.(q)); and

(e) If the Securities being loaned to an MPS borrower are managed in an Other Account or Fund, the employees of the BlackRock Manager who exercise discretionary authority or control over the Other Account or Fund shall not have access to the information regarding whether the particular Securities are on loan to an MPS, with such access limitations imposed on or about September 30, 2010 and implemented through the EPPs on or about September 30, 2010 (Section III.M.2.(q)).

69. In order for relief under the proposed exemption to be available for Covered Transactions described in paragraph 66(b), BlackRock must comply with the conditions of Section III of PTE 2006–16.

70. In order for relief under the proposed exemption to be available for Covered Transactions described in paragraph 67(c), the conditions of Section IV of PTE 2006–16 generally apply, with one revision. The proposed exemption provides that the compensation received by the BlackRock Managers must be paid under terms at least as favorable to the Client Plan as an arm's length transaction with an unrelated party.

N. To-Be-Announced Trades (TBAs) of GNMA, FHLMC or FNMA Mortgage-Backed Securities With an MPS Counterparty

71. The Applicants represent that BlackRock Managers might decide it would be advantageous to trade GNMA (as defined in the proposed exemption), FHLMC (as defined in the proposed exemption) or FNMA (as defined in the proposed exemption) mortgage-backed Securities with an MPS counterparty on a "to-be-announced" basis. A "TBA" is a contract for the purchase or sale of such agency mortgage-backed Securities to be delivered at a future agreed-upon date. The actual pool identities or the number of pools that will be delivered to fulfill the trade obligation or terms of the contract are unknown at the time of the trade but must meet the "Guidelines of Good Delivery" established by the Depository Trust & Clearing Corporation. TBA trading is based on the assumption that the specific mortgage pools which will be delivered are fungible, and thus do not need to be explicitly known at the time a trade is initiated. The TBA market for agency mortgage-backed Securities has been referred to as the most liquid, and consequently most important, secondary market for mortgage loans in the world. Given that TBAs allow institutional accounts to buy and sell mortgage exposure in a large and liquid manner, TBAs are a useful tool in furthering the investment objectives of such clients. Certain of the MPSs maintain deep franchises in the agency mortgage-backed Securities trading market. As TBAs are one of the largest and most active parts of the mortgage-backed Securities market, having the ability to trade agency mortgage-backed Securities with an MPS counterparty on a TBA basis in the ordinary course of business could significantly assist BlackRock Managers in providing high quality and competitive service to Client Plans managed by BlackRock. BlackRock Client Plans could be disadvantaged if BlackRock Managers are unable to access the platforms of the MPSs in agency mortgage-backed Securities trading.

72. The Applicants represent that while there has been concern recently with respect to public debt issued by FHLMC and FNMA and specifically whether such debt would be backed by the federal government, there has been little concern regarding default risk with respect to the FHLMC or FNMA mortgage-backed Securities. Such mortgage-backed Securities currently trade with virtually no difference on return from GNMA mortgage-backed Securities based on any perceived difference in credit quality due to the implicit guarantee of FHLMC and FNMA mortgage-backed Securities (in contrast to the explicit government guarantee of GNMA mortgage-backed Securities), as a result of recent actions by the US government. Even before those actions, any difference in return based on a perception of credit differences was minimal, in the order of two to five basis points. Furthermore, other factors, such as depth of liquidity (for example, FHLMC Securities typically have deeper liquidity than FNMA or GNMA Securities) have as great an effect, if not a greater effect, on returns as perceived credit differences.

73. In order for relief under the proposed exemption to be available for these transactions: (a) The Covered Transactions must be a result of the Three Quote Process; provided, that, solely for purposes of these transactions, firm quotes under the Three Quote Process may also include firm quotes obtained on comparable Securities, as described below, when firm quotes with respect to the applicable TBA transactions are not reasonably attainable; (b) with regard to purchases of FHLMC and FNMA mortgage-backed Securities on a TBA basis (i) the BlackRock Manager must make a determination that such Securities are of substantially similar credit quality as GNMA guaranteed governmental mortgage pool certificates; (ii) the ECO (in regular consultation with and under the supervision of the IM) must monitor the credit spread between GNMA and FHLMC/FNMA mortgage-backed Securities; and (iii) each of the ECO and the IM (independently) must have the authority and responsibility to determine whether purchases of FHLMC and/or FNMA mortgage-backed Securities on a TBA basis should not be permitted due to such credit spread, and such authority and responsibility must be reflected in the EPPs; and (c) with regard to possible delivery of underlying Securities to Client Plans, as opposed to cash settlement, the ECO Function must approve any such delivery in advance.

74. For purposes of these transactions, "comparable Securities" described in clause (a) of paragraph 73 are Securities that: (a) Are issued and/or guaranteed by the same agency, (b) have the same coupon, (c) have a principal amount at least equal to but no more than two percent (2%) greater than the Security purchased or sold, (d) are of the same program or class, and (e) either (i) have an aggregate weighted average monthly maturity within a 12-month variance of the Security purchased or sold, but in no case can the variance be more than ten percent (10%) of such aggregate weighted average maturity of the Securities purchased or sold, or (ii) meet some other comparable objective standard containing a range of variance that is no greater than that described in (i) above and that assures that the aging of the Securities is properly taken into account.[35]

O. Foreign Exchange Transactions With an MPS Counterparty

75. The BlackRock Managers represent that they frequently engage in foreign exchange transactions on behalf of Client Plans. For example, foreign exchange transactions are typically necessary to facilitate the settlement of the purchase or sale of a non-US security. The Applicants represent that the types of foreign currency Covered Transactions at issue are those described in PTE 94–20,[36] the prohibited transaction class exemption relating to certain employee benefit plan foreign exchange transactions, i.e., options, spot trades, forwards and splits.

[35] The Department has previously adopted a similar concept for "replacement" mortgage-backed Securities in the context of lending such Securities in PTE 94–88, 60 FR 483 (January 4, 1995).

[36] 59 FR 8022 (Feb. 17, 1994).

The Applicants represent that the primary market makers in foreign exchange are the largest banks in the world, and external surveys consistently rank multiple MPSs as major counterparties in this market.[37] Client Plans would be harmed if they were forced to exclude such MPS counterparties from the limited number of large banks that make markets in foreign exchange. These banks deal with each other constantly, either on behalf of themselves or their customers. The market on which these banks conduct foreign exchange transactions is called the "interbank market."

Parties transacting other than in the interbank market transact by referencing the interbank rate, which is the rate representative of the rate at which dealers in currencies (i.e., banks) are willing to transact with one another. Transacting in the actual foreign exchange interbank market is limited to dealers only, and does not include buy side firms such as investment managers. Accordingly, full transparency in terms of quotes (bids and offers) is limited to the dealers only.

76. In order for relief under the proposed exemption to be available for this transaction, the following conditions must be met: (a)(i) The Foreign Exchange Transaction must be as a result of the Three Quote Process; or (ii) the total net amount of the Foreign Exchange Transaction on behalf of Client Plans by BlackRock Managers must be greater than $1 million and the exchange rate must be within 0.5% above or below the Interbank Rate (as defined in the proposed exemption) as represented to the BlackRock Managers by the MPS; (b) the Foreign Exchange Transactions with an MPS counterparty will only involve currencies of countries that are classified as "developed" or "emerging" markets by a third party Index provider that divides national economies into "developed," "emerging" and "frontier" markets. The Index provider shall be selected by BlackRock, provided, however, the IM shall have the right to reject the Index provider in its sole discretion at any time; and (c) each Foreign Exchange Transaction complying with paragraph 76(a)(ii) must be set forth in the applicable quarterly reports of the ECO to the IM.

P. Agency Execution of Equity and Fixed Income Securities Trades and Related Clearing as Described in PTE 86–128, Including Agency Cross Trades, When the Broker Is an MPS

77. MPS broker-dealers are key brokers in both the equity and fixed income markets. For example, the NASDAQ Stock Market ranked two MPS brokers as top ten liquidity providers for September 2010.[38] The Applicants represent that: BlackRock Managers need the ability to utilize the brokerage services offered by the MPSs, especially in light of the consolidation of the financial services sector; BlackRock Managers have a long history of using MPS brokers to affect Securities trades, and to continue normal trading practices with these brokers will benefit Client Plans; and, Client Plans would be harmed if they were unable to access the liquidity provided by such MPS brokers. The proposed exemption would include the relief available under Section II of PTE 86–128,[39] the prohibited transaction class exemption for securities transactions involving employee benefit plans and broker-dealers, as if BlackRock Managers and MPS broker-dealers were "affiliates" as defined in Section I(b) of PTE 86–128; however, certain conditions would be modified, as described herein.

78. The conditions applicable to this transaction are:

(a) The MPS must be selected to perform Securities brokerage services for Client Plans pursuant to the normal brokerage placement practices, policies and procedures of the BlackRock Manager designed to ensure best execution;

(b) The conditions of PTE 86–128 set forth in the following sections of that exemption must be complied with: Section III(e); Section III(f); Section III(g)(2); and Section III(h); provided, however, that the first sentence of section III(h) of PTE 86–128 is amended for purposes of this paragraph to provide as follows: "A trustee [other than a nondiscretionary trustee] may only engage in a covered transaction with a plan that has total net assets with a value of at least $50 million and in the case of a pooled fund, the $50 million requirement will be met if fifty percent (50%) or more of the units of beneficial interest in such pooled fund are held by investors having total net assets with a value of at least $50 million." The conditions of Section III of PTE 86–128 that are not included as conditions herein are generally the conditions that would relate to actions required of, or information to be provided to, a Client Plan's independent fiduciary, and the revision to the first sentence of Section III(h) of PTE 86–128 changes the $50 million calculation to include all investors, instead of limiting such calculation to only employee benefits plans;

(c) The ECO Function must receive the information required to be provided to the "authorizing fiduciary" under Section III(e), Section III(f) and Section III(g)(2) of PTE 86–128, and the ECO must have the authority to terminate the use of the MPS as broker-dealer without penalty to Client Plans at any time;

(d) With respect to agency cross transactions described in Section III(g) of PTE 86–128 that are being effected or executed by an MPS broker, (i) neither the MPS broker effecting or executing the agency cross transaction nor any member of the same MPS Group as the MPS broker effecting or executing the agency cross transaction may have discretionary authority to act on behalf of, and/or provide investment advice to another party to the agency cross transaction which is a seller when the Client Plan is a buyer, or which is a buyer, when the Client Plan is a seller (Another Party), and (ii), the BlackRock Manager instituting the transaction for the Client Plan must not have knowledge that a BlackRock Entity has discretionary authority and/or provides investment advice to Another Party to the agency cross transaction;

(e) The exceptions in Sections IV(a), (b) and (c) of PTE 86–128 are applicable to the proposed exemption; and

(f) Notwithstanding the other conditions of Section III.P. of the proposed exemption, with respect to Client Plans which as of the date of the Acquisition had in place with BlackRock Managers either directed brokerage and/or wrap fee arrangements which required the BlackRock Managers to use an MPS as a Securities broker, BlackRock Managers may continue to use that MPS as the Securities broker for such Client Plans under the brokerage procedures in place as of the date of the Acquisition; provided that a list of all such arrangement has been provided to the ECO and no material changes are made to arrangements. This last condition is referred to herein as the "Existing Directed Brokerage and/or Wrap Fee Arrangement Exception."

[37] FX Poll: Euromoney's Annual FX Market Ranking, *http://www.Euromoney.com, http://www.euromoney.com/poll/3301/PollsAndAwards/* (last visited Jan. 31, 2011).

[38] Top Ten Liquidity Providers—December 2010, *http://www.NASDAQOMXtrader.com, http://www.nasdaqtrader.com/trader.aspx?ID=topliquidity* (last visited Jan. 28, 2011).

[39] 51 FR 41686 (November 18, 1986), as amended, 67 FR 64137 (October 17, 2002).

Q. Use by BlackRock Managers of Exchanges and Automated Trading Systems on Behalf of Client Plans

79. As outlined above, BlackRock is the largest publicly-traded U.S. investment management firm. Funds and Accounts buy, sell, or otherwise transact in securities, futures contracts, and foreign exchange to the extent contemplated by Fund or Account investment guidelines. A number of Index and Model-Driven Funds attempt to either track or outperform the index for a specific non-U.S. country or geographic region (such as Emerging Markets, World ex U.S., Asia Pacific, etc.). To do so, such Index and Model-Driven Funds must be able to buy and sell securities that are listed on the relevant non-U.S. exchanges. Additionally, a number of Index and Model-Driven Funds hold long positions in stock or bond index futures contracts to "equitize" or "bondize" dividends or other cash to be received by the Index and Model-Driven Fund (including for liquidity purposes). Foreign currency trading is a necessary adjunct to such trading. As of November 30, 2010, BlackRock managed, in the aggregate, more than $100 billion in assets for more than 100 Index and Model Driven Funds or Accounts with non-U.S. geographic benchmarks that include more than 50 countries.

The evolution of electronic trading over the last few decades has led to improvements in the trading processes within established exchanges. For example, computerized trading systems have largely replaced trading pits utilizing paper tickets as the primary execution method within numerous established exchanges. Additionally, over the last few decades a number of established Automated Trading Systems have gained widespread market acceptance for transacting in equities, fixed income obligations and foreign currency which permits BlackRock Managers to reduce the transaction costs for Client Plans.

The establishment of electronic trading over the last few decades has led to increased operational efficiencies, improved price discovery, and higher overall liquidity for plans and other investors. As financial markets have embraced electronic markets and decimal pricing, spreads have been reduced significantly. The advent of multiple execution venues for Securities and other assets encourages competition amongst market participants, driving transaction costs lower for plans and other investors.

80. The Applicants represent that one or more of the MPSs have ownership interests in one or more U.S. or non-U.S. exchanges and Automated Trading Systems. The use of such exchanges and Automated Trading Systems by BlackRock Managers increases operational efficiencies, minimizes transaction costs and improves liquidity, all of which are inherently beneficial to Client Plans. The Applicants represent that Client Plans would be harmed if they were unable to access such trading venues.

81. In order for relief under the proposed exemption to be available for this transaction, the following conditions must be met:

(a) Prior to January 1, 2011:

(i) No single MPS (together with other members of the same MPS Group) may have a greater than twenty percent (20%) ownership interest in the exchange or the ATS; and

(ii) The ECO does not make a determination, summarized in the ECO quarterly report, that a BlackRock Manager or all BlackRock Managers must discontinue such direct or indirect use of or the directing of trades to any such exchange or ATS on the basis that either the amount of use or the volume of trades is unwarranted or not in the interests of the Client Plans and their participants and beneficiaries; and

(b) From and after January 1, 2011, either:

(i) No one MPS (together with other members of the same MPS Group) may have (A) a greater than ten percent (10%) ownership interest in the exchange or ATS or (B) the BlackRock Managers do not know the level of such ownership interest; or

(ii) A BlackRock Manager knows that an MPS (together with other members of the same MPS Group) has a greater than ten percent (10%) ownership interest but no greater than twenty percent (20%) ownership interest in the exchange or ATS,

(A) The ECO makes a determination, summarized in the ECO quarterly report, that there is no reason for a BlackRock Manager or all BlackRock Managers to discontinue such direct or indirect use of or the directing of trades to any such exchange or ATS on the basis that the amount of use or the volume of trades is unwarranted or not in the interests of the Client Plans and their participants and beneficiaries, and does not make a determination that a BlackRock Manager or all BlackRock Managers must discontinue such direct or indirect use of or the directing of trades to any such exchange or ATS on the basis that the amount of use or the volume of trades is unwarranted or not in the interests of the Client Plans and their participants and beneficiaries. The IM may request any additional information relating to any such determination summarized in the ECO quarterly report and may, after consultation with the ECO, make a determination that a BlackRock Manager or all BlackRock Managers must discontinue such direct or indirect use of or the directing of trades to any such exchange or ATS on the basis that the amount of use or the volume of trades is unwarranted or not in the interests of the Client Plans and their participants and beneficiaries;

(B) The price and compensation associated with any purchases or sales utilizing such exchange or ATS must not be greater than the price and compensation associated with an arm's length transaction with an unrelated party; and

(C) All such exchanges and ATSs must be situated within the jurisdiction of the U.S. District Courts and regulated by a U.S. federal regulatory body or a U.S. federally approved self-regulatory body provided that this condition shall not apply to the direct or indirect use of or the directing of trades to an exchange in a country other than the United States which is regulated by a government regulator or a government approved self-regulatory body in such country and which involve trading in Securities (including the lending of Securities) or futures contracts.

The Applicants further request that the Department confirm that for purposes of PTE 2002–30 [40] BlackRock Entities and MPSs are not regarded as "affiliates." The Department concurs.

R. Purchases in the Secondary Market of Common and Preferred Stock Issued by an MPS by BlackRock Managers for Client Plans Invested in an Index Account or Fund, or a Model-Driven Account or Fund

82. The MPS include several issuers of publicly traded equity securities with combined market capitalizations, as of November 11, 2010, of nearly $200 billion. As a result, the Applicants represent that common or preferred stock issued by an MPS may be included as an important constituent in an Index used by an Index Fund or a Model used by Model-Driven Fund managed by a BlackRock Manager. Thus, although the purchase of Securities issued by MPSs may convey an economic benefit on the MPS, the purchase may be necessary for a portfolio to track the underlying benchmark. If Client Plans were unable to invest in such Securities, it could result in tracking error for applicable

[40] 67 FR 39069 (June 6, 2002).

funds and accounts. The Applicants believe there is a sound basis for concluding that an exemption is not necessary to acquire and hold MPS stock under such circumstances, but, given the breadth of the exemption, the Applicants believe that requesting the certitude of exemptive relief on this point is appropriate.

83. In order for relief under the proposed exemption to be available for this transaction, the following conditions must be satisfied: (a) Such purchase is for the sole purpose of maintaining quantitative conformity with the weight of such Securities prescribed by the relevant Index, for Index Accounts or Funds, or the weight of such Securities prescribed by the relevant Model, for Model-Driven Accounts or Funds, and such purchase may not exceed the purchase amount necessary for such Model or quantitative conformity; and (b) the purchases must not be made from the issuing MPS. The Existing Directed Brokerage and/or Wrap Fee Arrangement Exception applies.[41]

S. Purchase in the Secondary Market of Common and Preferred Stock Issued by an MPS by BlackRock Managers for Client Plans Invested in an Other Account or Fund

84. As stated above, the MPSs include several issuers of publicly traded equity securities with combined market capitalizations, as of November 11, 2010, of nearly $200 billion. As a result, such securities may comprise an important portion of an Other Account or Fund's investment universe. The Applicants represent that BlackRock Managers might decide that common or preferred stock of an MPS is an appropriate investment for a Client Plan account or a pooled fund that is not an Index Fund or a Model-Driven Fund. If Client Plans were unable to invest in such Securities, it could adversely result in the loss of investment opportunity for such funds and accounts.

85. In order for relief under the proposed exemption to be available for this transaction, the following conditions must be satisfied:

(a) Such purchase must not be made from the issuing MPS;

(b) The Existing Directed Brokerage and/or Wrap Fee Arrangement Exception applies with respect to this transaction as well; and

(c) With respect to such Client Plans with existing directed brokerage and/or wrap fee arrangements, the ECO Function periodically must monitor purchases of MPS stock for such Client Plans to ensure that the amount of stock of an MPS purchased for such Client Plans is not disproportionate to the amount of such stock of the same MPS purchased for Client Plans invested in Other Accounts or Funds not subject to directed brokerage and/or wrap fee arrangements;

(d) As a consequence of a purchase of MPS stock, the class of stock purchased must not constitute more than five percent (5%) of the Other Account or Fund. In the case of a Pooled Fund, the class of stock purchased and attributed to each Client Plan must not exceed five percent (5%) of such Client Plan's proportionate interest in the Pooled Fund.

(e) Aggregate daily purchases of a class of MPS stock for Client Plans must not exceed the greater of (i) fifteen percent (15%) of the aggregate average daily trading volume (ADTV) for the previous ten (10) trading days, or (ii) fifteen percent (15%) of trading volume on the date of the purchase. These volume limitations must be met on a portfolio manager by portfolio manager basis unless purchases are coordinated among portfolio managers, in which case the limitations are applied to the coordinated purchase.[42] Any coordinated purchases of the same class of MPS stock in the secondary market for Index Accounts or Funds or for Model-Driven Accounts or Funds must be taken into account when applying these ADTV limitations on purchases for an Other Account or Fund; provided, however, if coordinated purchases for Index Accounts or Funds, or for Model-Driven Accounts or Funds, would cause the fifteen percent (15%) limitation to be exceeded, BlackRock Managers can nonetheless acquire for Other Accounts or Funds up to the greater of five percent (5%) of ADTV for the previous ten (10) trading days or five percent (5%) of trading volume on the day of the Covered Transaction. For purposes of this paragraph 85(e), cross trades of MPS equity Securities which comply with an applicable statutory or administrative prohibited transaction exemption are not taken into account; and

(f) The ECO Function must monitor the volume limits on purchases of MPS stock described in paragraph 85(e) and must provide a monthly report to the IM with respect to such purchases and limits. The IM shall impose lower volume limitations and take other appropriate action with respect to such purchases if the IM determines on the basis of these reports by the ECO and publicly available information materially related to the trading of the Securities of an MPS on its primary listing exchange (or market) that the purchases described have a material positive impact on the market price for such Securities.

T. The Provision of Custodial, Administrative and Similar Ministerial Services by an MPS for a Client Plan as a Consequence of a BlackRock Manager Exercising Investment Discretion on Behalf of the Client Plan or Rendering Investment Advice to the Client Plan

86. The Applicants represent that MPSs commonly provide custodial, administrative and similar ministerial services (e.g., collective fund custodial services, recordkeeping, etc.) to numerous entities, including plans and ERISA look-through entities, and BlackRock Managers may decide that retaining an MPS to provide custodial or administrative services is in the interests of Client Plans.

87. In order for relief under the proposed exemption to be available for this transaction, the proposed exemption provides that (a) the terms of such service are comparable to those a Client Plan would receive in an arm's length transaction with an unrelated party and (b) the ECO approves in advance and in writing (which may include electronic communication if retrievable by the ECO) the choice or recommendation of the MPS by the BlackRock Manager and the terms of the services, including but not limited to, the associated fees.[43]

U. Purchases, Sales and Holdings by BlackRock Managers for Client Plans of Commercial Paper Issued by ABCP Conduits, When an MPS Has One or More Roles

88. The Applicants represent that in the past, the BGI cash management program purchased and sold, and at present and in the future BTC and other BlackRock Managers may purchase and sell, significant amounts of commercial paper for Client Plans through

[41] BlackRock Managers may rely on other exemptive relief, whether statutory, class or individual, when acquiring stock of an MPS for Client Plans under either Section III.R. or Section III.S. of the proposed exemption through an MPS broker, including the issuing MPS.

[42] For example, if two portfolio managers send their purchase orders to the same trading desk and the traders on that trading desk coordinate the purchases of the same MPS equity Securities, the limitations apply to the trading desk.

[43] The Applicants did not request relief, and the Department agrees that such a request would be unnecessary, in situations where such services are performed for Client Plans at the direction of a Client Plan fiduciary independent of a BlackRock Entity (or an MPS) if neither BlackRock (nor an MPS) renders "investment advice" in connection with such determination.

commercial paper conduits, with respect to some of which an MPS, such as BOA, acts as the program administrator, placement agent, liquidity provider and/or credit support provider.

89. The Applicants represent that an ABCP Conduit is a special purpose vehicle that acquires assets from one or more originators and issues commercial paper to provide funding to the originator(s). Conduits are typically administered by a bank which provides liquidity support (standing ready to purchase the conduit's commercial paper if it cannot be rolled over) and/or credit support (committing to cover losses in the event of default). The program administrator also typically acts as placement agent for the commercial paper, sometimes together with one or more other placement agents.

90. The Applicants represent that commercial paper issued by a conduit may be purchased directly from the program administrator or other placement agent, or traded on the secondary market with another broker-dealer making a market in the Securities.

91. If an MPS acts as program administrator and placement agent in a conduit, the MPS is compensated as follows: (a) In the case of asset-backed commercial paper purchased directly from the MPS in its capacity as placement agent, the MPS receives a fee, typically five basis points; and (b) in the case of asset-backed commercial paper purchased from another broker-dealer, the MPS receives a fee (the amount of which is not made public) in connection with its services as program administrator, or as a provider of credit and/or liquidity support.

92. A BlackRock Manager might determine it is in the interest of Client Plans to purchase commercial paper in a primary offering directly from the placement agent(s) or trade in the secondary market with the placement agent(s) or another broker-dealer that makes a market in the Securities. In ABCP Conduits where an MPS is a program administrator, or is providing liquidity and/or credit support, the role(s) of the MPS might give rise to prohibited transactions on the part of BlackRock Managers, whether the BlackRock Manager purchases directly from the MPS or from another broker-dealer. In many cases there will not be three counterparties with which the BlackRock Manager can trade such Securities. In particular, in the case of purchases in the primary offering, the Securities frequently can only be purchased from the administrator (e.g., an MPS), acting as the placement agent. There may be only one placement agent (e.g., an MPS). If there is more than one placement agent, they will all offer the Securities in the primary offering at the same price. As a practical matter, there are many circumstances where there will not be competing prices for these Securities even in the secondary market. As in the case of repurchase agreements, a BlackRock Manager is able to determine the competitiveness of pricing of the ABCP Conduit commercial paper by reference to prevailing rates above Treasuries for comparable short-term money market instruments rated in the same category.

93. In order for relief under the proposed exemption to be available for this transaction, the following conditions are applicable:

(a)(i) The Client Plan must not be an MPS Plan of the MPS with whom the purchase or sale takes place, or an MPS Plan of another member of the same MPS Group as such MPS; and (ii) the Client Plan must not be an MPS Plan of an MPS which is acting in a continuing capacity, or an MPS Plan of another member of the same MPS Group as such MPS; and (iii) no MPS described in paragraphs 93(a)(i) or (ii), or another member of the same MPS Group as such MPS, has discretionary authority or control with respect to the Client Plan assets involved in the Covered Transaction or renders investment advice (within the meaning of 29 CFR 2510.3–21(c)) with respect to such assets; however, the 10% Rule applies;

(b) The commercial paper must have a stated maturity date of nine months or less from the date of issue, exclusive of days of grace, or must be a renewal of an issue of commercial paper the maturity of which is likewise limited;

(c) At the time it is acquired, the commercial paper must be ranked in the highest rating category by at least one of the Rating Organizations;

(d) If the seller or purchaser of the ABCP Conduit commercial paper is an MPS and/or an MPS performs a continuing role with respect to the Securities, secondary market purchases and sales must be pursuant to the Three Quote Process, provided that, for purposes of this transaction, firm quotes on comparable short-term money market instruments rated in the same category may be used as quotes for purposes of the Three Quote Process; and

(e) If an MPS performs a continuing role and there is a default, the taking of or refraining from taking of any action by the responsible BlackRock Manager which could have a material positive or negative effect upon the MPS must be decided upon by the IM.

94. The Applicants further request that the Department confirm that, for purposes of Section III.U. of the proposed exemption, no BlackRock Entity is to be regarded as an affiliate of any MPS. The Department concurs.

V. Purchase, Holding and Disposition by BlackRock Managers for Client Plans of Shares of Exchange-Traded Open-End Investment Companies Registered Under the 1940 Act (ETF) Managed by BlackRock Managers

95. The BlackRock Managers may serve as investment advisers to ETFs. For example, the BlackRock Managers serve as the investment adviser to the iShares® family of ETFs, one of the nation's largest ETF families. The Applicants represent that investment in ETFs is becoming increasingly more popular. If Client Plans were unable to invest in such ETFs, they would be unable to take advantage of both a beneficial investment opportunity and an important tool with which to manage liquidity.

96. The Applicants observe that BGI applied for and was granted an individual prohibited transaction exemption, PTE 2008–1, 73 FR 3274 (January 17, 2008), which, among other relief, permits BGI (now, BTC) and its investment advisory affiliates to acquire for ERISA and FERSA clients, shares of ETFs managed by BTC or an affiliate of BTC. PTE 2008–1 was patterned on PTE 77–4,[44] the prohibited transaction class exemption for certain transactions between investment companies and employee benefit plans. The Summary of Facts and Representations in the related proposal of PTE 2008–12 [45] describes in detail how trading in ETFs takes place, including the process by which Creation Shares are acquired.

97. The Applicants represent that should BlackRock Managers acquire or sell for Client Plans shares of ETFs managed by BTC or another BlackRock Manager, no material benefit accrues to the BlackRock Manager managing the ETF in question, as its assets under management are not thereby increased, with the possible exception of when the purchase of the ETF shares constitutes or results in new Creation Shares.

98. In order for relief under the proposed exemption to be available for this transaction,[46] the following conditions apply:

[44] 42 FR 18732 (April 8, 1977).

[45] See Proposed Exemption, Application No. D–11318, 72 FR 51668 (September 10, 2007).

[46] The grant of the exemptive relief provided in Section III.V. of the proposed exemption does not preclude compliance with and use of PTE 77–4 or PTE 2008–1 granted to Barclays Global Investors, N.A.

(a)(i) The BlackRock Manager must purchase such ETF shares from or through a person other than an MPS or a BlackRock Entity; and (ii) no purchase shall be exempt under the proposed exemption if the BlackRock Manager portfolio manager acting for the Client Plan knows (within the meaning of the proposed exemption) or should know that the shares to be acquired for Client Plans are Creation Shares, or that the purchase for Client Plans will result in new Creation Shares; and

(b) Notwithstanding paragraph 98(a)(i), the Existing Directed Brokerage and/or Wrap Fee Arrangement Exception applies. Additionally, the ECO Function periodically monitors purchases of Securities to ensure that the amount of BlackRock-managed ETF shares purchased for Client Plans under this paragraph 98(b) is not disproportionate to the amount of BlackRock-managed ETF shares purchased for Client Plans pursuant to paragraph 98(a) under the brokerage arrangement in place as of the date of the Acquisition.

W. Investment of Assets of MPS Plans in a BlackRock Bank-Maintained Common or Collective Trust as of the Date of the Acquisition—Fees Paid Outside the Trust

99. The Applicants represent that as of the Acquisition, one or more MPS Plans was invested in one or more BTC bank collective trust funds under an arrangement where the fees owed to BTC by these MPS Plans are paid directly to BTC by the MPS Plans, not out of the assets of the bank collective trust fund. These investments in the BTC funds, at the time they were made, were selected by fiduciaries of the MPS Plans as being in the interests of such Client Plans and their participants and beneficiaries when no relationship existed between BGI and the MPSs that might be viewed as affecting the best judgment of the fiduciaries of the MPS Plans. All such fees are paid at BTC's standard rates, or at negotiated rates discounted from BTC's standard rates. The proposed exemption would permit continuation of these investments, subject to certain conditions.

100. With respect to MPS Plans invested in Pooled Funds as of the date of the Acquisition, which Pooled Funds are common or collective trusts maintained by BTC, and in connection with which investments such MPS Plans pay management fees directly to BlackRock Managers, relief under the proposed exemption will be available until the earliest of (a) termination of the investment in the Pooled Fund, (b) transition of the fee arrangement to one under which the BlackRock Manager's fees are paid from assets of the Pooled Fund or by the MPS Plan sponsor, or (c) December 31, 2010 (Unwind Period 2) if the following conditions are met:

(a) The fees paid by such MPS Plans to the BlackRock Managers during Unwind Period 2 are neither more than reasonable compensation nor significantly more than fees paid to the BlackRock Managers by other, comparable Client Plans invested in such Pooled Funds which are not MPS Plans;

(b) The MPS Plans must not pay to BlackRock Managers during Unwind Period 2 any type of fee or other compensation that was not charged to or otherwise borne by MPS Client Plans investors in the Pooled Fund as of the date of the Acquisition; and

(c) During Unwind Period 2 the IM must review the investment by the MPS Plans in the Pooled Fund; all fees paid by the affected MPS Plans to BlackRock Managers must be disclosed to the IM; the IM must review the offering documents for the Pooled Funds and any advisory or management agreements with BlackRock Managers; and any material change in the terms and conditions of the investment by the affected MPS Plans in the Pooled Fund, including but not limited to changes to fees paid to BlackRock Managers or the terms of the advisory or management agreements with BlackRock Managers, must be promptly disclosed to the IM and be subject to the IM's written approval. Further, during Unwind Period 2, each such MPS Plan may terminate its investment in the Pooled Fund upon no more than thirty (30) days notice and without incurring a redemption fee paid to a BlackRock Manager.

X. Purchase, Holding and Disposition of BlackRock Equity Securities in the Secondary Market by BlackRock Managers for an Index Account or Fund, or a Model-Driven Account or Fund, Including Buy-Ups [47]

101. BlackRock is an issuer of equity Securities with a significant market capitalization. As a result, the Applicants represent that common or preferred Securities issued by BlackRock may be included as a component in an Index used by an Index Fund or a Model-Driven Fund managed by a BlackRock Manager. Thus, the purchase of Securities issued by BlackRock may be necessary for a portfolio to track the underlying benchmark. If Client Plans were unable to invest in such Securities, it could result in tracking error for applicable funds and accounts. It is not clear to the Applicants that an exemption is necessary to purchase or hold BlackRock Securities under such circumstances, but, given the breadth of the exemption, the Applicants believe requesting the certitude of exemptive relief on this point is appropriate.

102. In order for relief under the proposed exemption to be available for this transaction, the following conditions apply:

(a) The acquisition, holding and disposition of the BlackRock Securities must be for the sole purpose of maintaining quantitative conformity with the weight of such Securities prescribed by the relevant Index, for Index Accounts or Fund, or the weight of such Securities prescribed by the relevant Model, for Model-Driven Accounts or Funds, and such purchase may not exceed the purchase amount necessary for such Model or quantitative conformity;

(b) Any acquisition of BlackRock Securities must not involve any agreement, arrangement or understanding regarding the design or operation of the account or fund acquiring the BlackRock Securities which is intended to benefit BlackRock or any party in which BlackRock may have an interest; and

(c) With respect to an acquisition of BlackRock Securities by such an account or fund which constitutes a Buy-Up (*see* footnote 47):

(i) The acquisition must be made on a single trading day from or through one broker-dealer, which broker-dealer is not an MPS or a BlackRock Entity; provided, however, that if the volume condition in paragraph 102(c)(iv) below cannot be satisfied in a single trading day, the acquisition must be completed in as few trading days as possible in compliance with such volume

[47] "Buy-Up" means an initial acquisition of Securities issued by BlackRock by a BlackRock Manager, if such acquisition exceeds one percent (1%) of the aggregate daily trading volume for such Security, for an Index Account or Fund, or a Model-Driven Account or Fund which is necessary to bring the fund's or account's holdings of such Securities either to its capitalization-weighted or other specified composition in the relevant Index, as determined by the organization maintaining such Index, or to its correct weighting as determined by the Model. In non-Buy-up situations, the Applicants believe that a BlackRock Manager should be able to purchase, hold and dispose of BlackRock Securities in an Index/Model-Driven Account or Fund for the purpose of maintaining the proper benchmark weight without the need for additional exemptive relief. BlackRock requests relief for non-Buy-Up situations subject only to Sections III.X.1. and 2. of the proposed exemption for the avoidance of any issues about the necessity for such relief in particular circumstances. The Department is not opining on the need for such relief herein.

limitation and such trades must be reviewed by the ECO and reported to the IM;

(ii) Based upon the best available information, the acquisition must not be the opening transaction of a trading day and must not be made in the last half hour before the close of the trading day;

(iii) The price paid by the BlackRock Manager must not be higher than the lowest current independent offer quotation, determined on the basis of reasonable inquiry from broker-dealers who are not MPSs or BlackRock Entities;

(iv) Aggregate daily purchases must not exceed fifteen percent (15%) of aggregate average daily trading volume for the Security, as determined by the greater of (A) the trading volume for the Security occurring on the applicable Recognized Securities Exchange and/or Automated Trading System on the date of the transactions, or (B) the aggregate average daily trading volume for the Security occurring on the applicable Recognized Securities Exchange and/or Automated Trading System for the previous ten (10) trading days, both based on the best information reasonably available at the time of the transaction. These volume limitations must be applied on a portfolio manager by portfolio manager basis unless purchases of BlackRock Securities are coordinated by the portfolio managers or trading desks, in which case the limitations are aggregated for the coordinating portfolio managers or trading desks. Provided further, if BlackRock, without Client Plan direction or consent, initiates a new Index Account or Fund, or Model-Driven Account or Fund on its own accord, with BlackRock Securities included therein, the volume restrictions for such new account or fund must be determined by aggregating all portfolio managers purchasing for such new account or fund. Cross trades of BlackRock Securities which comply with an applicable statutory or administrative prohibited transaction exemption are not included in the amount of aggregate daily purchases to which the limitations of this paragraph apply; [48]

(v) All purchases and sales of BlackRock Securities must occur either (A) on a Recognized Securities Exchange, (B) through an Automated Trading System operated by a broker-dealer that is not a BlackRock Entity and is either registered under the 1934 Act, and thereby subject to regulation by the Securities and Exchange Commission, or subject to regulation and supervision by the Securities and Futures Authority of the UK or another applicable regulatory authority, which provides a mechanism for customer orders to be matched on an anonymous basis without the participation of a broker-dealer, or (C) through an Automated Trading System that is operated by a Recognized Securities Exchange, pursuant to the applicable securities laws, and provides a mechanism for customer orders to be matched on an anonymous basis without the participation of a broker-dealer; and

(vi) The ECO must design acquisition procedures for BlackRock Managers to follow in Buy-Ups, which the IM approves in advance of the commencement of any Buy-Up, and the ECO Function must monitor BlackRock Manager's compliance with such procedures.

Y. Acquisition by BlackRock Managers of Financial Guarantees, Indemnities and Similar Protections for Client Plans From MPSs

103. The Applicants represent that BlackRock Managers in the past have provided and in some cases currently have in place for Client Plans financial guarantees, indemnification arrangements or similar instruments providing protection to the Client Plans against various possible losses or risks, such as an indemnification arrangement to protect against the consequences of a counterparty default. On occasion, these arrangements were and are provided to Client Plans by means of a contract or similar funding arrangement with a third party, and in some cases that third party can be an MPS. These guarantees, indemnification arrangements and similar instruments do not exist as a freestanding commitment constituting the sole relationship between BlackRock and the Client Plan; instead, they are features or additions to a more fundamental relationship, such as the retention of a BlackRock Manager as a discretionary asset manager, or in connection with a Client Plan investment in a commingled vehicle sponsored and/or managed by a BlackRock Manager. The terms of these arrangements benefit Client Plans, and independent Client Plan fiduciaries must agree to the terms of the arrangement, including, if provided through a third party, the identity of the third party.

104. In order for relief under the proposed exemption to be available for this transaction, the following conditions apply: (a) The terms of the arrangement (including the identity of the provider) must be approved by a fiduciary of the Client Plan which is independent of the MPS providing such protection or an MPS which is a member of the same MPS Group as such MPS and of BlackRock; (b) the compensation owed the MPS under the arrangement must be paid by a BlackRock Entity and not paid out of the assets of the Client Plan; (c) in the event a Client Plan or the ECO concludes an event has occurred which should trigger the obligations of the MPS under the arrangement, and the MPS disagrees to any material extent, the IM must determine the steps the BlackRock Manager must take to protect the interests of the Client Plan; and (d) the MPS providing the arrangement must be capable of being sued in United States courts, has contractually agreed to be subject to litigation in the United States with respect to any matter relating to Section III.Y. of the proposed exemption, and must have sufficient assets in the United States to honor its commitments under the arrangement.

Affiliated Underwritings and Affiliated Servicing

105. Several of the Covered Transactions set forth above include in their conditions requirements regarding affiliated underwriting and affiliated servicing. Because the conditions associated therewith apply to multiple Covered Transactions, the specific conditions for Affiliated Underwritings and Affiliated Servicing are set forth in this paragraph 105. In order for relief under the proposed exemption to be available, the following conditions must be met for an Affiliated Underwriting:

Affiliated Underwritings

(a) The Securities to be purchased must be either—

(i) Part of an issue registered under the 1933 Act. If the Securities to be purchased are part of an issue that is exempt from such registration requirement, such Securities must be:

(A) Issued or guaranteed by the United States or by any person controlled or supervised by and acting as an instrumentality of the United States pursuant to authority granted by the Congress of the United States,

(B) Issued by a bank,

(C) Exempt from such registration requirement pursuant to a federal statute other than the 1933 Act, or

(D) The subject of a distribution and are of a class which is required to be registered under section 12 of the 1934 Act, and are issued by an issuer that has been subject to the reporting requirements of section 13 of the 1934 Act for a period of at least ninety (90)

[48] Such trades are priced by reference to market prices, and, thus, they generally do not affect market prices.

days immediately preceding the sale of such Securities and that has filed all reports required to be filed thereunder with the SEC during the preceding twelve (12) months;

(ii) Part of an issue that is an Eligible Rule 144A Offering. Where the Eligible Rule 144A Offering of the Securities is of equity securities, the offering syndicate shall obtain a legal opinion regarding the adequacy of the disclosure in the offering memorandum; or

(iii) Municipal bonds taxable by the United States, including Build America Bonds created under section 54AA of the Code or successor thereto, under which the United States pays a subsidy to the state or local government issuer, but not including Building America Bonds which provide a tax credit to investors.

(b) The Securities to be purchased must be purchased prior to the end of the first day on which any sales are made, pursuant to that offering, at a price that is not more than the price paid by each other purchaser of the Securities in that offering or in any concurrent offering of the Securities, except that—

(i) If such Securities are offered for subscription upon exercise of rights, they may be purchased on or before the fourth day preceding the day on which the rights offering terminates; or

(ii) If such Securities are debt Securities, they may be purchased at a price that is not more than the price paid by each other purchaser of the Securities in that offering or in any concurrent offering of the Securities and may be purchased on a day subsequent to the end of the first day on which any sales are made, pursuant to that offering, provided that the interest rates, as of the date of such purchase, on comparable debt Securities offered to the public subsequent to the end of the first day on which any sales are made and prior to the purchase date are less than the interest rate of the debt Securities being purchased;

(c) The Securities to be purchased must be offered pursuant to an underwriting or selling agreement under which the members of the syndicate are committed to purchase all of the Securities being offered, except if—

(i) Such Securities are purchased by others pursuant to a rights offering; or

(ii) Such Securities are offered pursuant to an over-allotment option;

(d) The issuer of the Securities to be purchased pursuant to the proposed exemption must have been in continuous operation for not less than three (3) years, including the operation of any predecessors, unless the Securities to be purchased—

(i) Are non-convertible debt Securities rated in one of the four highest rating categories by a Rating Organization; provided that none of the Rating Organizations rates such Securities in a category lower than the fourth highest rating category; or

(ii)(A) Are debt Securities issued or fully guaranteed by the United States or by any person controlled or supervised by and acting as an instrumentality of the United States pursuant to authority granted by the Congress of the United States; or

(B) Are municipal bonds taxable by the United States, including Build America Bonds created under section 54AA of the Code or successor thereto, under which the United States pays a subsidy to the state or local government issuer, but not including Building America Bonds which provide a tax credit to investors; or

(iii) Are debt Securities which are fully guaranteed by a guarantor that has been in continuous operation for not less than three (3) years, including the operation of any predecessors, provided that such guarantor has issued other Securities registered under the 1933 Act; or if such guarantor has issued other Securities which are exempt from such registration requirement, such Guarantor has been in continuous operation for not less than three (3) years, including the operation of any predecessors, and such guarantor is:

(A) A bank;

(B) An issuer of Securities which are exempt from such registration requirement, pursuant to a Federal statute other than the 1933 Act; or

(C) An issuer of Securities that are the subject of a distribution and are of a class which is required to be registered under section 12 of the 1934 Act, and are issued by an issuer that has been subject to the reporting requirements of section 13 of the 1934 Act for a period of at least ninety (90) days immediately preceding the sale of such Securities and that has filed all reports required to be filed hereunder with the SEC during the preceding twelve (12) months.

(e) The aggregate amount of Securities of an issue purchased, pursuant to the proposed exemption, by the BlackRock Manager with: (i) the assets of all Client Plans; and (ii) the assets, calculated on a *pro rata* basis, of all Client Plans investing in Pooled Funds managed by the BlackRock Manager; and (iii) the assets of plans to which the BlackRock Asset Manager renders investment advice within the meaning of 29 CFR 2510.3–21(c) must not exceed:

(i) Ten percent (10%) of the total amount of the Securities being offered in an issue, if such Securities are equity securities;

(ii) Thirty five percent (35%) of the total amount of the Securities being offered in an issue, if such Securities are Asset-Backed Securities rated in one of the three highest rating categories by at least one of the Rating Organizations; provided that none of the Rating Organizations rates such Securities in a category lower than the third highest rating category;

(iii) Thirty five percent (35%) of the total amount of the Securities being offered in an issue, if such Securities are debt Securities rated in one of the four highest rating categories by at least one of the Rating Organizations; provided that none of the Rating Organizations rates such Securities in a category lower than the fourth highest rating category; or

(iv) Twenty five percent (25%) of the total amount of the Securities being offered in an issue, if such Securities are debt Securities rated in the fifth or sixth highest rating categories by at least one of the Rating Organizations; provided that none of the Rating Organizations rates such Securities in a category lower than the sixth highest rating category; and

(v) The assets of any single Client Plan (and the assets of any Client Plans and any In-House Plans investing in Pooled Funds) must not be used to purchase any Securities being offered, if such Securities are debt Securities rated lower than the sixth highest rating category by any of the Rating Organizations;

(vi) Notwithstanding the percentage of Securities of an issue permitted to be acquired, as set forth in Sections IV.A.(5)(a)–(d) of the proposed exemption, the amount of Securities in any issue (whether equity or debt Securities or Asset-Backed Securities) purchased, pursuant to the proposed exemption, by the BlackRock Manager on behalf of any single Client Plan, either individually or through investment, calculated on a *pro rata* basis, in a Pooled Fund may not exceed three percent (3%) of the total amount of such Securities being offered in such issue, provided that a Sub-Advised Pooled Fund (as described in the proposed exemption) as a whole may purchase up to three percent (3%) of an issue; and

(vii) If purchased in an Eligible Rule 144A Offering, the total amount of the Securities being offered for purposes of determining the percentages, described in Sections IV.A.(5)(a)–(d) and (f) of the proposed exemption, is the total of:

(A) The principal amount of the offering of such class of Securities sold

by underwriters or members of the selling syndicate to QIBs; plus

(B) The principal amount of the offering of such class of Securities in any concurrent public offering.

(f) The aggregate amount to be paid by any single Client Plan in purchasing any Securities which are the subject of the proposed exemption, including any amounts paid by any Client Plan in purchasing such Securities through a Pooled Fund, calculated on a *pro rata* basis, must not exceed three percent (3%) of the fair market value of the net assets of such Client Plan, as of the last day of the most recent fiscal quarter of such Client Plan prior to such transaction, provided that a Sub-Advised Pooled Fund as a whole may pay up to one percent (1%) of fair market value of its net assets in purchasing such Securities.

(g) The covered transactions must not be part of an agreement, arrangement, or understanding designed to benefit any BlackRock Entity or MPS.

(h) Each Client Plan must have total net assets with a value of at least $50 million (the $50 Million Net Asset Requirement). For purposes of engaging in covered transactions involving an Eligible Rule 144A Offering, each Client Plan must have total net assets of at least $100 million in Securities of issuers that are not affiliated with such Client Plan (the $100 Million Net Asset Requirement).

For purposes of a Pooled Fund engaging in an Affiliated Underwriting, each Client Plan in such Pooled Fund other than a Sub-Advised Pooled Fund must have total net assets with a value of at least $50 million. Notwithstanding the foregoing, if each such Client Plan in a Pooled Fund other than a Sub-Advised Pooled Fund does not have total net assets with a value of at least $50 million, the $50 Million Net Asset Requirement will be met if fifty percent (50%) or more of the units of beneficial interest in such Pooled Fund are held by investors, each of which has total net assets with a value of at least $50 million.

For purposes of a Pooled Fund engaging in an Affiliated Underwriting involving an Eligible Rule 144A Offering, each Client Plan in such Pooled Fund other than a Sub-Advised Pooled Fund must have total net assets of at least $100 million in Securities of issuers that are not affiliated with such Client Plan. Notwithstanding the foregoing, if each such Client Plan in such Pooled Fund other than a Sub-Advised Pooled Fund does not have total net assets of at least $100 million in Securities of issuers that are not affiliated with such Client Plan, the $100 Million Net Asset Requirement will be met if fifty percent (50%) or more of the units of beneficial interest in such Pooled Fund are held by investors, each of which have total net assets of at least $100 million in Securities of issuers that are not affiliated with such investor, and the Pooled Fund itself qualifies as a QIB.

For purposes of the net asset requirements described above, where a group of Client Plans is maintained by a single employer or controlled group of employers, as defined in ERISA section 407(d)(7), the $50 Million Net Asset Requirement (or in the case of an Eligible Rule 144A Offering, the $100 Million Net Asset Requirement) may be met by aggregating the assets of such Client Plans, if the assets of such Client Plans are pooled for investment purposes in a single master trust.

(i) No more than twenty percent (20%) of the assets of a Pooled Fund, at the time of a covered transaction, may be comprised of assets of In-House Plans for which the BlackRock Manager, or a BlackRock Entity exercises investment discretion.

(j) The BlackRock Manager must be a QPAM, and, in addition to satisfying the requirements for a QPAM under section VI(a) of PTE 84–14, the BlackRock Manager must also have total client assets under its management and control in excess of $5 billion, as of the last day of its most recent fiscal year and shareholders' or partners' equity in excess of $1 million.

(k) The applicable recordkeeping requirements are set forth in Sections IV.A.11–12. of the proposed exemption.

Further, in order for relief under the proposed exemption to be available, the following conditions must be met for an Affiliated Servicing:

Affiliated Servicing

(a) The Securities must be CMBS that are rated in one of the three highest rating categories by Rating Organizations; provided that none of the Rating Organizations rates such Securities in a category lower than the third highest rating category;

(b) The purchase of the CMBS must meet the conditions of an applicable Underwriter Exemption;

(c)(i) The aggregate amount of CMBS of an issue purchased, pursuant to the proposed exemption, by the BlackRock Manager with:

(A) The assets of all Client Plans;

(B) The assets, calculated on a pro rata basis, of all Client Plans and In-House Plans investing in Pooled Funds managed by the Asset Manager; and

(C) The assets of plans to which the Asset Manager renders investment advice within the meaning of 29 CFR 2510.3–21(c) must not exceed thirty five percent (35%) of the total amount of the CMBS being offered in an issue;

(ii) Notwithstanding the percentage of CMBS of an issue permitted to be acquired, as set forth in Section IV.B.3.(a) of the proposed exemption, the amount of CMBS in any issue purchased, pursuant to the proposed exemption, by the Asset Manager on behalf of any single Client Plan, either individually or through investment, calculated on a pro rata basis, in a Pooled Fund must not exceed three percent (3%) of the total amount of such CMBS being offered in such issue; and

(iii) If purchased in an Eligible Rule 144A Offering, the total amount of the CMBS being offered for purposes of determining the percentages, described in Section IV.B.3(a) of the proposed exemption, is the total of:

(A) The principal amount of the offering of such class of CMBS sold by underwriters or members of the selling syndicate to QIBs; plus

(B) The principal amount of the offering of such class of CMBS in any concurrent public offering;

(d) The aggregate amount to be paid by any single Client Plan in purchasing any CMBS which are the subject of the proposed exemption, including any amounts paid by any Client Plan in purchasing such CMBS through a Pooled Fund, calculated on a pro rata basis, must not exceed three percent (3%) of the fair market value of the net assets of such Client Plan, as of the last day of the most recent fiscal quarter of such Client Plan prior to such transaction;

(e) The Covered Transactions under Section IV.B. (Affiliated Servicing) of the proposed exemption must not be part of an agreement, arrangement, or understanding designed to benefit any MPS; and

(f) The requirements of Sections IV.A.8. through 12. of the proposed exemption must be met.

Correction Procedures

106. The Applicants requested that isolated violations of the EPPs, or isolated violations of the proposed exemption (the latter, Violations) should not cause the entire proposed exemption to be revoked (only a persistent pattern or practice of violations of the EPPs or of the conditions might cause the proposed exemption to be revoked). The Department concurs in this request.

107. The Department's concurrence is based in part on the unique nature of the proposed exemption. The BlackRock ownership structure outlined herein is

uniquely protective of BlackRock's independence from the MPSs, and the structure of the proposed transaction is unique in its use of both an extensive internal compliance regime and an extensive external compliance regime.

108. Further, the size and scale of the proposed exemption provides a unique ability to focus BlackRock on the financial implications of noncompliance with the proposed exemption. The proposed correction procedures give BlackRock only a single opportunity to report and correct failures, thus focusing BlackRock on identifying and correcting Violations within a specific window of opportunity and thereby increasing compliance. Due to the size and scale, if BlackRock does not identify Violations accurately, it risks the imposition of a significant excise tax.

109. In such context, the Applicants and the Department concur that compliance with the proposed exemption requires that all Violations must still be completely corrected. No non-exempt prohibited transaction will be deemed to occur, however, if the Violation is completely corrected (within the meaning set out below) no later than fourteen (14) business days following the date on which the ECO submits the quarterly report to the IM for the quarter in which the Covered Transaction first became a non-exempt prohibited transaction.

110. Under the proposed exemption, the following correction procedures would apply at all times that the exemption remains in effect:

(a)(i) The ECO shall monitor Covered Transactions and shall determine whether a particular Covered Transaction constitutes a Violation. The ECO shall notify the IM within five (5) business days following the discovery of any Violation;

(ii) The ECO shall make the initial determination in writing of how to correct a Violation, with such determination disclosed to the IM within five (5) business days of initial written determination. Following the initial written determination, the ECO must keep the IM apprised on a current basis of the process of correction and must consult with the IM regarding each Violation and the appropriate form of correction. The ECO shall report the correction of the Violation to the IM within five (5) business days following completion of the correction. For purposes of Section V.A.2. of the proposed exemption, "correction" must be consistent with ERISA section 502(i) and Code section 4975(f)(5);

(iii) The IM shall determine in writing whether it agrees that the correction of a Violation by the ECO is adequate, and, if the IM does not agree with the adequacy of the correction, the IM shall have the authority to require additional corrective actions by BlackRock; and

(iv) The summary of Violations and corrections of Violations will be in the IM's annual compliance report as described in Section II.E.12 of the proposed exemption; and

(b)(i) If a Covered Transaction which would otherwise constitute a Violation is corrected under the "Special Correction Procedure," such Covered Transaction shall continue to be exempt under Section I of the proposed exemption;

(ii)(A) The Special Correction Procedure mandates a complete correction of the Violation no later than fourteen (14) business days following the date on which the ECO submits the quarterly report to the IM for the quarter in which the Covered Transaction first would become a non-exempt prohibited transaction by reason of constituting a Violation if not for Section V.B. of the proposed exemption;

(B) Solely for purposes of the Special Correction Procedure, "correction" of a Covered Transaction which would otherwise by a Violation means either:

(a) Restoring the Client Plan to the position it would have been in had the conditions of the exemption been complied with;

(b) Correction consistent with section ERISA section 502(i) and Code section 4975(f)(5); or

(c) Correction consistent with the Voluntary Fiduciary Correction Program;[49] and

(C) Other than with respect to the definition of "correction," specified above, when utilizing the Special Correction Procedure the ECO and the IM must comply with Section V.A. of the proposed exemption.

111. In summary, the Applicants represent that the exemption proposed herein will satisfy the statutory criteria of ERISA section 408(a) and Code section 4975(c)(2) because:

(a) *Administratively feasible.* The Applicants believe that the proposed exemption is administratively feasible. Most of the Covered Transactions are the subject of existing statutory and/or administrative exemptions. The conditions for relief for the Covered Transaction have been modified to reflect, on the one hand, the possible negative implication of the equity investments of the MPSs in BlackRock, and on the other hand, the circumscribed ability of the MPSs to exercise rights normally associated with such equity investments. In addition, EPPs will have been developed with the cooperation and approval of the IM; an ECO will be appointed to report on compliance with the terms of the proposed exemption and the EPPs; and the IM will review compliance reports, pass upon corrections of Violations, and if necessary, contact the Department. Granting the proposed exemption requires no additional monitoring by the Department.

(b) *In the interest of plans and participants and beneficiaries.* The Applicants believe that the proposed exemption is in the interest of plans and participants and beneficiaries because the proposed exemption would allow BlackRock Managers to continue to engage in Covered Transactions with major participants in the financial markets which are necessary and beneficial to plans and their participants and beneficiaries. While many Covered Transactions (although perhaps not all) could be engaged in with parties other than an MPS, in numerous cases such transactions would be quantitatively or qualitatively inferior to the same transactions with an MPS.

(c) *Protective of the rights of participants and beneficiaries of such plans.* Each of the Covered Transactions is protective of the rights of participants and beneficiaries because specific conditions have been tailored to their respective natures. More broadly, the rights of participants and beneficiaries are protected by the general conditions, modeled on the QPAM Exemption, that are applicable to all Covered Transaction. The general protective conditions include compensation restrictions, development of EPPs, and implementation of EPPs with the cooperation and approval of the IM. Further, the ECO will report on compliance with the proposed exemption and the EPPs, and the IM will review compliance reports, pass upon corrections of Violations, and if necessary, contact the Department.

PROPOSED EXEMPTION

Based on the facts and representations set forth in the application, the Department is considering granting the following exemption under the authority of ERISA section 408(a), Code section 4975(c)(2) and FERSA section 8477(c)(3), and in accordance with the procedures set forth in 29 CFR Part 2570, Subpart B (55 FR 32836, 32847, August 10, 1990), as follows:

SECTION I: COVERED TRANSACTIONS GENERALLY

If the proposed exemption is granted, for the period from December 1, 2009,

[49] 67 FR 15062 (March 28, 2002), as amended, 71 FR 20262 (April 19, 2006).

through the earlier of (i) the effective date of an individual exemption granting permanent relief for the following transactions, or (ii) May 31, 2011, the restrictions of ERISA sections 406(a)(1) and 406(b), FERSA sections 8477(c)(1) and (2), and the sanctions resulting from the application of Code section 4975, by reason of Code section 4975(c)(1),[50] shall not apply to the Covered Transactions set forth in Section III and entered into on behalf of or with the assets of a Client Plan; provided, that (x) the generally applicable conditions of Section II of this exemption are satisfied, and, as applicable, the transaction-specific conditions set forth below in Sections III and IV of this exemption are satisfied, or (y) the Special Correction Procedure set forth in Section V of this exemption is satisfied.

SECTION II: GENERALLY APPLICABLE CONDITIONS

A. *Compliance with the QPAM Exemption.* The following conditions of Part I of Prohibited Transaction Exemption 84–14, as amended (PTE 84–14 or the QPAM Exemption),[51] must be satisfied with respect to each Covered Transaction:

1. The BlackRock Manager engaging in the Covered Transaction is a Qualified Professional Asset Manager;

2. Except as set forth in Section III of this exemption, at the time of the Covered Transaction (as determined under Section VI(i) of the QPAM Exemption) with or involving an MPS, such MPS, or its affiliate (within the meaning of Section VI(c) of the QPAM Exemption),[52] does not have the authority to:

(a) Appoint or terminate the BlackRock Manager as a manager of the Client Plan assets involved in the Covered Transaction, or

(b) Negotiate on behalf of the Client Plan the terms of the management agreement with the BlackRock Manager (including renewals or modifications thereof) with respect to the Client Plan assets involved in the Covered Transaction;

3. (a) Notwithstanding the foregoing, in the case of an investment fund (as defined in Section VI(b) of the QPAM Exemption) in which two or more unrelated Client Plans have an interest, a Covered Transaction with an MPS will be deemed to satisfy the requirements of Section II.A.2. of this exemption if the assets of a Client Plan on behalf of which the MPS or its affiliate possesses the authority set forth in Subsections 2(a) and/or (b) above, and which are managed by the BlackRock Manager in the investment fund, when combined with the assets of other Client Plans established or maintained by the same employer (or an affiliate thereof described in section VI(c)(1) of the QPAM Exemption) or by the same employee organization, on behalf of which the same MPS possesses such authority and which are managed in the same investment fund, represent less than ten percent (10%) of the assets of the investment fund;

(b) For purposes of Section II.A.3.(a) of this exemption, and for purposes of Sections III.I.6, L.3(b), M.2.(b) and U.1. of this exemption, with respect to the assets of an MPS Plan invested in a Pooled Fund as of the date of the Acquisition, which Pooled Fund is a bank-maintained common or collective trust, such assets when aggregated with the assets of all other MPS Plans of the same MPS Group and invested in such Pooled Fund shall be deemed to constitute less than ten percent (10%) of the assets of such Pooled Fund from the date of the Acquisition through July 1, 2010 (the Unwind Period); provided, that:[53]

(i) The fees paid by such MPS Plans to BlackRock Managers during the Unwind Period are not more than reasonable compensation and are substantially the same as fees paid to the same BlackRock Managers by other, comparable Client Plans which are not MPS Plans, invested in such Pooled Fund as of the date of the Acquisition;

(ii) Such MPS Plans do not pay to the same BlackRock Managers during the Unwind Period any type of fee or other compensation that was not charged to or otherwise borne by Client Plan investors, which are not MPS Plans, in the Pooled Fund as of the date of the Acquisition;

(iii) During the Unwind Period, the IM reviews the investment by the MPS Plans in the Pooled Fund; all fees paid by the MPS Plans to BlackRock Managers are disclosed to the IM; the IM reviews the offering documents for the Pooled Funds and any advisory or management agreements with BlackRock Managers; and any material change in the terms and conditions of the investment by the MPS Plans in the Pooled Fund, including but not limited to fees paid to BlackRock Managers and the terms of the advisory or management agreements with BlackRock Managers, are promptly disclosed to the IM and are subject to the IM's approval; and

(iv) During the Unwind Period, each MPS Plan may terminate its investment in the Pooled Fund upon no more than thirty (30) days notice and without incurring a redemption fee paid to a BlackRock Manager;

4. The terms of the Covered Transaction are negotiated on behalf of the investment fund by, or under the authority and general direction of, the BlackRock Manager and either the BlackRock Manager or (so long as the BlackRock Manager retains full fiduciary responsibility with respect to the Covered Transaction) a property manager acting in accordance with written guidelines established and administered by the BlackRock Manager, makes the decision on behalf of the investment fund to enter into the Covered Transaction, provided that the Covered Transaction is not part of an agreement, arrangement or understanding designed to benefit the MPS;

5. The Covered Transaction is not entered into with an MPS which is a party in interest or disqualified person with respect to any Client Plan whose assets managed by the BlackRock Manager, when combined with the assets of other Client Plans established or maintained by the same employer (or affiliate thereof described in Section VI(c)(1) of the QPAM Exemption) or by the same employee organization, and managed by the BlackRock Manager, represent more than twenty percent (20%) of the total client assets managed by the BlackRock Manager at the time of the Covered Transaction;

6. At the time the Covered Transaction is entered into, and at the time of any subsequent renewal or modification thereof that requires the consent of the BlackRock Manager, the terms of the Covered Transaction are at least as favorable to the investment fund as the terms generally available in arm's length transactions between unrelated parties; and

7. Neither the BlackRock Manager nor any affiliate thereof (as defined in Section VI(d) of the QPAM

[50] For purposes of this proposed exemption, references to ERISA section 406 should be read to refer as well to the corresponding provisions of Code section 4975 and FERSA section 8477(c).

[51] 49 FR 9494 (Mar. 13, 1984), as amended, 70 FR 49305 (Aug. 23, 2005), and as amended, 75 FR 38837 (July 6, 2010).

[52] Solely for purposes of this Section II.A.2., no BlackRock Entity will be deemed to be an affiliate of an MPS. The Department is not making herein a determination as to whether any BlackRock Entity is an affiliate of an MPS under ERISA.

[53] For purposes of this Section II.A.3.(b), the MPS Plans of each of the MPS Groups (the PNC MPSs, the BOA MPSs, and the Barclays MPSs) are separately aggregated (e.g., all MPS Plans of BOA MPSs are aggregated together but are not aggregated with MPS Plans of Barclays MPSs or PNC MPSs).

Exemption),[54] nor any owner, direct or indirect, of a five percent (5%) or more interest in the BlackRock Manager[55] is a person who within the ten years immediately preceding the Covered Transaction has been either convicted or released from imprisonment, whichever is later, as a result of: Any felony involving abuse or misuse of such person's employee benefit plan position or employment, or position or employment with a labor organization; any felony arising out of the conduct of the business of a broker, dealer, investment adviser, bank, insurance company or fiduciary; income tax evasion; any felony involving the larceny, theft, robbery, extortion, forgery, counterfeiting, fraudulent concealment, embezzlement, fraudulent conversion, or misappropriation of funds or securities; conspiracy or attempt to commit any such crimes or a crime in which any of the foregoing crimes is an element; or any other crime described in ERISA section 411. For purposes of this section, a person shall be deemed to have been "convicted" from the date of the judgment of the trial court, regardless of whether that judgment remains under appeal.

B. *Compensation.* None of the employees of a BlackRock Manager receive any compensation that is based on any Covered Transaction having taken place between Client Plans and any of the MPSs (as opposed to with another institution that is not an MPS). The fact that a specific Covered Transaction occurred with an MPS as opposed to a non-MPS counterparty is ignored by BlackRock and BlackRock Managers for compensation purposes. None of the employees of BlackRock or a BlackRock Manager receive any compensation from BlackRock or a BlackRock Manager which consists of equity Securities issued by an MPS, which fluctuates in value based on changes in the value of equity Securities issued by an MPS, or which is otherwise based on the financial performance of an MPS independent of BlackRock's performance, provided that this condition shall not fail to be met because the compensation of an employee of a BlackRock Manager fluctuates with the value of a broadly-based index which includes equity Securities issued by an MPS.

C. *Exemption Policies and Procedures.* BlackRock adopts and implements Exemption Policies and Procedures (EPPs) which address each of the types of Covered Transactions and which are designed to achieve the goals of: (1) Compliance with the terms of the exemption, (2) ensuring BlackRock's decision-making with respect to the Covered Transactions on behalf of Client Plans with MPSs or BlackRock Entities is done in the interests of the Client Plans and their participants and beneficiaries, and (3) to the extent possible, verifying that the terms of such Covered Transactions are at least as favorable to the Client Plans as the terms generally available in arm's length transactions with unrelated parties. The EPPs are developed with the cooperation of both the Exemption Compliance Officer (ECO) and the Independent Monitor (IM), and such EPPs are subject to the approval of the IM. The EPPs need not address transactions which are not within the definition of the term Covered Transactions.

Transgressions of the EPPs which do not result in Violations require correction only if the amount involved in the transgression and the extent of deviation from the EPPs is material, taking into account the amount of Client Plan assets affected by such transgressions (EPP Corrections). The ECO will make a written determination as to whether such transgressions require EPP Correction, and, if the ECO determines an EPP Correction is required, the ECO will provide written notice to the IM of the EPP Correction. The ECO will provide summaries for the IM of any such EPP Corrections as part of the quarterly report referenced in Section II.D.11.

D. *Exemption Compliance Officer.* BlackRock appoints an Exemption Compliance Officer (ECO) with respect to the Covered Transactions. If the ECO resigns or is removed, BlackRock shall appoint a successor ECO within a reasonable period of time, not to exceed thirty (30) days, which successor shall be subject to the affirmative written approval of the IM. With respect to the ECO, the following conditions shall be met:

1. The ECO is a legal professional with at least ten years of experience and extensive knowledge of the regulation of financial services and products, including under ERISA and FERSA;

2. A committee made up exclusively of members of the Board who are independent of BlackRock and the MPSs determines the ECO's compensation package, with input from the general counsel of BlackRock; the ECO's compensation is not set by BlackRock business unit heads, and there is no direct or indirect input regarding the identity or compensation of the ECO from any MPS;

3. The ECO's compensation is not based on performance of any BlackRock Entity or MPS, although a portion of the ECO's compensation may be provided in the form of BlackRock stock or stock equivalents;

4. The ECO can be terminated by BlackRock only with the approval of the IM;

5. The EPPs prohibit any officer, director or employee of BlackRock or any MPS or any person acting under such person's direction from directly or indirectly taking any action to coerce, manipulate, mislead, or fraudulently influence the ECO in the performance of his or her duties;

6. The ECO is responsible for monitoring Covered Transactions and shall determine whether Violations have occurred, and the appropriate correction thereof, consistent with the requirements of Section V of this exemption;

7. If the ECO determines a Violation has occurred, the ECO must determine why it occurred and what steps should be taken to avoid such a Violation in the future (e.g., additional training, additional procedures, additional monitoring, or additional and/or changed processes or systems);

8. The ECO is responsible for monitoring and overseeing the implementation of the EPPs. The ECO may delegate such responsibilities to the ECO Function, but the ECO will remain responsible for monitoring and overseeing the ECO Function's implementation of the EPPs. When appropriate, the ECO will recommend changes to the EPPs to BlackRock and the IM. The ECO will consult with the IM regarding the need for, timing, and form of EPP Corrections;

9. The ECO carries out the responsibilities required of the ECO described in: (a) The definition of "Index" in this exemption and (b) with respect to loans of Securities to an MPS in Section III.M. of this exemption, and carries out such other responsibilities stipulated or described in Section III of this exemption including supervision of the ECO Function;

10. The ECO, with the assistance of the ECO Function, monitors Covered Transactions and situations resulting from Covered Transactions with or involving an MPS with respect to which, because of the investment of the MPS in BlackRock, an action or inaction on the part of a BlackRock Manager might be thought to be motivated by an interest which may affect the exercise of such BlackRock Manager's best judgment as a fiduciary. If a situation is

[54] For the avoidance of doubt, all MPSs are excluded from the term "affiliate" for these purposes.

[55] For the avoidance of doubt, all MPSs are excluded from the term "owner" for these purposes.

identified by the ECO which poses the potential for a conflict, as specified in Section III, the ECO shall consult with the IM, or refer decision-making to the discretion of the IM;

11. The ECO provides a quarterly report [56] to the IM summarizing the material activities of the ECO for the preceding quarter and setting forth any Violations discovered during the quarter and actions taken to correct such Violations. With respect to Violations, the ECO report details changes to process put in place to guard against a substantially similar Violation occurring again, and recommendations for additional training, additional procedures, additional monitoring, or additional and/or changed processes or systems or training changes and BlackRock management's actions on such recommendations. In connection with providing the quarterly report for the second quarter and fourth quarter of each year, upon the request of the IM, the ECO and the IM shall meet in person to review the content of the report. Other members of the ECO Function may attend such meetings at the request of either the ECO or the IM;

12. In each quarterly report, the ECO certifies in writing to his or her knowledge that (a) the quarterly report is accurate; (b) BlackRock's compliance program is working in a manner which is reasonably designed to prevent Violations; (c) any Violations discovered during the quarter and the related corrections taken to date have been identified in the report; and (d) BlackRock has complied with the EPPs in all material respects;

13. No less frequently than annually, the ECO certifies to the IM as to whether BlackRock has provided the ECO with adequate resources, including, but not limited to, adequate staffing of the ECO Function, and, in connection with the quarterly report for the fourth quarter of each year, the ECO shall identify to the IM those BlackRock Managers that relied upon this exemption during the prior year and those that he reasonably anticipates relying on this exemption during the current year; and

14. The ECO provides any further information regarding Covered Transactions reasonably requested by the IM.

E. *Independent Monitor.* BlackRock retains an Independent Monitor (IM) with respect to the Covered Transactions. If the IM resigns or is removed, BlackRock shall appoint a successor IM within a reasonable period of time, not to exceed thirty (30) days. The IM:

1. Agrees in writing to serve as IM, and he or she is independent within meaning of Section VI (OO);

2. Approves the ECO selected by BlackRock, and as part of the approval process and annually thereafter approves in general terms the reasonableness of the ECO's compensation, taking into account such information as the IM may request of BlackRock and which BlackRock must supply, and approves any termination of the ECO by BlackRock;

3. Assists in the development of, and the granting of written approval of, the EPPs and any material alterations of the EPPs by determining that they are reasonably designed to achieve the goals of (a) compliance with the terms of the exemption, (b) ensuring BlackRock's decision-making with respect to Covered Transactions on behalf of Client Plans with MPSs or BlackRock Entities is done in the interests of the Client Plans and their respective participants and beneficiaries and, (c) requiring, to the extent possible, verification that the terms of such Covered Transactions are at least as favorable to the Client Plans as the terms generally available in comparable arm's length transactions with unrelated parties;

4. Consults with the ECO regarding the need for, timing and form of any EPP Corrections. The IM has the responsibilities with respect to corrections of Violations, as set forth in Section V of this Exemption. In response to EPP Corrections or Violations, the IM considers whether, and must have the authority, to require further sampling, testing or corrective action if necessary;

5. Exercises discretion for Client Plans in situations specified in Section III of this exemption where BlackRock Managers may be thought to have conflicts;

6. Performs certain monitoring functions described in Section III, and carries out the responsibilities required of the IM, as set forth in the definition of "Index" in this exemption, and with respect to loans of Securities to an MPS as set forth in Section III.M. of this exemption, and carries out such other responsibilities stipulated in Section III of this exemption;

7. Reviews the quarterly reports of the ECO, obtains and reviews representative samples of the data underlying the quarterly reports of the ECO, and, if the IM deems it appropriate, obtains additional factual information on either an ad hoc basis or on a systematic basis;

8. Reviews the certifications of the ECO as to whether (a) the quarterly report is accurate; (b) BlackRock's compliance program is working in a manner which is reasonably designed to prevent Violations; (c) any Violations discovered during the quarter and the related corrections taken to date have been identified in the report; (d) BlackRock has complied with the EPPs in all material respects; and (e) BlackRock has provided the ECO with adequate resources, including, but not limited to, adequate staffing of the ECO Function;

9. Determines, on the basis of the information supplied to the IM by BlackRock and the ECO, whether there has occurred a pattern or practice of insufficient diligence in adhering to the EPPs and/or the conditions of the exemption, and if such a determination is made, reports the same to the Department, and informs BlackRock and the ECO of any such report;

10. Determines whether the purchases of equity Securities issued by an MPS on behalf of Client Plans that are Other Accounts or Funds by a BlackRock Manager has had a positive material impact on the market price for such Securities, notwithstanding any volume limitations imposed by Section III.S. of the exemption and/or imposed by the IM with respect to such equity Securities. The IM makes this determination based upon its review of the relevant monthly reports required by the exemption with respect to such Covered Transactions provided by the ECO and publicly available information materially related to the trading of the Securities of an MPS on its primary listing exchange (or market);

11. Issues an annual compliance report,[57] to be timely delivered to (i) the Chairman of the Board, (ii) the Chief Executive Officer of BlackRock and (iii) the General Counsel of BlackRock. The annual compliance report shall be based on a review of the EPPs, the quarterly reports provided by the ECO, any transactions reviewed by the IM as well as any additional information the IM requests from BlackRock, and certifying to each of the following (or describing any exceptions thereto) that:

(a) The EPPs are reasonably designed to achieve the goals of (i) compliance with the terms of the exemption, (ii) ensuring BlackRock's decision-making with respect to Covered Transactions on behalf of Client Plans with MPSs or BlackRock Entities is done in the interests of the Client Plans and the respective participants and

[56] The first quarterly report will cover a 4-month period ending March 31, 2010.

[57] The first annual compliance report will cover the 13-month period ending December 31, 2010.

beneficiaries, and (iii) requiring to the extent possible, verification that the terms of any Covered Transaction are at least as favorable to Client Plans as the terms generally available in comparable arm's length transactions with unrelated parties;

(b) The EPPs and the other terms of the exemption were complied with, with any material exceptions duly noted;

(c) The IM has made the determination referred to in Section II.E.9. and the results of that determination;

(d) BlackRock has provided the ECO with adequate resources, including but not limited to adequate staffing of the ECO Function; and

(e) The compensation package for the ECO for the prior year is reasonable;

12. The annual compliance report of the IM, as described in Section II.E.11., shall contain a summary of Violations, any corrections of Violations required by the IM and/or the ECO at any time during the prior year. In addition, the IM further certifies that BlackRock correctly implemented the prescribed corrections, based in part on certification from the ECO; and

13. The annual compliance report of the IM shall also be timely delivered by the IM to the chief executive officer, the general counsel and the members of the boards of directors of each of the BlackRock Managers identified to the IM by the ECO as having relied upon this exemption during the prior year and those that the ECO reasonably anticipates will be relying on this exemption during the current year. The copies of the compliance report described in this Section II.E.13. shall be accompanied by a cover letter from the IM calling the attention of the recipients to any violations, material exceptions to compliance with the EPPs, or other shortfalls in compliance with the exemption to assist such officers and directors in carrying out their respective responsibilities.

F. *Special Notice Provisions.* A Special Notice containing (i) a notice of all of the conditions for relief under Sections III.C., E., F., G., Q., R., S. and V. and (ii) a copy of the Notice to Interested Parties must be provided to affected Client Plans in writing (which may be provided by U.S. mail or electronically, including by e-mail or use of a centralized electronic mailbox, so long as such electronic communication is reasonably calculated to result in the applicable Client Plan's receipt) as soon as practical, but no later than fifteen (15) days, following the date that the Notice to Interested Persons is provided to Client Plans generally, through publication in the Federal Register. As soon as practical following the Special Notice, a Client Plan fiduciary independent of any BlackRock Entity must be provided any additional material information regarding Covered Transactions described in Sections III.C., E., F., G., Q., R., S. and V. by the applicable BlackRock Manager on reasonable request; provided, that, solely for purposes of this subsection, the fiduciary of an In-House Plan is not required to be independent of any BlackRock Entity.

SECTION III: COVERED TRANSACTIONS

A. *Continuing Transactions.* Relief under Section I of this exemption is available for Type B Covered Transactions and Type C Covered Transactions and the unwind, settlement or other termination thereof provided that:

1. A list of all Type B Covered Transactions and all Type C Covered Transactions (the B and C List) as of the date of the Acquisition is prepared by BlackRock and provided to the ECO.

2. Any discretionary act by a BlackRock Manager with respect to a transaction on the B and C List is approved in advance in writing by the ECO. Such approval is required for, but not limited to, sales and other transfers to a third party, redemptions, the exercise of options, and the declaration of default or other credit impairment-driven decisions. The ECO must determine that the terms of such discretionary act are in the interests of the affected Client Plans.

3. The ECO Function periodically monitors outstanding transactions on the B and C List to inquire if an affirmative discretionary act, such as a credit driven action, would be appropriate. If the ECO makes such a determination, the ECO must direct the action be taken and must approve the terms thereof as being in the interests of the affected Client Plans.

4. The ECO Function sends to the IM an updated copy of the B and C List as of the end of each fiscal quarter summarizing the Type B Covered Transactions and Type C Covered Transactions remaining at the end of the quarter and any discretionary actions taken during the quarter by BlackRock Managers with respect to such transactions.

5. Upon the determination by the IM that an action taken with respect to a Type B Covered Transactions or Type C Covered Transaction was inappropriate or that the compensation the Client Plans received was inadequate, or that an action should have been taken but was not, the Client Plans are made whole by BlackRock.

B. *Purchases and Holdings by BlackRock Managers of Fixed Income Obligations Issued by an MPS in an Underwriting on Behalf of Client Plans Invested in an Index Account or Fund, or in a Model-Driven Account or Fund.* Relief under Section I of this exemption is available for a purchase and holding by BlackRock Managers of Fixed Income Obligations issued by an MPS in an underwriting on behalf of Client Plans for an Index Account or Fund, or a Model-Driven Account or Fund, provided that:

1. Such purchase is for the sole purpose of maintaining quantitative conformity with the weight of such Securities prescribed by the relevant Index, for Index Accounts or Funds, or the weight of such Securities prescribed by the relevant Model, for Model-Driven Accounts or Funds; and such purchase may not exceed the purchase amount necessary for such Model or quantitative conformity;

2. Such purchase is not made from any MPS;

3. No BlackRock Entity is in the selling syndicate;

4. After purchase, the responsible BlackRock Manager notifies the ECO if circumstances arise in which an action or inaction on the part of the BlackRock Manager regarding an MPS Fixed Income Obligation so acquired might be thought to be motivated by an interest which may affect the exercise of such BlackRock Manager's best judgment as a fiduciary, and complies with decisions of the ECO regarding the taking, or the refraining from taking, of actions in such circumstances; and

5. After purchase, any decision regarding conversion of an MPS Fixed Income Obligation into equity in the MPS is made by the IM.

C. *Purchase and Holding by BlackRock Managers of Fixed Income Obligations Issued by an MPS in an Underwriting on Behalf of Client Plans Invested in an Other Account or Fund.* Relief under Section I of this exemption is available for a purchase and holding by BlackRock Managers of Fixed Income Obligations issued by an MPS in an underwriting on behalf of Client Plans invested in an Other Account or Fund provided that:

1. The conditions of Section IV.A. of this exemption are satisfied, except that for purposes of Section IV.A.4.(a) and Section IV.A.5.(c), the MPS-issued Fixed Income Obligations at the time of purchase must be rated in one of the three highest rating categories by a Rating Organization and none of the Rating Organizations may rate the Fixed

Income Obligations lower than in the third highest rating category;

2. Such purchase is not made from an MPS;

3. No BlackRock Entity is in the selling syndicate;

4. After purchase, the responsible BlackRock Manager notifies the ECO if circumstances arise in which an action or inaction on the part of the BlackRock Manager regarding an MPS Fixed Income Obligation so acquired might be thought to be motivated by an interest which may affect the exercise of such BlackRock Manager's best judgment as a fiduciary, and complies with decisions of the ECO regarding the taking, or the refraining from taking, of actions in such circumstances;

5. After purchase, any decision regarding conversion of an MPS Fixed Income Obligation into equity in the MPS is made by the IM; and

6. Special Notice of all of the foregoing conditions for relief under this Section III.C. must be provided in accordance with the terms of Section II.F.

D. *Certain Transactions in the Secondary Market by BlackRock Managers of Fixed Income Obligations Including Fixed Income Obligations Issued by or Traded With an MPS.* Relief under Section I of this exemption is available for a purchase or sale in the secondary market or the holding by BlackRock Managers on behalf of Client Plans of (i) Fixed Income Obligations issued by an MPS or (ii) Fixed Income Obligations issued by a third party but purchased or sold to an MPS, provided that:

1. The Fixed Income Obligations are purchased from or sold to an MPS as a result of the Three Quote Process.

2. With respect to Fixed Income Obligations that are issued by an MPS and are purchased and held by a BlackRock Manager for a Client Plan—

(a) The purchase of the Fixed Income Obligation issued by an MPS is not made from the issuing MPS;

(b) After purchase, the responsible BlackRock Manager notifies the ECO if circumstances arise in which an action or inaction on the part of the BlackRock Manager regarding an MPS Fixed Income Obligation so acquired might be thought to be motivated by an interest which may affect the exercise of such BlackRock Manager's best judgment as a fiduciary, and complies with the decisions of the ECO regarding the taking, or the refraining from taking, of actions in such circumstances;

(c) After purchase, any decision regarding conversion of an MPS Fixed Income Obligation into equity in the MPS is made by the IM; and

(d) If purchased for an Index Account or Fund, or a Model-Driven Account or Fund, such purchase is for the sole purpose of maintaining quantitative conformity with the weight of such Securities prescribed by the relevant Index, for Index Accounts or Funds, or the weight of such Securities prescribed by the relevant Model, for Model-Driven Accounts or Funds and such purchase may not exceed the purchase amount necessary for such Model or quantitative conformity.

3. With respect to Fixed Income Obligations (whether or not issued by an MPS) held by a BlackRock Manager for a Client Plan under which an MPS has an ongoing function, such as servicing of collateral for asset-backed debt, or the potential for liability, such as under representations or warranties made by an MPS with respect to collateral for such asset-backed debt which the MPS originated, the taking of or refraining from taking any action by the responsible BlackRock Manager which could have a material positive or negative effect upon the MPS is decided upon by the ECO.

4. For purposes of this Section III.D., Asset-Backed Securities are not Fixed Income Obligations.

E. *Purchase in an Underwriting and Holding by BlackRock Managers of Fixed Income Obligations Issued by a Third Party when an MPS is Underwriter, in Either a Manager or a Member Capacity, or Debt Trustee.* Relief under Section I of this exemption is available for the purchase and holding by BlackRock Managers of Fixed Income Obligations issued by third parties in an underwriting when an MPS is an underwriter, in either a manager or a member capacity, or debt trustee under the Fixed Income Obligation, provided that:

1. The conditions of Section IV.A. are satisfied;

2. Such purchase is not made from an MPS;

3. No BlackRock Entity is in the selling syndicate; and

4. With respect to Fixed Income Obligations under which an MPS has either an ongoing function, such as debt trustee, servicer of collateral for asset–backed debt, or the potential for liability, such as under representations or warranties made by an MPS with respect to collateral for such asset-backed debt which the MPS originated, the taking of or refraining from taking any action by the responsible BlackRock Manager which could have a material positive or negative effect upon the MPS is decided upon by the ECO.

5. For purposes of this Section III.E., Asset-Backed Securities are not Fixed Income Obligations.

6. Special Notice of all of the foregoing conditions for relief under this Section III.E. must be provided in accordance with the terms of Section II.F.

F. *Purchase in an Underwriting and Holding by BlackRock Managers of Asset-Backed Securities, When an MPS is an Underwriter, in the Capacity as Either a Manager or a Member of the Selling Syndicate, Trustee, or, in the Case of Asset-Backed Securities Which Are CMBS, Servicer.* Relief under Section I of this exemption is available for the purchase and holding by BlackRock Managers of Asset-Backed Securities issued in an underwriting where an MPS is (i) an underwriter, in the capacity as either a manager or a member of the selling syndicate, (ii) trustee, or (iii), solely in the case of Asset-Backed Securities which are CMBS, servicer, when the MPS serves solely as servicer and not as an underwriter or trustee while being such servicer, of securitized obligations, provided that:

1. The conditions of Section IV.A. are satisfied, except that (a) for purposes of Section IV.A.4.(a), the Asset-Backed Securities at the time of purchase must be rated in one of the three highest rating categories by a Rating Organization and none of the Rating Organizations may rate the Asset-Backed Securities lower than the third highest rating category and (b) in the case of Asset-Backed Securities which are CMBS and for which the MPS is servicer, the conditions of Section IV.B. are satisfied instead of the conditions of Section IV.A.;

2. Such purchase is not made from an MPS;

3. No BlackRock Entity is in the selling syndicate;

4. In the case of Asset-Backed Securities with respect to which an MPS has either an ongoing function, such as trustee, servicer of collateral for CMBS, or the potential for liability, such as under representations or warranties made by an MPS with respect to collateral for CMBS which collateral the MPS originated, the taking of or refraining from taking of any action by a responsible BlackRock Manager which could have a material positive or negative effect upon the MPS is decided upon by the ECO;

5. The purchase meets the conditions of an applicable Underwriter Exemption; and

6. Special Notice of all of the foregoing conditions for relief under this Section III.F. must be provided in

accordance with the terms of Section II.F.

G. *Purchase and Holding by BlackRock Managers of Equity Securities Issued by an Entity Which is not an MPS and is Not a BlackRock Entity, in an Underwriting when an MPS is an Underwriter, in Either a Manager or a Member Capacity.* Relief under Section I of this exemption is available for the purchase and holding by BlackRock Managers of Equity Securities issued by an entity which is not an MPS and which is not a BlackRock Entity in an underwriting when an MPS is an underwriter, in either a manager or a member capacity, provided that:

1. The conditions of Section IV.A. are satisfied;

2. Such purchase is not made from an MPS;

3. No BlackRock Entity is in the selling syndicate;

4. The Securities are not Asset-Backed Securities; and

5. Special Notice of all of the foregoing conditions for relief under this Section III.G. must be provided in accordance with the terms of Section II.F.

H. *Purchase and Sale by BlackRock Managers of Asset-Backed Securities in the Secondary Market, from or to an MPS, and/or when an MPS is Sponsor, Servicer, Originator, Swap Counterparty, Liquidity Provider, Trustee or Insurer, and the Holding Thereof.* Relief under Section I of this exemption is available for a sale of Asset-Backed Securities by a BlackRock Manager to an MPS, or the purchase of Asset-Backed Securities by BlackRock Managers from an MPS and the holding thereof, and/or any such purchase or sale in the secondary market or holding when an MPS is a sponsor, a servicer, an originator, a swap counterparty, a liquidity provider, a trustee or an insurer, provided that:

1. If the Asset-Backed Securities are purchased from or sold to an MPS, the purchase or sale is as a result of the Three Quote Process.

2. Regardless of from whom the BlackRock Manager purchases the Asset-Backed Securities, the purchase and holding of the Asset-Backed Security otherwise meets the conditions of an applicable Underwriter Exemption.

3. Regardless of from whom the BlackRock Manager purchased the Asset-Backed Securities, if an MPS is, with respect to such Asset-Backed Securities, a sponsor, servicer, originator, swap counterparty, liquidity provider, insurer or trustee, as those terms are utilized or defined in the Underwriter Exemptions, and circumstances arise in which the taking of or refraining from taking of any action by the responsible BlackRock Manager could have a material positive or negative effect upon the MPS, the taking of or refraining from taking of any such action is decided upon by the ECO.

I. *Repurchase Agreements when MPS is the Seller.* Section I of this exemption applies to an investment by a BlackRock Manager of Client Plan assets which involves the purchase or other acquisition, holding, sale, exchange or redemption by or on behalf of a Client Plan of a repurchase agreement (or Securities or other instruments under cover of a repurchase agreement) in which the seller of the underlying Securities or other instruments is an MPS which is a bank supervised by the United States or a State, a broker-dealer registered under the 1934 Act, or a dealer who makes primary markets in Securities of the United States government or any agency thereof, or in banker's acceptances, and reports daily to the Federal Reserve Bank of New York its positions with respect to these obligations, provided that each of the following conditions are satisfied:

1. The repurchase agreement is embodied in, or is entered into pursuant to a written agreement. Such written agreement must be a standardized industry form; provided, that with the approval of the ECO on or about the date of the Acquisition, written agreements with an MPS that were in effect as of the date of the Acquisition may continue to be used until there is a material modification of the same, at which time standardized industry forms must be adopted;

2. The repurchase agreement has a term of one year or less;

3. The Client Plan receives interest no less than that which it would receive in a comparable arm's length transaction with an unrelated party;

4. The Client Plan receives Securities, banker's acceptances, commercial paper or certificates of deposit having a market value equal to not less than one hundred percent (100%) of the purchase price paid by the Client Plan;

5. Upon expiration of the repurchase agreement and return of the Securities or other instruments to the seller, the seller transfers to the Client Plan an amount equal to the purchase price plus the appropriate interest;

6. Neither the MPS seller nor any MPS which is a member of the same MPS Group has discretionary authority or control with respect to the investment of the Client Plan assets involved in the transaction or renders investment advice (within the meaning of 29 CFR 2510.3–21(c)) with respect to such assets. This Section III.I.6. shall be deemed satisfied notwithstanding the investment of assets of an MPS Plan of the MPS which is the seller under such repurchase agreement in a Pooled Fund as of the date of the Acquisition, which Pooled Fund is a bank-maintained common or collective trust, provided that such assets, when aggregated with the assets of all other MPS Plans of the same MPS Group as that of the MPS seller and invested in such Pooled Fund, at all times since the date of the Acquisition, constitute or are deemed pursuant to Section II.A.3.(b) to constitute less than ten percent (10%) of the assets of such Pooled Fund;

7. The Securities, banker's acceptances, commercial paper or certificates of deposit received by the Client Plan:

(a) Could be acquired directly by the Client Plan in a transaction not covered by this Section III.I. without violating ERISA sections 406(a)(1)(E), 406(a)(2) or 407(a); and

(b) If the Securities are subject to the provisions of the 1933 Act, they are obligations that are not "restricted securities" within the meaning of Rule 144 under the 1933 Act; provided, that, such restricted securities are permitted until July 31, 2010.

8. If the market value of the underlying Securities or other instruments falls below the purchase price at any time during the term of the agreement, the Client Plan may, under the written agreement required by Section III.I.1., require the MPS seller to deliver, by the close of business on the following business day (as such term is defined for purposes of the relevant written agreement), additional Securities or other instruments the market value of which, together with the market value of Securities or other instruments previously delivered or sold to the Client Plan under the repurchase agreement, equals at least one hundred percent (100%) of the purchase price paid by the Client Plan.

9. If the MPS seller does not deliver additional Securities or other instruments as required above, the Client Plan may terminate the agreement, and, if upon termination or expiration of the agreement, the amount owing is not paid to the Client Plan, the Client Plan may sell the Securities or other instruments and apply the proceeds against the obligations of the MPS seller under the agreement, and against any expenses associated with the sale.

10. The MPS seller agrees to furnish the Client Plan with the most recent available audited statement of its

financial condition as well as its most recent available unaudited statement, agrees to furnish additional audited and unaudited statements of its financial condition as they are issued and either: (a) Agrees that each repurchase agreement transaction pursuant to the agreement shall constitute a representation by the MPS seller that there has been no material adverse change in its financial condition since the date of the last statement furnished that has not been disclosed to the Client Plan with whom such written agreement is made; or (b) prior to each repurchase agreement transaction, the MPS seller represents that, as of the time the transaction is negotiated, there has been no material adverse change in its financial condition since the date of the last statement furnished that has not been disclosed to the Client Plan with whom such written agreement is made.

11. In the event of termination and sale as described in Section III.I.9., the MPS seller pays to the Client Plan the amount of any remaining obligations and expenses not covered by the sale of the Securities or other instruments, plus interest at a reasonable rate.

12. If an MPS seller involved in a repurchase agreement covered by this exemption fails to comply with any condition of this exemption in the course of engaging in the repurchase agreement, the BlackRock Manager who caused the plan to engage in such repurchase agreement shall not be deemed to have caused the plan to engage in a transaction prohibited by ERISA sections 406(a)(1)(A) through (D) or ERISA section 406(b), Code section 4975, or FERSA section 8477(c) solely by reason of the MPS seller's failure to comply with the conditions of the exemption.

13. In the event of any dispute between a BlackRock Manager and an MPS seller involving a Covered Transaction under this Section III.I., the IM has the responsibility to decide whether, and if so how, BlackRock is to pursue relief on behalf of the Client Plan(s) against the MPS Seller.

14. At time of entry into or renewal of each Covered Transaction under this Section III.I., including both term repurchase transactions and daily renewals for "open" or "overnight" transactions, either (a) each Covered Transaction under this Section III.I., is as a result of the Three Quote Process, or, (b) the BlackRock Manager determines that the yield on the proposed transaction, or the renewal thereof, is at least as favorable to the Client Plans as the yield of the Client Plan on two (2) other available transactions which are comparable in terms of size, collateral type, credit quality of the counterparty, term and rate. The methodology employed for purposes of the comparison in (b) above must (c) be approved in advance by the ECO Function and (d), to the extent possible, refer to objective external data points, such as the Eurodollar overnight time deposit bid rate, the rate for repurchase agreements with U.S. government Securities, or rates for commercial paper issuances or agency discount note issuances sourced from Bloomberg, or another third party pricing service or market data provider (which providers may use different terminology to refer to these same external data points). The applicable BlackRock Manager must record a description of the comparable transactions, if reliance is placed upon same, and such data must be periodically reviewed by the ECO Function. The procedures described in this Section III.I.14. must be designed to ensure that BlackRock Managers determine to only enter into Covered Transactions with MPS sellers which are in the interests of Plan Clients, and such procedures must be reviewed and may be commented on by the IM.

J. *Responding to Tender Offers and Exchange Offers Solicited by an MPS.* Relief under Section I of this exemption is available for participation by BlackRock Managers on behalf of Client Plans in tender offers or exchange offers or similar transactions where an MPS acts as agent for the entity (which entity may not be an MPS) making the offer, provided that:

1. The Client Plan pays no fees to the MPS in connection with this Covered Transaction;

2. The BlackRock Manager submits to the ECO in advance of participation a written explanation of the reasons for such participation; and

3. The ECO Function determines that the reasons for participation by the BlackRock Manager in the Covered Transaction are appropriate from the vantage point of the Client Plans. Effective as of October 1, 2010, the ECO Function must affirmatively make this determination in writing prior to the BlackRock Manager participating in the Covered Transactions under this Section III.J.

K. *Purchase in Underwritings of Securities Issued by an Entity Which is not an MPS when the Proceeds are Used to Repay a Debt to an MPS.* Relief under Section I of this exemption is available for the purchase by BlackRock Managers of Securities in underwritings issued by an entity which is not an MPS, but where the proceeds of the offering are used to repay a debt owed to an MPS, and the payment of such proceeds to the MPS, provided that the BlackRock Manager does not know that the proceeds will be applied to the repayment of debt owed to an MPS. If the BlackRock Manager does know that proceeds of the offering will be applied to the repayment of debt owed to an MPS, the purchase of the Securities and the payment of the proceeds to the MPS are exempt under Section I of this exemption provided that no more than twenty percent (20%) of the offering is purchased by BlackRock Managers for Client Plans, and no more than fifty percent (50%) of the offering in the aggregate is purchased by BlackRock, BlackRock Managers and other BlackRock Entities for Client Plans, other clients of BlackRock Managers, or as proprietary investments.

L. *Bank Deposits and Commercial Paper.* Relief under Section I of this exemption is available for an investment by a BlackRock Manager of Client Plan assets which involves the purchase or other acquisition, holding, sale, exchange or redemption by or on behalf of a Client Plan of certificates of deposit, time deposits or other bank deposits at an MPS, or in commercial paper issued by an MPS, provided that:

1. With respect to bank deposits, either:

(a)(i) The bank is supervised by the United States or a State, and at the outset of the Covered Transaction or renewal thereof of, such bank has a credit rating in one of the top two (2) categories by at least one of the Rating Organizations; (ii) neither the bank nor an affiliate of the bank has discretionary authority or control with respect to the investment of Client Plan assets involved in the Covered Transaction or renders investment advice (within the meaning of 29 CFR § 2510.3–21(c)) with respect to those assets; and (iii) such deposit bears a reasonable interest rate, or—

(b) The BlackRock Manager and the MPS comply with ERISA section 408(b)(4).

2. With respect to commercial paper:

(a) The Client Plan is not an MPS Plan of the MPS issuing the commercial paper;

(b) The commercial paper has a stated maturity date of nine (9) months or less from the date of issue, exclusive of days of grace, or is a renewal of an issue of commercial paper the maturity of which is likewise limited;

(c) Neither the MPS issuer of the commercial paper, any MPS guarantor of the commercial paper, nor any member of the same MPS Group as such MPS issuer or guarantor has discretionary authority or control with

respect to the investment of the Client Plan assets involved in the Covered Transaction or renders investment advice (within the meaning of 29 CFR § 2510.3–21(c)) with respect to those assets; and

(d) At the time it is acquired, the commercial paper is ranked in one of the two (2) highest rating categories by at least one of the Rating Organizations.

3. For purposes of the Covered Transactions set forth in this Section III.L.:

(a) No BlackRock Entity shall be regarded as an affiliate of an MPS bank at which a deposit is made of Client Plan assets, nor of an MPS issuer of commercial paper in which a BlackRock Manager invests Client Plan assets, and

(b) Section III.L.1.(a)(ii) and Sections III.L.2.(a) and (c) shall be deemed satisfied notwithstanding the investment of assets of an MPS Plan of the MPS which is the depository bank or issuer of commercial paper in a Pooled Fund as of the date of the Acquisition, which Pooled Fund is a bank-maintained common or collective trust, provided that such assets when aggregated with the assets of all other MPS Plans of the same MPS Group as the issuer of such asset and invested in such Pooled Fund, at all times since the date of the Acquisition, constitute or are deemed pursuant to Section II.A.3.(b) to constitute less than ten percent (10%) of such Pooled Fund.

M. *Securities Lending to an MPS.*

1. Relief under Section I of this exemption is available for:

(a) The lending of Securities by a BlackRock Manager that are assets of a Client Plan to an MPS which is a U.S. Broker-Dealer or a U.S. Bank provided that the conditions set forth in Section III.M.2. are met;

(b) The lending of Securities by a BlackRock Manager that are assets of a Client Plan to an MPS which is a Foreign Broker-Dealer or Foreign Bank; provided that, the conditions set forth in Section III.M.2. and Section III.M.3. below are met; and

(c) The payment to a BlackRock Manager of compensation for services rendered in connection with loans of Client Plan assets that are Securities to an MPS; provided that, the conditions set forth in Section III.M.4. below are met.

2. General Conditions for Transactions Described in Sections III.M.1.(a) and (b).

(a) The length of a Securities loan to an MPS does not exceed one year in term.

(b) Neither the MPS borrower nor any MPS which is a member of the same MPS Group as the MPS borrower has or exercises discretionary authority or control with respect to the investment of the Client Plan assets involved in the transaction, or renders investment advice (within the meaning of 29 CFR 2510.3–21(c)) with respect to those assets. This Section III.M.2.(b) shall be deemed satisfied notwithstanding the investment of the assets of an MPS Plan of the MPS which is the borrower under such Securities lending transaction in a Pooled Fund as of the date of the Acquisition, which Pooled Fund is a bank-maintained common or collective trust, provided that such assets when aggregated with the assets of all other MPS Plans of the same MPS Group as that of the MPS borrower and invested in such Pooled Fund, at all times since the date of the Acquisition, constitute or are deemed pursuant to Section II.A.3.(b) to constitute less than ten percent (10%) of the assets of such Pooled Fund.

(c) The Client Plan receives from the MPS borrower by the close of the BlackRock Manager's business on the day in which the Securities lent are delivered to the MPS,

(i) U.S. Collateral having, as of the close of business on the preceding business day, a market value, or, in the case of bank letters of credit, a stated amount, equal to not less than one hundred percent (100%) of the then market value of the Securities lent; or

(ii) Foreign Collateral having as of the close of business on the preceding business day, a market value, or, in the case of bank letters of credit, a stated amount, equal to not less than:

(x) One hundred two percent (102%) of the then market value of the Securities lent as valued on a Recognized Securities Exchange or an Automated Trading System on which the Securities are primarily traded if the collateral posted is denominated in the same currency as the Securities lent, or

(y) One hundred five percent (105%) of the then market value of the Securities lent as valued on a Recognized Securities Exchange or an Automated Trading System on which the Securities are primarily traded if the collateral posted is denominated in a different currency than the Securities lent.

(d) Notwithstanding the foregoing, if the BlackRock Manager is a U.S. Bank or U.S. Broker-Dealer, and such BlackRock Manager indemnifies the Client Plan with respect to the difference, if any, between the replacement cost of the borrowed Securities and the market value of the collateral on the date of a borrower default, the Client Plan receives from the MPS borrower by the close of the BlackRock Manager's business on the day in which the Securities lent are delivered to the borrower, Foreign Collateral having as of the close of business on the preceding business day, a market value, or, in the case of bank letters of credit, a stated amount, equal to not less than:

(i) One hundred percent (100%) of the then market value of the Securities lent as valued on a Recognized Securities Exchange or an Automated Trading System on which the Securities are primarily traded if the collateral posted is denominated in the same currency as the Securities lent; or

(ii) One hundred one percent (101%) of the then market value of the Securities lent as valued on a Recognized Securities Exchange or an Automated Trading System on which the Securities are primarily traded if the collateral posted is denominated in a different currency than the Securities lent and such currency is denominated in Euros, British pounds, Japanese yen, Swiss francs or Canadian dollars; or

(iii) One hundred five percent (105%) of the then market value of the Securities lent as valued on a Recognized Securities Exchange or an Automated Trading System if the collateral posted is denominated in a different currency than the Securities lent and such currency is other than those specified above.

(e)(i) If the MPS borrower is a U.S. Bank or U.S. Broker-Dealer, the Client Plan receives such U.S. Collateral or Foreign Collateral from the MPS borrower by the close of the BlackRock Manager's business on the day in which the Securities are delivered to the MPS borrower. Such collateral is received by the Client Plan either by physical delivery, wire transfer or by book entry in a Securities depository located in the United States, or,

(ii) If the MPS borrower is a Foreign Bank or Foreign Broker-Dealer, the Client Plan receives U.S. Collateral or Foreign Collateral from the MPS borrower by the close of the BlackRock Manager's business on the day in which the Securities are delivered to the borrower. Such collateral is received by the Client Plan either by physical delivery, wire transfer or by book entry in a Securities depository located in the United States or held on behalf of the Client Plan at an Eligible Securities Depository. The indicia of ownership of such collateral shall be maintained in accordance with section 404(b) of ERISA and 29 CFR 2550.404b–1.

(f) Prior to making of any such loan, the MPS borrower shall have furnished the BlackRock Manager with:

(i) The most recent available audited statement of the MPS borrower's financial condition, as audited by a United States certified public accounting firm or in the case of an MPS borrower that is a Foreign Broker-Dealer or Foreign Bank, a firm which is eligible or authorized to issue audited financial statements in conformity with accounting principles generally accepted in the primary jurisdiction that governs the borrowing MPS Foreign Broker-Dealer or Foreign Bank;

(ii) The most recent available unaudited statement of its financial condition (if the unaudited statement is more recent than such audited financial statement); and

(iii) A representation that, at the time the loan is negotiated, there has been no material adverse change in its financial condition since the date of the most recent financial statement furnished to the BlackRock Manager that has not been disclosed to the BlackRock Manager. Such representations may be made by the MPS borrower's agreement that each loan shall constitute a representation by the MPS borrower that there has been no such material adverse change.

(g) The loan is made pursuant to a written loan agreement, the terms of which are at least as favorable to the Client Plan as an arm's-length transaction with an unrelated party would be. Such loan agreement states that the Client Plan has a continuing security interest in, title to, or the rights of secured creditor with respect to the collateral. Such agreement may be in the form of a master agreement covering a series of Securities lending transactions.

(h) The written loan agreement must be a standardized industry form; provided, that, with the approval of the ECO on or about the date of the Acquisition, written loan agreements with an MPS borrower that were in effect as of the date of the Acquisition may continue to be used until there is a material modification of the same, at which time standardized industry forms must be adopted.

(i) In return for lending Securities, the Client Plan:

(i) Receives a reasonable fee (in connection with the Securities lending transaction), and/or

(ii) Has the opportunity to derive compensation through the investment of the currency collateral. Where the Client Plan has that opportunity, the Client Plan may pay a loan rebate or similar fee to the MPS borrower, if such fee is not greater than the Client Plan would pay in a comparable transaction with an unrelated party.

(j) All fees and other consideration received by the Client Plan in connection with the loan of Securities are reasonable. The identity of the currency in which the payment of fees and rebates will be made is set forth either in the written loan agreement or the loan confirmation as agreed to by the MPS borrower and the BlackRock Manager prior to the making of the loan.

(i) Pricing of a loan to an MPS borrower is based on (i) rates for comparable loans of the same Security to non-MPS borrowers and (ii) third-party market data:

(x) For loans of liquid Securities (sometimes referred to as general collateral loans), an automatic system may be used to price loans so long as the resulting rate the Client Plan receives from the MPS borrower is at least as favorable to the Client Plan as the rate the BlackRock Managers are receiving for Client Plans or other clients from non-MPS borrowers of the same Security;

(y) For purposes of pricing loans of less liquid Securities (sometimes referred to as "special loans"), and for purposes of determining whether to terminate or continue a loan which does not have a set term, pricing may also be based on a BlackRock trader determination that continuing the loan is in the interest of the Client Plan based on all relevant factors, including price (provided that price is within the range of prices of other loans of the same Security to comparable non-MPS borrowers by BlackRock Managers for Client Plans or other clients) and potential adverse consequences to the Client Plan of terminating the loan, provided that the pricing data used in making these decisions is retained and made available for possible review by the ECO.

(ii) Automatic pricing mechanisms and pricing decisions by traders are subject to ongoing periodic review by the ECO Function, and the results of such review are included in reports by the ECO to the IM. Specifically, the quarterly reports by the ECO to the IM must address the lending patterns of:

(x) Illiquid Securities to the MPS borrowers from all Client Plans, including the percentage that loans of such Securities to the MPSs represent of all loans of such Securities from all Client Plans; and

(y) Illiquid Securities to the MPS borrowers from all Other Accounts or Funds, including the percentage that loans of such Securities to the MPSs represent of all loans of such Securities from all Other Accounts or Funds.

(k) The Client Plan receives the equivalent of all distributions made to holders of the borrowed Securities during the term of the loan including, but not limited to, dividends, interest payments, shares of stock as a result of stock splits and rights to purchase additional Securities;

(l) If the market value of the collateral at the close of trading on a business day is less than the applicable percentage of the market value of the borrowed Securities at the close of trading on that day (as described in this Section III.M.2.(c) of this exemption), then the MPS borrower shall deliver, by the close of business on the following business day, an additional amount of U.S. Collateral or Foreign Collateral the market value of which, together with the market value of all previously delivered collateral, equals at least the applicable percentage of the market value of all the borrowed Securities as of such preceding day.

Notwithstanding the foregoing, part of the U.S. Collateral or Foreign Collateral may be returned to the MPS borrower if the market value of the collateral exceeds the applicable percentage (described in this Section III.M.2.(c) of this exemption) of the market value of the borrowed Securities, as long as the market value of the remaining U.S. Collateral or Foreign Collateral equals at least the applicable percentage of the market value of the borrowed Securities.

(m) The loan may be terminated by the Client Plan at any time, whereupon the MPS borrower shall deliver certificates for Securities identical to the borrowed Securities (or the equivalent thereof in the event of reorganization, recapitalization or merger of the issuer of the borrowed Securities) to the Client Plan within the lesser of:

(i) The customary delivery period for such Securities,

(ii) Five business days, or

(iii) The time negotiated for such delivery by the BlackRock Manager for the Client Plan, and the borrower.

(n) In the event that the loan is terminated, and the MPS borrower fails to return the borrowed Securities or the equivalent thereof within the applicable time described in Section III.M.2(m), the BlackRock Manager for the Client Plan may, under the terms of the loan agreement:

(i) Purchase Securities identical to the borrowed Securities (or their equivalent as described above) and may apply the collateral to the payment of the purchase price, any other obligations of the borrower under the agreement, and any expenses associated with the sale and/or purchase, and

(ii) The MPS borrower is obligated, under the terms of the loan agreement, to pay, and does pay to the Client Plan

the amount of any remaining obligations and expenses not covered by the collateral, including reasonable attorney's fees incurred by the Client Plan for legal action arising out of default on the loans, plus interest at a reasonable rate.

Notwithstanding the foregoing, the MPS borrower may, in the event the MPS borrower fails to return borrowed Securities as described above, replace collateral, other than U.S. currency, with an amount of U.S. currency that is not less than the then current market value of the collateral, provided such replacement is approved by the BlackRock Manager.

(o) If the MPS borrower fails to comply with any provision of a loan agreement which requires compliance with this exemption, the BlackRock Manager who caused the Client Plan to engage in such transaction shall not be deemed to have caused the Client Plan to engage in a transaction prohibited by ERISA sections 406(a)(1)(A) through (D) or ERISA section 406(b) or FERSA section 8477(c) solely by reason of the borrower's failure to comply with the conditions of the exemption.

(p) If the Securities being loaned to an MPS borrower are managed in an Index Account or Fund, or a Model-Driven Account or Fund where the Index or the Model are created or maintained by the MPS borrower, the ECO Function periodically performs a review, no less than quarterly, of the use of such MPS-sponsored Index or Model, and the Securities loaned from such an account or fund to the MPS, which review is designed to enable a reasonable judgment as to whether the use of such Index or Model, or any changes thereto, were for the purpose of benefitting BlackRock or the MPS through the Securities lending activity described in this Section III.M. If the ECO forms a reasonable judgment that the use of such Index or Model, or any changes thereto, were for the purpose of benefitting BlackRock or the MPS, the ECO shall promptly inform the IM.

(q) In the event of any dispute between the BlackRock Manager on behalf of a Client Plan and an MPS borrower involving a Covered Transaction under this Section III.M., the IM shall decide whether, and if so, how the BlackRock Manager is to pursue relief on behalf of the Client Plan(s) against the MPS borrower.

(r) If the Securities being loaned to an MPS borrower are managed in an Other Account or Fund, the employees of the BlackRock Manager who exercise discretionary authority or control over the Other Account or Fund shall not have access to the information regarding whether the particular Securities are on loan to an MPS, with such access limitations imposed on or about September 30, 2010 and implemented through the EPPs on or about September 30, 2010.

3. Specific Conditions for Transactions Described in Section III.M.1.(b).

(a) The BlackRock Manager maintains the written documentation for the loan agreement at a site within the jurisdiction of the courts of the United States.

(b) Prior to entering into a transaction involving an MPS Foreign Broker-Dealer or an MPS Foreign Bank either:

(i) The MPS Foreign Broker-Dealer or Foreign Bank agrees to submit to the jurisdiction of the United States; agrees to appoint an agent for service of process in the United States, which may be an affiliate; consents to service of process on such agent; and agrees that any enforcement by a Client Plan of its rights under the Securities lending agreement will, as the option of the Client Plan, occur exclusively in the United States courts; or

(ii) The BlackRock Manager, if a U.S. Bank or U.S. Broker-Dealer, agrees to indemnify the Client Plan with respect to the difference, if any, between the replacement cost of the borrowed Securities and the market value of the collateral on the date of an MPS borrower default plus interest and any transaction costs incurred (including attorney's fees of such Client Plan arising out of the default on the loans or the failure to indemnify properly under this provision) which the Client Plan may incur or suffer directly arising out of a borrower default by the MPS Foreign Broker-Dealer or Foreign Bank.

(c) In the case of a Securities lending transaction involving an MPS Foreign Broker-Dealer or an MPS Foreign Bank, the BlackRock Manager must be a U.S. Bank or U.S. Broker-Dealer, and prior to entering into the loan transaction, such BlackRock Manager must agree to indemnity the Client Plan with respect to the difference, if any, between the replacement cost of the borrowed Securities and the market value of the collateral on the date of an MPS borrower default plus interest and any transaction costs incurred (including attorney's fees of such plan arising out of the default on the loans or the failure to indemnify properly under this provision) which the Client Plan may incur or suffer directly arising out of a borrower default by the MPS Foreign Broker-Dealer or Foreign Bank.

4. Specific Conditions for Transactions Described in Section III.M.1.(c):

(a) The loan of Securities is not prohibited by section 406(a) of ERISA or otherwise satisfies the conditions of this exemption.

(b) The BlackRock Manager is authorized to engage in Securities lending transactions on behalf of the Client Plan.

(c) The compensation, the terms of which are at least as favorable to the Client Plan as an arm's length transaction with an unrelated party, is reasonable and is paid in accordance with the terms of a written instrument, which may be in the form of a master agreement covering a series of Securities lending transactions.

(d) Except as otherwise provided in Section III.M.4.(f), the arrangement under which the compensation is paid:

(i) Is subject to the prior written authorization of a fiduciary of a Client Plan (the authorizing fiduciary), who is (other than in the case of an In-House Plan) independent of the BlackRock Manager, provided that for purposes of this Section III.M.4.(d) a fiduciary of an MPS Plan acting as the authorizing fiduciary shall be deemed independent of the BlackRock Manager so long as such fiduciary, as of the date of the authorization, is not a BlackRock Entity, and

(ii) May be terminated by the authorizing fiduciary within:

(x) The time negotiated for such notice of termination by the Client Plan and the BlackRock Manager, or

(y) Five business days, whichever is less, in either case without penalty to the Client Plan.

(e) No such authorization is made or renewed unless the BlackRock Manager shall have furnished the authorizing fiduciary with any reasonably available information which the BlackRock Manager reasonably believes to be necessary to determine whether such authorization should be made or renewed, and any other reasonably available information regarding the matter that the authorizing fiduciary may reasonably request.

(f) Special Rule for Commingled Investment Funds. In the case of a pooled separate account maintained by an insurance company qualified to do business in a State or a common or collective trust fund maintained by a bank or trust company supervised by a State or Federal agency, the requirements of Section III.M.4.(d) of this exemption shall not apply, provided that:

(i) The information described in Section III.M.4.(e) (including information with respect to any material change in the arrangement) shall be furnished by the BlackRock Manager to

the authorizing fiduciary described in Section III.M.4.(d) with respect to each Client Plan whose assets are invested in the account or fund, not less than 30 days prior to implementation of the arrangement or material change thereto, and, where requested, upon the reasonable request of the authorizing fiduciary;

(ii) In the event any such authorizing fiduciary submits a notice in writing to the BlackRock Manager objecting to the implementation of, material change in, or continuation of the arrangement, the Client Plan on whose behalf the objection was tendered is given the opportunity to terminate its investment in the account or fund, without penalty to the Client Plan, within such time as may be necessary to effect such withdrawal in an orderly manner that is equitable to all withdrawing plans and to the non-withdrawing plans. In the case of a Client Plan that elects to withdraw pursuant to the foregoing, such withdrawal shall be effected prior to the implementation of, or material change in, the arrangement; but an existing arrangement need not be discontinued by reason of a Client Plan electing to withdraw; and

(iii) In the case of a Client Plan whose assets are proposed to be invested in the account or fund subsequent to the implementation of the compensation arrangement and which has not authorized the arrangement in the manner described in Sections III.M.4.(f)(i) and (ii), the Client Plan's investment in the account or fund shall be authorized in the manner described in Section III.M.4.(d)(i).

N. *To-Be-Announced Trades (TBAs) of GNMA, FHLMC or FNMA Mortgage-Backed Securities with an MPS Counterparty.* Relief under Section I of this exemption is available for trades (purchases and sales) on a principal basis of mortgage-backed Securities issued by FHLMC, FNMA or guaranteed by GNMA and meeting the definition of "guaranteed governmental mortgage pool certificate" in 29 CFR 2510.3–101(i) with an MPS on a TBA basis, including, when applicable, delivery of the underlying Securities to a Client Plan, provided that:

1. The Covered Transactions under this Section III.N. are a result of the Three Quote Process; provided that, solely for purposes of this Section III.N.1., firm quotes under the Three Quote Process may also include firm quotes obtained on comparable Securities, as described below, when firm quotes with respect to the applicable TBA transactions are not reasonably attainable.

2. With regard to purchases of FHLMC and FNMA mortgage-backed Securities on a TBA basis, (i) the BlackRock Manager makes a determination that such Securities are of substantially similar credit quality as GNMA guaranteed governmental mortgage pool certificates, (ii) the ECO (in regular consultation with and under the supervision of the IM) monitors the credit spread between GNMA and FHLMC/FNMA mortgage-backed Securities, and (iii) each of the ECO and the IM (independently) has the authority and responsibility to determine whether purchases of FHLMC and/or FNMA mortgage-backed Securities on a TBA basis should not be permitted due to such credit spread, and such authority and responsibility is reflected in the EPPs.

3. With regard to possible delivery of underlying Securities to Client Plans, as opposed to cash settlement, the ECO Function approves any such delivery in advance.

For purposes of Section III.N.1., "comparable Securities" are Securities that: (a) Are issued and/or guaranteed by the same agency, (b) have the same coupon, (c) have a principal amount at least equal to but no more than two percent (2%) greater than the Security purchased or sold, (d) are of the same program or class, and (e) either (i) have an aggregate weighted average monthly maturity within a 12-month variance of the Security purchased or sold, but in no case can the variance be more than ten percent (10%) of such aggregate weighted average maturity of the Securities purchased or sold, or (ii) meet some other comparable objective standard containing a range of variance that is no greater than that described in (i) above and that assures that the aging of the Securities is properly taken into account.

O. *Foreign Exchange Transactions With an MPS Counterparty.* Relief under Section I of this exemption is available for a Foreign Exchange Transaction by a BlackRock Manager on behalf of Client Plans with an MPS as counterparty provided that:

1. (a) The Foreign Exchange Transaction is as a result of the Three Quote Process; or (b) the total net amount of the Foreign Exchange Transaction on behalf of Client Plans by BlackRock Managers is greater than $1 million and the exchange rate is within 0.5% above or below the Interbank Rate as represented to the BlackRock Managers by the MPS;

2. Foreign Exchange Transactions with an MPS counterparty only involve currencies of countries that are classified as "developed" or "emerging" markets by a third party Index provider that divides national economies into "developed," "emerging" and "frontier" markets. The Index provider shall be selected by BlackRock, provided, however, the IM shall have the right to reject the Index provider in its sole discretion at any time; and

3. Each Foreign Exchange Transaction complying with Section III.O.1.(b) must be set forth in the applicable quarterly reports of the ECO to the IM.

P. *Agency Execution of Equity and Fixed Income Securities Trades and Related Clearing as Described in PTE 86–128, Including Agency Cross Trades, When the Broker is an MPS.* Relief under Section I of this exemption is available for transactions in Securities described in Section II of PTE 86–128, as from time to time amended,[58] as if BlackRock Managers and MPS broker-dealers were "affiliates" as defined in Section I.(b) of PTE 86–128, provided the following conditions are satisfied:

1. The MPS is selected to perform Securities brokerage services for Client Plans pursuant to the normal brokerage placement practices, policies and procedures of the BlackRock Manager designed to ensure best execution.

2. The conditions of PTE 86–128 set forth in the following sections of that exemption must be complied with: Section III(e); Section III(f); Section III(g)(2); and Section III(h); provided, however, that the first sentence of section III(h) of PTE 86–128 is amended for purposes of this Section III.P.2. to provide as follows: "A trustee [other than a nondiscretionary trustee] may only engage in a covered transaction with a plan that has total net assets with a value of at least $50 million and in the case of a pooled fund, the $50 million requirement will be met if fifty percent (50%) or more of the units of beneficial interest in such pooled fund are held by investors having total net assets with a value of at least $50 million."

3. The ECO Function receives the information required to be provided to the "authorizing fiduciary" under Section III(e), Section III(f) and Section III(g)(2) of PTE 86–128, and the ECO has the authority to terminate the use of the MPS as broker-dealer without penalty to Client Plans at any time.

4. With respect to agency cross transactions described in Section III(g) of PTE 86–128 that are being effected or executed by an MPS broker, (i) neither the MPS broker effecting or executing the agency cross transaction nor any member of the same MPS Group as the MPS broker effecting or executing the

[58] 51 FR 41686 (Nov. 18, 1986), as amended, 67 FR 64137 (Oct. 17, 2002).

agency cross transaction may have discretionary authority to act on behalf of, and/or provide investment advice to another party to the agency cross transaction which is a seller when the Client Plan is a buyer, or which is a buyer, when the Client Plan is a seller (Another Party), and (ii), the BlackRock Manager instituting the transaction for the Client Plan must not have knowledge that a BlackRock Entity has discretionary authority and/or provides investment advice to Another Party to the agency cross transaction.

5. The exceptions in Sections IV(a), (b), and (c) of PTE 86–128 are applicable to this exemption.

6. Notwithstanding the other conditions of this Section III.P., with respect to Client Plans which as of the date of the Acquisition had in place with BlackRock Managers either directed brokerage and/or wrap fee arrangements which required the BlackRock Managers to use an MPS as a Securities broker, BlackRock Managers may continue to use that MPS as the Securities broker for such Client Plans under the brokerage procedures in place as of the date of the Acquisition; provided that a list of all of such arrangements has been provided to the ECO and no material changes are made to such arrangements.

Q. *Use by BlackRock Managers of Exchanges and Automated Trading Systems on Behalf of Client Plans.* Relief under Section I of this exemption is available for the direct or indirect use by, or directing of trades to, U.S. and non-U.S. exchanges or U.S. Automated Trading Systems (ATS) in which one or more MPSs have an ownership interest by BlackRock Managers for Client Plans, provided that:

1. Prior to January 1, 2011,

(a) No single MPS (together with other members of the same MPS Group) has a greater than twenty percent (20%) ownership interest in the exchange or the ATS; and

(b) The ECO does not make a determination, summarized in the ECO quarterly report, that a BlackRock Manager or all BlackRock Managers must discontinue such direct or indirect use of or the directing of trades to any such exchange or ATS on the basis that either the amount of use or the volume of trades is unwarranted or not in the interests of the Client Plans and their participants and beneficiaries.

2. Effective on and after January 1, 2011, either

(a) No one MPS (together with other members of the same MPS Group) has (i) a greater than ten percent (10%) ownership interest in the exchange or ATS or (ii) the BlackRock Managers do not know the level of such ownership interest; or

(b) If a BlackRock Manager knows that an MPS (together with other members of the same MPS Group) has an ownership interest that is greater that ten percent (10%) but not greater than twenty percent (20%) in the exchange or ATS,

(i) The ECO makes a determination, summarized in the ECO quarterly report, that there is no reason for a BlackRock Manager or all BlackRock Managers to discontinue such direct or indirect use of or the directing of trades to any such exchange or ATS on the basis that the amount of use or the volume of trades is unwarranted or not in the interests of the Client Plans and their participants and beneficiaries, and does not make a determination that a BlackRock Manager or all BlackRock Managers must discontinue such direct or indirect use of or the directing of trades to any such exchange or ATS on the basis that the amount of use or the volume of trades is unwarranted or not in the interests of the Client Plans and their participants and beneficiaries. The IM may request any additional information relating to any such determination summarized in the ECO quarterly report and may, after consultation with the ECO, make a determination that a BlackRock Manager or all BlackRock Managers must discontinue such direct or indirect use of or the directing of trades to any such exchange or ATS on the basis that the amount of use or the volume of trades is unwarranted or not in the interests of the Client Plans and their participants and beneficiaries;

(ii) The price and compensation associated with any purchases or sales utilizing such exchange or ATS are not greater than the price and compensation associated with an arm's length transaction with an unrelated party;

(iii) All such exchanges and ATSs shall be situated within the jurisdiction of the U.S. District Courts and regulated by a U.S. federal regulatory body or a U.S. federally approved self-regulatory body, provided that this condition shall not apply to the direct or indirect use of or the directing of trades to an exchange in a country other than the United States which is regulated by a government regulator or a government approved self-regulatory body in such country and which involves trading in Securities (including the lending of Securities) or futures contracts; and

(iv) Special Notice of all of the foregoing conditions for relief under this Section II.Q.2.(b) must be provided in accordance with the terms of Section II.F.

R. *Purchases in the Secondary Market of Common and Preferred Stock Issued by an MPS by BlackRock Managers for Client Plans Invested in an Index Account or Fund, or a Model-Driven Account or Fund.* Relief under Section I of this exemption is available for the purchase in the secondary market of common or preferred stock issued by an MPS by BlackRock Managers for Client Plans invested in an Index Account or Fund, or a Model-Driven Account or Fund provided that:

1. Such purchase is for the sole purpose of maintaining quantitative conformity with the weight of such Securities prescribed by the relevant Index, for Index Accounts or Funds, or the weight of such Securities prescribed by the relevant Model, for Model-Driven Accounts or Funds, and such purchase may not exceed the purchase amount necessary for such Model or quantitative conformity.

2. Such purchase is not made from the issuing MPS.

3. Notwithstanding Section III.R.2.,

(a) With respect to Client Plans which as of the date of the Acquisition had in place with a BlackRock Manager either a directed brokerage and/or wrap fee arrangement which required the BlackRock Manager to use a certain MPS as a Securities broker, the BlackRock Manager may purchase MPS common or preferred stock through such MPS, including, if applicable, the issuing MPS, acting as agent under the brokerage arrangement in place as of the date of the Acquisition; provided that, a list of all of such arrangements has been provided to the ECO and no material changes are made to such arrangements. Special Notice of all of the foregoing conditions for relief under this Section III.R. must be provided in accordance with the terms of Section II.F.

(b) BlackRock Managers may rely on other exemptive relief when acquiring stock of an MPS for Client Plans through an MPS broker, including the issuing MPS.

S. *Purchase in the Secondary Market of Common and Preferred Stock Issued by an MPS by BlackRock Managers for Client Plans Invested in an Other Account or Fund.* Relief under Section I of this exemption is available for the purchase in the secondary market of common or preferred stock issued by an MPS by BlackRock Managers for Client Plans invested in an Other Account or Fund provided that:

1. Such purchase is not made from the issuing MPS.

2. Notwithstanding Section III.S.1.,

(a) With respect to Client Plans which as of the date of the Acquisition had in place with a BlackRock Manager either

a directed brokerage and/or wrap fee arrangement which required the BlackRock Manager to use a certain MPS as a Securities broker, the BlackRock Manager may purchase MPS common or preferred stock through such MPS, including if applicable, the issuing MPS, acting as agent under the brokerage arrangements in place as of the date of the Acquisition; provided that, a list of all of such arrangements has been provided to the ECO and no material changes are made to such arrangements. Special Notice of all of the foregoing conditions for relief under this Section III.S. must be provided in accordance with the terms of Section II.F.

(b) BlackRock Managers may rely on other exemptive relief when acquiring stock of an MPS for Client Plans under this Section III.S. through an MPS broker, including the issuing MPS.

3. With respect to Client Plans described in Section III.S.2.(a), the ECO Function periodically monitors purchases of MPS stock for such Client Plans to ensure that the amount of stock of an MPS purchased for such Client Plans is not disproportionate to the amount of such stock of the same MPS purchased for Client Plans invested in Other Accounts or Funds not subject to directed brokerage and/or wrap fee arrangements and described in Section III.S.2.(a).

4. As a consequence of a purchase of MPS stock, the class of stock purchased does not constitute more than five (5) percent of the Other Account or Fund. In the case of a Pooled Fund, the class of stock purchased and attributed to each Client Plan does not exceed five percent (5%) of such Client Plan's proportionate interest in the Pooled Fund.

5. Aggregate daily purchases of a class of MPS stock for Client Plans do not exceed the greater of (i) fifteen percent (15%) of the aggregate average daily trading volume (ADTV) for the previous ten (10) trading days, or (ii) fifteen percent (15%) of trading volume on the date of the purchase. These volume limitations must be met on a portfolio manager by portfolio manager basis unless purchases are coordinated among portfolio managers, in which case the limitations are applied to the coordinated purchase.[59] Any coordinated purchases of the same class of MPS stock in the secondary market for Index Accounts or Funds or for Model-Driven Accounts or Funds must be taken into account when applying these ADTV limitations on purchases for an Other Account or Fund; provided, however, if coordinated purchases for Index Accounts or Funds, or for Model-Driven Accounts or Funds, would cause the fifteen percent (15%) limitation to be exceeded, BlackRock Managers can nonetheless acquire for Other Accounts or Funds up to the greater of five percent (5%) of ADTV for the previous ten (10) trading days or five percent (5%) of trading volume on the day of the Covered Transaction. For purposes of this Section III.S.5., cross trades of MPS equity Securities which comply with an applicable statutory or administrative prohibited transaction exemption are not taken into account.

6. The ECO Function monitors the volume limits on purchases of MPS stock described in Section III.S.5. and provides a monthly report to the IM with respect to such purchases and limits. The IM shall impose lower volume limitations and take other appropriate action with respect to such purchases if the IM determines on the basis of these reports by the ECO and publicly available information materially related to the trading of the Securities of an MPS on its primary listing exchange (or market) that the purchases described have a material positive impact on the market price for such Securities.

T. *The Provision of Custodial, Administrative and Similar Ministerial Services by an MPS for a Client Plan as a Consequence of a BlackRock Manager Exercising Investment Discretion on Behalf of the Client Plan or Rendering Investment Advice to the Client Plan.* Relief under Section I of this exemption is available for the provision of custodial, administrative and similar ministerial services by an MPS for a Client Plan as a consequence of a BlackRock Manager exercising investment discretion or rendering investment advice (in each case, within the meaning of ERISA section 3(21)(A)) for or to such Client Plan, provided that (1) the terms of such service are comparable to those a Client Plan would receive in an arm's length transaction with an unrelated party and (2) the ECO approves in advance and in writing (which may include electronic communication if retrievable by the ECO) the choice or recommendation of the MPS by the BlackRock Manager and the terms of the services, including but not limited to, the associated fees.

U. *Purchases, Sales and Holdings by BlackRock Managers for Client Plans of Commercial Paper Issued by ABCP Conduits, When an MPS Has One or More Roles.* Relief under Section I of this exemption is available for the purchase, holding and sale by BlackRock Managers acting on behalf of Client Plans of commercial paper issued by an ABCP Conduit with respect to which an MPS acts as placement agent, and/or in some continuing capacity such as program administrator, provider of liquidity, or provider of credit support, provided that:

1. (a)(i) The Client Plan is not an MPS Plan of the MPS with whom the purchase or sale takes place, or an MPS Plan of another member of the same MPS Group as such MPS, and (ii) the Client Plan is not an MPS Plan of an MPS which is acting in a continuing capacity, or an MPS Plan of another member of the same MPS Group as such MPS, and (iii) no MPS described in Sections III.U.1.(a)(i) or (ii), or another member of the same MPS Group as such MPS, has discretionary authority or control with respect to the Client Plan assets involved in the Covered Transaction or renders investment advice (within the meaning of 29 CFR 2510.3–21(c)) with respect to such assets;

(b) This Section III.U.1 shall be deemed satisfied notwithstanding the investment of assets of an MPS Plan of the MPS, which is placement agent or otherwise is acting in a continuing capacity, in a Pooled Fund as of the date of the Acquisition, which Pooled Fund is a bank-maintained common or collective trust, provided that such assets when aggregated with the assets of all other MPS Plans of the same MPS Group as the MPS which is the placement agent or otherwise is acting in a continuing capacity and invested in such Pooled Fund, at all times since the date of the Acquisition, constitute or are deemed pursuant to Section II.A.3.(b) to constitute less than ten percent (10%) of such Pooled Fund.

2. The commercial paper has a stated maturity date of nine months or less from the date of issue, exclusive of days of grace, or is a renewal of an issue of commercial paper the maturity of which is likewise limited;

3. At the time it is acquired, the commercial paper is ranked in the highest rating category by at least one of the Rating Organizations;

4. If the seller or purchaser of the ABCP Conduit commercial paper is an MPS and/or an MPS performs a continuing role with respect to the Securities, secondary market purchases and sales are pursuant to the Three

[59] For example, if two or more portfolio managers send their purchase orders to the same trading desk and the traders on that trading desk coordinate the purchases of the same MPS equity Securities, the limitations apply to the trading desk; if two or more portfolio managers or two or more trading desks are coordinating purchases of MPS equity Securities, the limitations are applied across the group of portfolio managers or traders who are coordinating the purchase orders.

Quote Process, provided that, for purposes of this Section III.U.4., firm quotes on comparable short-term money market instruments rated in the same category may be used as quotes for purposes of the Three Quote Process;

5. If an MPS performs a continuing role and there is a default, the taking of or refraining from taking of any action by the responsible BlackRock Manager which could have a material positive or negative effect upon the MPS is decided upon by the IM;

No BlackRock Entity is to be regarded as an affiliate of any MPS for purposes of the Covered Transactions set forth in this Section III.U.

V. *Purchase, Holding and Disposition by BlackRock Managers for Client Plans of Shares of Exchange-Traded Open-End Investment Companies Registered Under the 1940 Act (ETF) Managed by BlackRock Managers.* Relief under Section I of this exemption is available for the purchase, holding and disposition by BlackRock Managers for Client Plans of shares of an ETF managed by a BlackRock Manager provided that:

1. (a) The BlackRock Manager purchases such ETF shares from or through a person other than an MPS or a BlackRock Entity, and

(b) No purchase is exempt under Section I of this exemption if the BlackRock Manager portfolio manager acting for the Client Plan knows or should know that the shares to be acquired for Client Plans are Creation Shares, or that the purchase for Client Plans will result in new Creation Shares.

2. Notwithstanding Section III.V.1.(a), BlackRock Managers may purchase shares of ETFs managed by a BlackRock Manager through an MPS acting as agent for Client Plans which, as of the date of the Acquisition, had in place with a BlackRock Manager either a directed brokerage and/or wrap fee arrangement which required the BlackRock Manager to use such MPS as a Securities broker; provided that, (i) a list of all of such arrangements has been provided to the ECO and no material changes are made to such arrangements and (ii) the ECO Function periodically monitors purchases of Securities to ensure that the amount of BlackRock-managed ETF shares purchased for Client Plans under Section III.V.2. is not disproportionate to the amount of BlackRock-managed ETF shares purchased for Client Plans pursuant to Section III.V.1. Special Notice of all of the foregoing conditions for relief under this Section III.V.2. must be provided in accordance with the terms of Section II.F.

W. *Investment of Assets of MPS Plans in a BlackRock Bank-Maintained Common or Collective Trust as of the Date of the Acquisition—Fees Paid Outside the Trust.* Relief under Section I of this exemption is available with respect to MPS Plans invested in Pooled Funds as of the date of the Acquisition, which Pooled Funds are common or collective trusts maintained by BlackRock Institutional Trust Company, N.A., and in connection with which investments such MPS Plans pay management fees directly to BlackRock Managers until the earliest of (i) termination of the investment in the Pooled Fund, (ii) transition of the fee arrangement to one under which the BlackRock Manager's fees are paid from assets of the Pooled Fund or by the MPS Plan sponsor, or (iii) December 31, 2010 (Unwind Period 2) provided that:

1. The fees paid by such MPS Plans to the BlackRock Managers during Unwind Period 2 are neither more than reasonable compensation nor significantly more than fees paid to the BlackRock Managers by other, comparable Client Plans invested in such Pooled Funds which are not MPS Plans; and

2. The MPS Plans do not pay to BlackRock Managers during Unwind Period 2 any type of fee or other compensation that was not charged to or otherwise borne by MPS Client Plan investors in the Pooled Fund as of the date of the Acquisition.

During Unwind Period 2, the IM must review the investment by the MPS Plans in the Pooled Fund; all fees paid by the affected MPS Plans to BlackRock Managers must be disclosed to the IM; the IM must review the offering documents for the Pooled Funds and any advisory or management agreements with BlackRock Managers; and any material change in the terms and conditions of the investment by the affected MPS Plans in the Pooled Fund, including but not limited to changes to fees paid to BlackRock Managers or the terms of the advisory or management agreements with BlackRock Managers, must be promptly disclosed to the IM and be subject to the IM's written approval. Further, during Unwind Period 2, each such MPS Plan may terminate its investment in the Pooled Fund upon no more than thirty (30) days notice and without incurring a redemption fee paid to a BlackRock Manager.

X. *Purchase, Holding and Disposition of BlackRock Equity Securities in the Secondary Market by BlackRock Managers for an Index Account or Fund, or a Model-Driven Account or Fund, Including Buy-Ups.*[60] Relief under Section I of this exemption is available for the purchase, holding and disposition of common or preferred stock issued by BlackRock in the secondary market by BlackRock Managers for Client Plans in an Index Account or Fund, or in a Model-Driven Account or Fund provided that:

1. The acquisition, holding and disposition of the BlackRock Securities is for the sole purpose of maintaining quantitative conformity with the weight of such Securities prescribed by the relevant Index, for Index Accounts or Funds, or the weight of such Securities prescribed by the relevant Model, for Model-Driven Accounts or Funds, and such purchase may not exceed the purchase amount necessary for such Model or quantitative conformity.

2. Any acquisition of BlackRock Securities does not involve any agreement, arrangement or understanding regarding the design or operation of the account or fund acquiring the BlackRock Securities which is intended to benefit BlackRock or any party in which BlackRock may have an interest.

3. With respect to an acquisition of BlackRock Securities by such an account or fund which constitutes a Buy-Up,

(a) The acquisition is made on a single trading day from or through one broker-dealer, which broker-dealer is not an MPS or a BlackRock Entity; provided, however, that if the volume limitation in Section III.X.3.(d) below cannot be satisfied in a single trading day, the acquisition will be completed in as few trading days as possible in compliance with such volume limitation and such trades will be reviewed by the ECO and reported to the IM;

(b) Based upon the best available information, the acquisition is not the opening transaction of a trading day and is not made in the last half hour before the close of the trading day;

(c) The price paid by the BlackRock Manager is not higher than the lowest current independent offer quotation, determined on the basis of reasonable inquiry from broker-dealers who are not MPSs or BlackRock Entities;

(d) Aggregate daily purchases do not exceed fifteen percent (15%) of aggregate average daily trading volume for the Security, as determined by the greater of (i) the trading volume for the Security occurring on the applicable Recognized Securities Exchange and/or

[60] BlackRock requested such relief for the avoidance of any issue about the necessity for such relief in particular circumstances; the Department is not opining on the need for such relief herein.

Automated Trading System on the date of the transactions, or (ii) the aggregate average daily trading volume for the Security occurring on the applicable Recognized Securities Exchange and/or Automated Trading System for the previous ten (10) trading days, both based on the best information reasonably available at the time of the transaction. These volume limitations are applied on a portfolio manager by portfolio manager basis unless purchases of BlackRock Securities are coordinated by the portfolio managers or trading desks, in which case the limitations are aggregated for the coordinating portfolio managers or trading desks. Provided further, if BlackRock, without Client Plan direction or consent, initiates a new Index Account or Fund or Model-Driven Account or Fund on its own accord, with BlackRock Securities included therein, the volume restrictions for such new account or fund shall be determined by aggregating all portfolio managers purchasing for such new account of fund. Cross trades of BlackRock Securities which comply with an applicable statutory or administrative prohibited transaction exemption are not included in the amount of aggregate daily purchases to which the limitations of this Section III.X. apply;

(e) All purchases and sales of BlackRock Securities occur either (i) on a Recognized Securities Exchange, (ii) through an Automated Trading System operated by a broker-dealer that is not a BlackRock Entity and is either registered under the 1934 Act, and thereby subject to regulation by the Securities and Exchange Commission, or subject to regulation and supervision by the Securities and Futures Authority of the UK or another applicable regulatory authority, which provides a mechanism for customer orders to be matched on an anonymous basis without the participation of a broker-dealer, or (iii) through an Automated Trading System that is operated by a Recognized Securities Exchange, pursuant to the applicable securities laws, and provides a mechanism for customer orders to be matched on an anonymous basis without the participation of a broker-dealer; and

(f) The ECO designs acquisition procedures for BlackRock Managers to follow in Buy-Ups, which the IM approves in advance of the commencement of any Buy-Up, and the ECO Function monitors BlackRock Manager's compliance with such procedures.

Y. *Acquisition by BlackRock Managers of Financial Guarantees, Indemnities and Similar Protections for Client Plans from MPSs.* Relief under Section I of this exemption is available for the provision by an MPS of a financial guarantee, indemnification arrangement or similar instrument or arrangement providing protection to a Client Plan against possible losses or risks provided that:

1. The terms of the arrangement (including the identity of the provider) are approved by a fiduciary of the Client Plan which is independent of the MPS providing such protection and of BlackRock;

2. The compensation owed the MPS under the arrangement is paid by a BlackRock Entity and not paid out of the assets of the Client Plan;

3. In the event a Client Plan or the ECO concludes an event has occurred which should trigger the obligations of the MPS under the arrangement, and the MPS disagrees to any material extent, the IM determines the steps the BlackRock Manager must take to protect the interests of the Client Plan; and

4. The MPS providing the arrangement is capable of being sued in United States courts, has contractually agreed to be subject to litigation in the United States with respect to any matter relating to this Section III.Y., and has sufficient assets in the United States to honor its commitments under the arrangement.

SECTION IV: AFFILIATED UNDERWRITINGS AND AFFILIATED SERVICING

A. Affiliated Underwritings

1. The Securities to be purchased are either:

(a) Part of an issue registered under the 1933 Act, or, if Securities to be purchased are part of an issue that is exempt from such registration requirement, such Securities:

(i) Are issued or guaranteed by the United States or by any person controlled or supervised by and acting as an instrumentality of the United States pursuant to authority granted by the Congress of the United States,

(ii) Are issued by a bank,

(iii) Are exempt from such registration requirement pursuant to a federal statute other than the 1933 Act, or

(iv) Are the subject of a distribution and are of a class which is required to be registered under section 12 of the 1934 Act, and are issued by an issuer that has been subject to the reporting requirements of section 13 of the 1934 Act for a period of at least ninety (90) days immediately preceding the sale of such Securities and that has filed all reports required to be filed thereunder with the SEC during the preceding twelve (12) months; or

(b) Part of an issue that is an Eligible Rule 144A Offering. Where the Eligible Rule 144A Offering of the Securities is of equity securities, the offering syndicate shall obtain a legal opinion regarding the adequacy of the disclosure in the offering memorandum; or

(c) Municipal bonds taxable by the United States, including Build America Bonds created under section 54AA of the Code or successor thereto, under which the United States pays a subsidy to the state or local government issuer, but not including Building America Bonds which provide a tax credit to investors.

2. The Securities to be purchased are purchased prior to the end of the first day on which any sales are made, pursuant to that offering, at a price that is not more than the price paid by each other purchaser of the Securities in that offering or in any concurrent offering of the Securities, except that:

(a) If such Securities are offered for subscription upon exercise of rights, they may be purchased on or before the fourth day preceding the day on which the rights offering terminates; or

(b) If such Securities are debt Securities, they may be purchased at a price that is not more than the price paid by each other purchaser of the Securities in that offering or in any concurrent offering of the Securities and may be purchased on a day subsequent to the end of the first day on which any sales are made, pursuant to that offering, provided that the interest rates, as of the date of such purchase, on comparable debt Securities offered to the public subsequent to the end of the first day on which any sales are made and prior to the purchase date are less than the interest rate of the debt Securities being purchased; and

3. The Securities to be purchased are offered pursuant to an underwriting or selling agreement under which the members of the syndicate are committed to purchase all of the Securities being offered, except if:

(a) Such Securities are purchased by others pursuant to a rights offering; or

(b) Such Securities are offered pursuant to an over-allotment option.

4. The issuer of the Securities to be purchased pursuant to this exemption must have been in continuous operation for not less than three (3) years, including the operation of any predecessors, unless the Securities to be purchased:

(a) Are non-convertible debt Securities rated in one of the four highest rating categories by a Rating Organization; provided that none of the

Rating Organizations rates such Securities in a category lower than the fourth highest rating category; or

(b)(i) are debt Securities issued or fully guaranteed by the United States or by any person controlled or supervised by and acting as an instrumentality of the United States pursuant to authority granted by the Congress of the United States; or

(ii) Are municipal bonds taxable by the United States, including Build America Bonds created under section 54AA of the Code or successor thereto, under which the United States pays a subsidy to the state or local government issuer, but not including Building America Bonds which provide a tax credit to investors; or

(c) Are debt Securities which are fully guaranteed by a guarantor that has been in continuous operation for not less than three (3) years, including the operation of any predecessors, provided that such guarantor has issued other Securities registered under the 1933 Act; or if such guarantor has issued other Securities which are exempt from such registration requirement, such guarantor has been in continuous operation for not less than three (3) years, including the operation of any predecessors, and such guarantor is:

(i) A bank;

(ii) An issuer of Securities which are exempt from such registration requirement, pursuant to a Federal statute other than the 1933 Act; or

(iii) An issuer of Securities that are the subject of a distribution and are of a class which is required to be registered under section 12 of the 1934 Act, and are issued by an issuer that has been subject to the reporting requirements of section 13 of the 1934 Act for a period of at least ninety (90) days immediately preceding the sale of such Securities and that has filed all reports required to be filed hereunder with the SEC during the preceding twelve (12) months.

5. The aggregate amount of Securities of an issue purchased, pursuant to this exemption, by the BlackRock Manager with: (i) The assets of all Client Plans; and (ii) the assets, calculated on a *pro rata* basis, of all Client Plans investing in Pooled Funds managed by the BlackRock Manager; and (iii) the assets of plans to which the BlackRock Manager renders investment advice within the meaning of 29 CFR 2510.3 21(c) does not exceed:

(a) Ten percent (10%) of the total amount of the Securities being offered in an issue, if such Securities are equity securities;

(b) Thirty five percent (35%) of the total amount of the Securities being offered in an issue, if such Securities are Asset-Backed Securities rated in one of the three highest rating categories by at least one of the Rating Organizations; provided that none of the Rating Organizations rates such Securities in a category lower than the third highest rating category;

(c) Thirty five percent (35%) of the total amount of the Securities being offered in an issue, if such Securities are debt Securities rated in one of the four highest rating categories by at least one of the Rating Organizations; provided that none of the Rating Organizations rates such Securities in a category lower than the fourth highest rating category; or

(d) Twenty five percent (25%) of the total amount of the Securities being offered in an issue, if such Securities are debt Securities rated in the fifth or sixth highest rating categories by at least one of the Rating Organizations; provided that none of the Rating Organizations rates such Securities in a category lower than the sixth highest rating category; and

(e) The assets of any single Client Plan (and the assets of any Client Plans and any In-House Plans investing in Pooled Funds) may not be used to purchase any Securities being offered, if such Securities are debt Securities rated lower than the sixth highest rating category by any of the Rating Organizations;

(f) Notwithstanding the percentage of Securities of an issue permitted to be acquired, as set forth in Subsections A.(5)(a)–(d) of this Section IV., the amount of Securities in any issue (whether equity or debt Securities or Asset-Backed Securities) purchased, pursuant to this exemption, by the BlackRock Manager on behalf of any single Client Plan, either individually or through investment, calculated on a *pro rata* basis, in a Pooled Fund may not exceed three percent (3%) of the total amount of such Securities being offered in such issue, provided that a Sub-Advised Pooled Fund described in Section VI.(AAA) as a whole may purchase up to three percent (3%) of an issue; and

(g) If purchased in an Eligible Rule 144A Offering, the total amount of the Securities being offered for purposes of determining the percentages, described, above, in Section IV.A.5.(a)–(d) and (f), is the total of:

(i) The principal amount of the offering of such class of Securities sold by underwriters or members of the selling syndicate to QIBs; plus

(ii) The principal amount of the offering of such class of Securities in any concurrent public offering.

6. The aggregate amount to be paid by any single Client Plan in purchasing any Securities which are the subject of this exemption, including any amounts paid by any Client Plan in purchasing such Securities through a Pooled Fund, calculated on a *pro rata* basis, does not exceed three percent (3%) of the fair market value of the net assets of such Client Plan, as of the last day of the most recent fiscal quarter of such Client Plan prior to such transaction, provided that a Sub-Advised Pooled Fund as a whole may pay up to one percent (1%) of fair market value of its net assets in purchasing such Securities.

7. The covered transactions are not part of an agreement, arrangement, or understanding designed to benefit any BlackRock Entity or MPS.

8. Each Client Plan shall have total net assets with a value of at least $50 million (the $50 Million Net Asset Requirement). For purposes of engaging in covered transactions involving an Eligible Rule 144A Offering, each Client Plan shall have total net assets of at least $100 million in Securities of issuers that are not affiliated with such Client Plan (the $100 Million Net Asset Requirement).

For purposes of a Pooled Fund engaging in an Affiliated Underwriting, each Client Plan in such Pooled Fund other than a Sub-Advised Pooled Fund shall have total net assets with a value of at least $50 million. Notwithstanding the foregoing, if each such Client Plan in a Pooled Fund other than a Sub-Advised Pooled Fund does not have total net assets with a value of at least $50 million, the $50 Million Net Asset Requirement will be met, if fifty percent (50%) or more of the units of beneficial interest in such Pooled Fund are held by investors, each of which has total net assets with a value of at least $50 million.

For purposes of a Pooled Fund engaging in an Affiliated Underwriting involving an Eligible Rule 144A Offering, each Client Plan in such Pooled Fund other than a Sub-Advised Pooled Fund shall have total net assets of at least $100 million in Securities of issuers that are not affiliated with such Client Plan. Notwithstanding the foregoing, if each such Client Plan in such Pooled Fund other than a Sub-Advised Pooled Fund does not have total net assets of at least $100 million in Securities of issuers that are not affiliated with such Client Plan, the $100 Million Net Asset Requirement will be met if fifty percent (50%) or more of the units of beneficial interest in such Pooled Fund are held by investors, each of which have total net assets of at least $100 million in

Securities of issuers that are not affiliated with such investor, and the Pooled Fund itself qualifies as a QIB.

For purposes of the net asset requirements described, above in Section IV.A.8., where a group of Client Plans is maintained by a single employer or controlled group of employers, as defined in ERISA section 407(d)(7), the $50 Million Net Asset Requirement (or in the case of an Eligible Rule 144A Offering, the $100 Million Net Asset Requirement) may be met by aggregating the assets of such Client Plans, if the assets of such Client Plans are pooled for investment purposes in a single master trust.

9. No more than twenty percent (20%) of the assets of a Pooled Fund, at the time of a covered transaction, are comprised of assets of In-House Plans for which the BlackRock Manager, or a BlackRock Entity exercises investment discretion.

10. The BlackRock Manager must be a QPAM, and, in addition to satisfying the requirements for a QPAM under section VI(a) of PTE 84–14, the BlackRock Manager must also have total client assets under its management and control in excess of $5 billion, as of the last day of its most recent fiscal year and shareholders' or partners' equity in excess of $1 million.

11. The BlackRock Manager maintains, or causes to be maintained, for a period of six (6) years from the date of any covered transaction such records as are necessary to enable the persons described below in Section IV.A.12.(a) to determine whether the conditions of this exemption have been met, except that:

(a) No party in interest with respect to a plan which engages in the covered transactions, other than the BlackRock Manager, shall be subject to a civil penalty under ERISA section 502(i) or the taxes imposed by Code sections 4975(a) and (b), if such records are not maintained, or not available for examination as required below by Section IV.A.12.(a); and

(b) A separate prohibited transaction shall not be considered to have occurred if, due to circumstances beyond the control of the BlackRock Manager, such records are lost or destroyed prior to the end of the six-year period.

12. (a) Except as provided below, in Section IV.A.12.(b), and notwithstanding the provisions of subsections (a)(2) and (b) of ERISA section 504, the records referred to, above, in Section IV.A.11. are unconditionally available at their customary location for examination during normal business hours by:

(i) Any duly authorized employee or representative of the Department, the Internal Revenue Service, or the SEC;

(ii) Any fiduciary of any plan that engages in the covered transactions, or any duly authorized employee or representative of such fiduciary;

(iii) Any employer of participants and beneficiaries and any employee organization whose members are covered by a plan that engages in the covered transactions, or any authorized employee or representative of these entities; or

(iv) Any participant or beneficiary of a plan that engages in the covered transactions, or duly authorized employee or representative of such participant or beneficiary;

(b) None of the persons described in Sections IV.A.12.(a)(ii) through (iv) shall be authorized to examine trade secrets of the BlackRock Manager, or commercial or financial information which is privileged or confidential; and

(c) Should the BlackRock Manager refuse to disclose information on the basis that such information is exempt from disclosure, pursuant to Section IV.A.12.(b), the BlackRock Manager shall, by the close of the thirtieth (30th) day following the request, provide a written notice advising that person of the reasons for the refusal and that the Department may request such information.

B. Affiliated Servicing

1. The Securities are CMBS that are rated in one of the three highest rating categories by a Rating Organization; provided that none of the Rating Organizations rates such Securities in a category lower than the third highest rating category.

2. The purchase of the CMBS meets the conditions of an applicable Underwriter Exemption.

3. (a) The aggregate amount of CMBS of an issue purchased, pursuant to this exemption, by the BlackRock Manager with:

(i) The assets of all Client Plans; and

(ii) The assets, calculated on a pro rata basis, of all Client Plans and In-House Plans investing in Pooled Funds managed by the Asset Manager; and

(iii) The assets of plans to which the Asset Manager renders investment advice, within the meaning of 29 CFR Sec. 2510.3–21(c), does not exceed thirty five percent (35%) of the total amount of the CMBS being offered in an issue.

(b) Notwithstanding the percentage of CMBS of an issue permitted to be acquired, as set forth in Section IV.B.3.(a) of this exemption, the amount of CMBS in any issue purchased, pursuant to this exemption, by the Asset Manager on behalf of any single Client Plan, either individually or through investment, calculated on a pro rata basis, in a Pooled Fund may not exceed three percent (3%) of the total amount of such CMBS being offered in such issue, and;

(c) If purchased in an Eligible Rule 144A Offering, the total amount of the CMBS being offered for purposes of determining the percentages described in Section IV.B.3(a), is the total of:

(i) The principal amount of the offering of such class of CMBS sold by underwriters or members of the selling syndicate to QIBs; plus

(ii) The principal amount of the offering of such class of CMBS in any concurrent public offering.

4. The aggregate amount to be paid by any single Client Plan in purchasing any CMBS which are the subject of this exemption, including any amounts paid by any Client Plan in purchasing such CMBS through a Pooled Fund, calculated on a pro rata basis, does not exceed three percent (3%) of the fair market value of the net assets of such Client Plan, as of the last day of the most recent fiscal quarter of such Client Plan prior to such transaction.

5. The Covered Transactions under this Section IV.B. are not part of an agreement, arrangement, or understanding designed to benefit any MPS.

6. The requirements of Sections IV.A.8. through 12. are met.

SECTION V: CORRECTION PROCEDURES

A. 1. The ECO shall monitor Covered Transactions and shall determine whether a particular Covered Transaction constitutes a Violation. The ECO shall notify the IM within five (5) business days following the discovery of any Violation.

2. The ECO shall make an initial determination as to how to correct a Violation and place the conclusion of such determination in writing, with such conclusion disclosed to the IM within five (5) business days of the placing of the conclusion of such determination in writing. Following the initial determination, the ECO must keep the IM apprised on a current basis of the process of correction and must consult with the IM regarding each Violation and the appropriate form of correction. The ECO shall report the correction of the Violation to the IM within five (5) business days following completion of the correction. For purposes of this Section V.A.2., "correction" must be consistent with

ERISA section 502(i) and Code section 4975(f)(5).

3. The IM shall determinate whether it agrees that the correction of a Violation by the ECO is adequate and shall place the conclusion of such determination in writing, and, if the IM does not agree with the adequacy of the correction, the IM shall have the authority to require additional corrective actions by BlackRock.

4. A summary of Violations and corrections of Violations will be in the IM's annual compliance report as described in Section II.E.12.

B. Special Correction Procedure

1. If a Covered Transaction which would otherwise constitute a Violation is corrected under this "Special Correction Procedure," such Covered Transaction shall continue to be exempt under Section I of this exemption.

2. (a) The Special Correction Procedure is a complete correction of the Violation no later than fourteen (14) business days following the date on which the ECO submits the quarterly report to the IM for the quarter in which the Covered Transaction first would become a non-exempt prohibited transaction by reason of constituting a Violation if not for this Section V.B.

(b) Solely for purposes of the Special Correction Procedure, "correction" of a Covered Transaction which would otherwise be a Violation means either:

(i) Restoring the Client Plan to the position it would have been in had the conditions of the exemption been complied with;

(ii) Correction consistent with ERISA section 502(i) and Code section 4975(f)(5); or

(iii) Correction consistent with the Voluntary Fiduciary Correction Program.[61]

(c) Other than with respect to the definition of "correction" specified above, when utilizing the Special Correction Procedure the ECO and the IM shall comply with Section V.A.

SECTION VI: DEFINITIONS[62]

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

B. "1934 Act" or "Exchange Act" means the Securities Exchange Act of 1934, as amended.

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

D. "$50 Million Net Asset Requirement" shall have the meaning set forth in Section IV.A.8. of this exemption.

E. "$100 Million Net Asset Requirement" shall have the meaning set forth in Section IV.A.8. of this exemption.

F. "ABCP Conduit" means a special purpose vehicle that acquires assets from one or more originators and issues commercial paper to provide funding to the originator(s). Such vehicles are typically administered by a bank, but is not required to be administered by a bank, which provides liquidity support (standing ready to purchase the conduit's commercial paper if it cannot be rolled over) and/or credit support (committing to cover losses in the event of default). The program administrator also typically acts as placement agent for the commercial paper, sometimes together with one or more other placement agents. Commercial paper issued by such a conduit may be purchased directly from the program administrator or other placement agent, or traded on the secondary market with another broker-dealer making a market in the Securities.

G. "Acquisition" means the acquisition by BlackRock of Barclays Global Investors UK Holdings, Ltd. and its subsidiaries on December 1, 2009.

H. "Affiliate" of another person means:

(1) Any person directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with such person;

(2) Any officer, director, partner, employee, or relative (as defined in section 3(15) of ERISA) of such other person; and

(3) Any corporation or partnership of which such other person is an officer, director, partner or employee.

I. "Asset-Backed Securities" means Securities which are pass-through certificates or trust certificates characterized as equity pursuant to 29 CFR 2510.3–101 that represent a beneficial ownership interest in the assets of an issuer which is a trust, with any such trust limited to (1) a single or multi-family residential or commercial mortgage investment trust, (2) a motor vehicle receivable investment trust, or (3) a guaranteed governmental mortgage pool certificate investment trust, and which entitles the holder to payments of principal, interest and/or other payments made with respect to the assets of the trust, the corpus or assets of which consist solely or primarily of secured obligations that bear interest or are purchased at a discount. For purposes of Section IV.A. of this exemption, Asset-Backed Securities are treated as debt Securities.

J. "Authorizing fiduciary'' has the meaning set forth in Section III.M.4.(d)(i) of this exemption.

K. "Automated Trading System" or "ATS" means an electronic trading system, ECN or electronic clearing network or similar venue that functions in a manner intended to simulate a Securities exchange by electronically matching orders from multiple buyers and sellers, such as an "alternative trading system" within the meaning of the SEC's Reg. ATS (17 CFR part 242.300), as such definition may be amended from time to time, or an "automated quotation system" as described in Section 3(a)(51)(A)(ii) of the 1934 Act.

L. "B and C List" has the meaning set forth in Section III.A.1. of this exemption.

M. "BlackRock" means BlackRock, Inc. and any successors thereof.

N. "BlackRock Entity" means BlackRock and any entity directly or indirectly, through one or more intermediaries, under the control of BlackRock, and any other entity which subsequently becomes directly or indirectly, through one or more intermediaries, under the Control of BlackRock, and successors of the foregoing.

O. "BlackRock Manager" means any bank, investment advisor, investment manager directly or indirectly, through one or more intermediaries, under the control of BlackRock, and any other bank, investment advisor, or investment manager which subsequently becomes directly or indirectly, through one or more intermediaries, under the control of BlackRock, and successors of the foregoing, including but not limited to BlackRock Advisors, LLC, BlackRock Financial Management, Inc., BlackRock Capital Management, Inc., BlackRock Institutional Management Corporation, BlackRock International, Ltd., State Street Research and Management Company, BlackRock Realty Advisors, Inc., BlackRock Investment Management, LLC, BlackRock Fund Advisors, and BlackRock Institutional Trust Company, N.A. and any of the investment advisors and investment manager it controls.

P. "Buy-Up" means an initial acquisition of Securities issued by BlackRock by a BlackRock Manager, if such acquisition exceeds one percent (1%) of the aggregate daily trading volume for such Security, for an Index Account or Fund, or a Model-Driven Account or Fund which is necessary to bring the fund's or account's holdings of such Securities either to its capitalization-weighted or other specified composition in the relevant

[61] PTE 2002–51, 67 FR 70623 (November 25, 2002), as amended, 71 FR 20135 (April 19, 2006).

[62] The definition of terms herein shall apply equally to the singular and plural forms of the terms defined. Section headings are for convenience only.

Index, as determined by the organization maintaining such Index, or to its correct weighting as determined by the Model.

Q. "Client Plan" means any plan subject to ERISA section 406, Code section 4975 or FERSA section 8477(c) for which a BlackRock Manager is a fiduciary as described in ERISA section 3(21), including, but not limited to, any Pooled Fund, MPS Plan, Index Account or Fund, Model-Driven Account or Fund, Other Account or Fund, or In-House Plan, except where specified to the contrary.

R. "CMBS" means an Asset-Backed Security with respect to which the assets or corpus of the issuer consist solely or primarily of obligations secured by commercial real property (including obligations secured by leasehold interests on commercial real property).

S. "Code" means the Internal Revenue Code of 1986, as amended.

T. "Control" means the power to exercise a controlling influence over the management or policies of a person other than an individual.

U. "Covered Transaction" means each transaction set forth in Section III by a BlackRock Manager for a Client Plan with, affecting or involving, directly or indirectly, an MPS and/or a BlackRock Entity.

V. "Creation Shares" means new shares in an ETF created by an exchange of a specified basket of Securities and/or cash to the ETF for such new shares of the ETF.

W. "ECO Function" means the ECO and such other BlackRock Entity employees in legal and compliance roles working under the supervision of the ECO in connection with the Covered Transactions. The list of BlackRock Entity employees shall be shared with the IM from time to time, not less than quarterly, and such employees will be made available to discuss the relevant Covered Transactions with the IM to the extent the IM or the ECO deem it reasonably prudent.

X. "Electronic Communications Network" or "ECN" means an electronic system described in Rule 600(b)(23) of Regulation NMS under the 1934 Act.

Y. "Eligible Rule 144A Offering" shall have the same meaning as defined in SEC Rule 10f-3(a)(4) (17 CFR 270.10f-3(a)(4)) under the 1940 Act.

Z. "Eligible Securities Depository" means an eligible securities depository as that term is defined under Rule 17f-7 of the 1940 Act, as such definition may be amended from time to time.

AA. "EPP Correction" has the meaning set forth in Section II.C. of this exemption.

BB. "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

CC. "Exemption Compliance Officer" or "ECO" means an officer of BlackRock or of a BlackRock Entity appointed by BlackRock or such BlackRock Entity, subject to the approval of the IM, who is responsible for compliance with the exemption. The ECO, unless otherwise stated in this exemption, will be responsible for: Monitoring all Covered Transactions and reviewing compliance with all of the conditions of the exemption applicable thereto; approving certain Covered Transactions in advance as required by the terms of the exemption; reviewing reports of Covered Transactions and the results of sampling of Covered Transactions; and determining when Covered Transactions transgress the EPPs and/or constitute a Violation.

DD. "ETF" means an exchange-traded open-end investment company registered under the 1940 Act.

EE. "Exemption Policies and Procedures" or "EPPs" means the written policy adopted and implemented by BlackRock for BlackRock Entities that is reasonably designed to ensure compliance with the terms of the exemption. The EPPs must reflect the specific requirements of the exemption, but must also be designed to ensure that the decisions to enter into Covered Transactions on behalf of Client Plans with the MPSs is in the interests of Client Plans and their participants and beneficiaries, including by ensuring to the extent possible that the terms of each Covered Transaction are at least as favorable to the Client Plan as the terms generally available in comparable arm's length transactions with unrelated parties.

FF. "FERSA" means the Federal Employees' Retirement System Act of 1986, as amended.

GG. "FHLMC" means the Federal Home Loan Mortgage Corporation.

HH. "Fixed Income Obligations" means fixed income obligations including structured debt or other instruments characterized as debt pursuant to 29 CFR 2510.3–101, including, but not limited to, debt convertible into equity, certificates of deposit and loans (other than loans with respect to which an MPS is the entity which acts as lead lender). Asset-Backed Securities are not Fixed Income Obligations for purposes of this exemption.

II. "FNMA" means the Federal National Mortgage Association.

JJ. "Foreign Bank" means an institution that has substantially similar powers to a bank as defined in section 202(a)(2) of the Investment Advisers Act, as amended, has as of the last day of its most recent fiscal year, equity capital which is the equivalent of no less than $200 million, and is subject to:

(1)(a) Registered and regulated under the laws of the Financial Services Authority in the United Kingdom, or (b)(i) registered and regulated by a securities commission of a Province of Canada that is a member of the Canadian Securities Administration, and (ii) is subject to the oversight of a Canadian self-regulatory authority; or

(2) Regulation by the relevant governmental banking agency(ies) of a country other than the United States and the regulation and oversight of these banking agencies were applicable to a bank that received: (i) An individual exemption, granted by the Department under section 408(a) of ERISA, involving the loan of securities by a plan to a bank or (ii) a final authorization by the Department to engage in an otherwise prohibited transaction pursuant to PTE 96–62, as amended, involving the loan of securities by a plan to a bank. On the date this exemption becomes effective, the following countries shall qualify for purposes of this clause (ii): United Kingdom, Canada, Germany, Japan, Australia, Switzerland, France, the Netherlands and Sweden.

KK. "Foreign Broker-Dealer" means a broker-dealer that has, as of the last day of its most recent fiscal year, equity capital that is the equivalent of no less than $200 million and is:

(1) Registered and regulated under the laws of the Financial Services Authority in the United Kingdom;

(2) Registered and regulated by a securities commission of a Province of Canada that is a member of the Canadian Securities Administration, and is subject to the oversight of a Canadian self-regulatory authority; or

(3) Registered and regulated under the relevant securities laws of a governmental entity of a country other than the United States and such securities laws and regulation were applicable to a broker-dealer that received: (a) An individual exemption, granted by the Department under section 408(a) of ERISA, involving the loan of securities by a plan to a broker-dealer or (b) a final authorization by the Department to engage in an otherwise prohibited transaction pursuant to PTE 96–62, as amended, involving the loan of securities by a plan to a broker-dealer. On the date this exemption becomes effective, the following countries shall qualify for purposes of this clause (2): United Kingdom, Canada, Germany,

Japan, Australia, Switzerland, France, the Netherlands and Sweden.

LL. "Foreign Collateral" means:

(1) Securities issued by or guaranteed as to principal and interest by the following Multilateral Development Banks, the obligations of which are backed by the participating countries, including the United States: The International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the European Bank for Reconstruction and Development and the International Finance Corporation;

(2) Foreign sovereign debt securities provided that at least one nationally recognized statistical rating organization has rated in one of its two highest categories either the issue, the issuer or guarantor;

(3) The British pound, the Canadian dollar, the Swiss franc, the Japanese yen or the Euro;

(4) Irrevocable letters of credit issued by a Foreign Bank, other than the borrower or an affiliate thereof, which has a counterparty rating of investment grade or better as determined by a nationally recognized statistical rating organization; or

(5) Any type of collateral described in Rule 15c3–3 of the 1934 Act as amended from time to time provided that the lending fiduciary is a U.S. Bank or U.S. Broker-Dealer and such fiduciary indemnifies the plan with respect to the difference, if any, between the replacement cost of the borrowed Securities and the market value of the collateral on the date of a borrower default plus interest and any transaction costs which a plan may incur or suffer directly arising out of a borrower default. Notwithstanding the foregoing, collateral described in any of the categories enumerated in section V(e) of PTE 2006–16 will be considered U.S. Collateral for purposes of the exemption.

MM. "Foreign Exchange Transaction" means the exchange of the currency of one nation for the currency of another nation, or a contract for such an exchange. The term Foreign Exchange Transaction includes option contracts on foreign exchange transactions. Foreign Exchange Transactions may be either "spot", "forward" or "split" depending on the settlement date of the transaction.

NN. "GNMA" means the Government National Mortgage Association.

OO. "Independent Monitor" or "IM" means an individual or entity appointed by BlackRock to carry out certain functions set forth in Sections II, III and V of the exemption and who (or which), given the number of types of Covered Transactions and the number of actual individual Covered Transactions potentially covered by the exemption, must be knowledgeable and experienced with respect to each Covered Transaction and able to demonstrate sophistication in relevant markets, instruments and trading techniques relative thereto, and, in addition, must understand and accept in writing its duties and responsibilities under ERISA and the exemption with respect to the Client Plans. The IM must be independent of and unrelated to BlackRock and any MPS. For purposes of this exemption, such individual or entity will not be deemed to be independent of and unrelated to BlackRock and the MPSs if:

(1) Such individual or entity directly or indirectly controls, is controlled by, or is under common control with BlackRock or an MPS;

(2) Such individual or entity, or any employee thereof performing services in connection with this exemption, or an officer, director, partner, or highly compensated employee (as defined in Code section 4975(e)(2)(H)) thereof, is an officer, director, partner or highly compensated employee (as defined in Code section 4975(e)(2)(H)) of BlackRock or an MPS; or any member of the business segment performing services in connection with this exemption is a relative of an officer, director, partner or highly compensated employee (as defined in Code section 4975(e)(2)(H)) of BlackRock or an MPS.

However, if an individual is a director of the IM and an officer, director, partner or highly compensated employee (as defined in Code section 4975(e)(2)(H)) of BlackRock or an MPS, and if he or she abstains from participation in any of the services performed by the IM under this exemption, then this Section VI.OO.(2) shall not apply.

For purposes of this Subsection, the term officer means a president, any senior vice president in charge of a principal business unit, division or function (such as sales, administration, or finance), or any other officer who performs a policy-making function for the IM, BlackRock, or an MPS.

(3) The IM directly or indirectly receives any compensation or other consideration for the IM's personal account in connection with any Covered Transaction, except that the IM may receive compensation from BlackRock for acting as IM as contemplated herein if the amount or payment of such compensation is reasonable and not contingent upon or in any way affected by any decision made by the IM while acting as IM; or

(4) The annual gross revenue received by the IM, during any year of its engagement, from the MPSs and BlackRock Entities for all services exceeds the greater of (a) five percent (5%) of the IM's annual gross revenue from all sources for its prior tax year, or, (b) one percent (1%) of the annual gross revenue of the IM and its majority shareholder from all sources for their prior tax year.

PP. "Index" means an equity or debt Securities or commodities index that represents the investment performance of a specific segment of the market for equity or debt Securities or commodities in the United States and/or an individual foreign country or any collection of foreign countries, but only if—

(1) The organization creating and maintaining the index is:

(a) Engaged in the business of providing financial information, evaluation, advice or Securities brokerage services to institutional clients,

(b) A publisher of financial news or information, or

(c) A public Securities exchange or association of Securities dealers; and

(2) The index is created and maintained by an organization independent of all BlackRock Entities. For purposes of this definition of "Index," every BlackRock Entity is deemed to be independent of every MPS.

(3) The index is a generally accepted standardized index of Securities or commodities which is not specifically tailored for the use of a BlackRock Manager(s).

(4) If the organization creating, providing or maintaining the Index is an MPS:

(a) Such Index must be widely-used in the market by independent institutional investors other than pursuant to an investment management or advisory relationship with a BlackRock Manager, and must be prepared or applied by such MPS in the same manner as for customers other than a BlackRock Manager(s);

(b) BlackRock must certify to the ECO whether, in its reasonable judgment, such Index is widely-used in the market. In making this determination, BlackRock shall take into consideration factors such as (i) publication of summary Index information by the MPS providing the Index, Bloomberg, Reuters, or a similar institution involved in the dissemination of financial information, and (ii) delivery of Index information including but not limited to

Index component information by such MPS to clients or other subscribers including by electronic means including via the internet;

(c) BlackRock must notify the ECO if it becomes aware that: (i) Such Index is operated other than in accordance with objective rules, in the ordinary course of business, (ii) manipulation of any such Index has occurred for the purpose of benefiting BlackRock, or (iii) in the event that any rule change occurred in connection with the rules underlying such Index, such rule change was made by the MPS for the purpose of benefiting BlackRock; provided, however, this Subsection (c)(iii) expressly excludes instances where the rule changes were made in response to requests from clients/prospective clients of BlackRock even if BlackRock is ultimately hired to manage such a portfolio (e.g., if plan sponsor X requests a "Global ex-Sudan Fixed Income Index", an MPS decides to sponsor such index and plan sponsor X approaches BlackRock or otherwise issues a "Request for Proposal" for investment managers who could manage an index portfolio benchmarked to the Global ex-Sudan Fixed Income Index).

(d) BlackRock must certify to the ECO annually that it is not aware of the occurrence of any of the events described in Section VI.PP.(4)(c), and if BlackRock cannot so certify, or if BlackRock provides the ECO with the notice described Section VI.PP.(4)(c), the ECO shall notify the IM, and the IM must take appropriate remedial action which may include, but need not be limited to, instructions for relevant BlackRock Managers to cease using such Index.

QQ. "Index Account or Fund" means any investment fund, account or portfolio sponsored, maintained, trusteed, or managed by a BlackRock Manager or a BlackRock Entity, in which one or more Client Plans invest, and—

(1) Which is designed to track the rate of return, risk profile and other characteristics of an Index by either (i) replicating the same combination of Securities or commodities which compose such Index or (ii) sampling the Securities or commodities which compose such Index based on objective criteria and data;

(2) For which the BlackRock Manager does not use its discretion, or data within its control, to affect the identity or amount of Securities or commodities to be purchased or sold;

(3) That contains "plan assets" subject to either ERISA section 406, Code section 4975 or FERSA section 8477(c); and,

(4) That involves no agreement, arrangement, or understanding regarding the design or operation of the Index Account or Fund which is intended to benefit a BlackRock Entity or an MPS, or any party in which a BlackRock Entity or an MPS may have an interest.

For purposes of this definition of "Index Account or Fund", every BlackRock Entity is deemed to be independent of each MPS.

RR. "In-House Plan" means an employee benefit plan that is subject to ERISA section 406 and/or Code section 4975, and that is sponsored by a BlackRock Entity for its employees.

SS. "Interbank Rate" means the interbank bid and asked rate for foreign exchange transactions of comparable size and maturity at the time of the transaction as quoted on a nationally recognized service for facilitating foreign currency trades between large commercial banks and Securities dealers.

TT. "Know" means to have actual knowledge. BlackRock Managers will be deemed to have actual knowledge of information set forth in a written agreement or offering document as of the date the BlackRock Manager receives such agreement or document.

UU. "Model" means a computer model that is based on prescribed objective criteria using independent data not within the control of a BlackRock Entity to transform an Index.

VV. "Model-Driven Account or Fund" means any investment fund, account or portfolio sponsored, maintained, trusteed, or managed by a BlackRock Manager or a BlackRock Entity in which one or more Client Plans invest, and—

(1) Which is composed of Securities or commodities the identity of which and the amount of which are selected by a Model;

(2) That contains "plan assets" subject to either ERISA section 406, Code section 4975 or FERSA section 8477(c); and

(3) That involves no agreement, arrangement, or understanding regarding the design or operation of the Model-Driven Account or Fund or the utilization of any specific objective criteria which is intended to benefit a BlackRock Entity or an MPS, or any party in which a BlackRock Entity or an MPS may have an interest.

For purposes of this definition of "Model-Driven Account or Fund," every BlackRock Entity is deemed to be independent of each MPS.

WW. "MPS" or "Minority Passive Shareholder" means (1) Barclays PLC, (2) Bank of America Corporation, (3) The PNC Financial Services Group, Inc., or (4) each entity directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with one or more of Barclays PLC (Barclays MPSs), Bank of America Corporation (BOA MPSs) or The PNC Financial Services Group, Inc., (PNC MPSs) (each of the PNC MPSs, Barclays MPSs, and the BOA MPSs, an MPS Group) but excluding any and all BlackRock Entities. Bank of America Corporation and any entity directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with Bank of America Corporation (collectively, the BOA Group) shall cease to be an MPS on the day after the number of representatives of the BOA Group on the BlackRock Board of Directors is reduced to one (1).

XX. "MPS Group" shall have the meaning set forth in the definition of MPS.

YY. "MPS Plans" means an employee benefit plan(s) that is subject to ERISA section 406 and/or Code section 4975, and that is sponsored by an MPS for its employees.

ZZ. "Other Account or Fund" means any investment fund, account or portfolio sponsored, maintained, trusteed, or managed by a BlackRock Manager or a BlackRock Entity in which one or more Client Plans invest, and—

(1) Which is not an Index Account or Fund or a Model-Driven Account or Fund; and

(2) That contains "plan assets" subject to either ERISA section 406, Code section 4975 or FERSA section 8477(c).

AAA. "Pooled Fund" means a common or collective trust fund or other pooled investment fund:

(1) In which Client Plan(s) invest;

(2) For which a BlackRock Manager exercises discretionary authority or discretionary control respecting the management or disposition of the assets of such fund(s); and

(3) That contains "plan assets" subject to either ERISA section 406, Code section 4975 or FERSA section 8477(c).

Solely for purposes of Section IV of this exemption, "Pooled Fund(s)" shall only include funds or trusts which otherwise meet this definition but which also are either (i) maintained by a BlackRock Entity or (ii) maintained by a person which is not a BlackRock Entity but is sub-advised by a BlackRock Manager, provided that with respect to a Pooled Fund described in (ii), (A) the fund or trust is either a bank-maintained common or collective trust fund or an insurance company pooled separate account that holds assets of at least $250 million, (B) the bank or insurance company sponsoring the pooled fund

has total client assets under its management or control in excess of $5 billion as of the last day of its most recent fiscal year, and shareholders' or partners' equity in excess of $1 million, and (C) the decision to invest the Client Plan into the bank-maintained common or collective trust or insurance company pooled separate account and to maintain such investment is made by a Client Plan fiduciary which is not a BlackRock Entity. Such sub-advised Pooled Funds are sometimes referred to herein as "Sub-Advised Pooled Funds".

BBB. "QPAM Exemption" or "PTE 84–14" means Prohibited Transaction Exemption 84–14, as amended.

CCC. "Qualified Professional Asset Manager" or "QPAM" shall have the meaning set forth in Section VI(a) of the QPAM Exemption.

DDD. "Qualified Institutional Buyer" or "QIB" shall have the same meaning as defined in SEC Rule 144A (17 CFR 230.144A(a)(1)) under the 1933 Act.

EEE. "Rating Organizations" means Standard & Poor's Rating Services, Moody's Investors Service, Inc., Fitch Ratings Inc., DBRS Limited, DBRS, Inc., or any successors thereto.

FFF. "Recognized Securities Exchange" means a U.S. securities exchange that is registered as a "national securities exchange" under section 6 of the 1934 Act, or a designated offshore securities market, as defined in Regulation S of the SEC (17 CFR 230.902(b)), as such definition may be amended from time to time, which performs with respect to Securities the functions commonly performed by a stock exchange within the meaning of definitions under the applicable Securities laws (e.g., 17 CFR 240.3b-16).

GGG. "SEC" means the United States Securities and Exchange Commission.

HHH. "Securities" shall have the same meaning as defined in section 2(36) of the 1940 Act. For purposes of Section IV of this exemption, except as where specifically identified, Asset-Backed Securities are treated as debt Securities.

III. "Special Notice" shall have the meaning set forth in Section II.F. of this exemption.

JJJ. "Three Quote Process" means three bids or offers (either of which being sometimes referred to as quotes) are received by a trader for a BlackRock Manager each of which such quotes such trader reasonably believes is an indication that the dealer presenting the bid or offer is willing to transact the trade at the stipulated volume under discussion, and all material terms (including volume) under discussion are materially similar with respect to each other such quote. In selecting the best of three such quotes, a BlackRock Manager shall maintain books and records for the three firm bids/offers in a convention that it reasonably believes is customary for the specific asset class (such as "price" quotes, "yield" quotes or "spread" quotes). For example, corporate bonds are often quoted on a spread basis and dealers customarily quote the spread above a certain benchmark bond's yield (e.g., for a given size and direction such as a BlackRock trader may ask for quotes to sell $1 million of a particular bond, dealer 1 may quote 50 bps above the yield of the 10 year treasury bond, dealer 2 might quote 52 bps above the yield of the 10 year treasury bond and dealer 3 might quote 53 bps above the yield of the 10 year treasury bond). If only two firm bids/offers can be obtained, the trade requires prior approval by the ECO and the ECO must inquire as to why three firm bids/offers could not be obtained. If in the case of a sale or purchase a trader for a BlackRock Manager reasonably believes it would be injurious to the Client Plan to specify the size of the intended trade to certain bidders, a bid on a portion of the intended trade may be treated as a firm bid if the trader documents (i) why the bid price is a realistic indication of the economic terms for the actual amount being traded despite the difference in the size of the actual trade and (ii) why it would be harmful to the Client Plan to solicit multiple bids on the actual amount of the trade. If a trader for a BlackRock Manager solicits bids from three or more dealers on a sale or purchase of a certain volume of Securities, and receives back three or more bids, but at least one bid is not for the full amount of the intended sale, if the price offered by the partial bidder(s) is less than the price offered by the full bidder(s), the trader may assume a full bid by the partial bidder(s) would not be the best bid, and the trader can consummate the trade, in the case of at least two full bids, with the dealer making the better of the full bids, or in the case of only one full bid, with the dealer making that full bid.

KKK. "Type A Transactions" means transactions between BlackRock Managers on behalf of Client Plans with MPSs which (i) are or were continuing transactions within the meaning of section VI(i) of PTE 84–14 and/or section IV(h) of PTE 91–38 in existence on the date of the Acquisition, and (ii) pursuant to which there is no discretion on the part of either party, other than the ability of the BlackRock Manager to sell or otherwise transfer the Client Plan's position to a third party, or the ability of the MPS to sell or otherwise transfer its position to a third party, or the ability of the MPS to otherwise terminate the transaction on previously specified terms.

LLL. "Type B Covered Transactions" means transactions which meet the criteria to be Type A Transactions but which possess the additional feature that the BlackRock Manager, on behalf of a Client Plan, has the option to terminate the transaction with the MPS on previously specified terms.

MMM. "Type C Covered Transactions" means transactions which meet the criteria to be Type B Covered Transactions but which possess the additional feature that the BlackRock Manager may terminate or modify the transaction on behalf of a Client Plan under certain circumstances, but only with negotiation and/or payment of consideration to the MPS or to the Client Plan which was not predetermined.

NNN. "Underwriter Exemption(s)" means a group of individual exemptions granted by the Department to provide relief for the origination and operation of certain asset pool investment trusts and the acquisition, holding and disposition by plans of Asset-Backed Securities representing undivided interests in those trusts. Such group of individual exemptions was collectively amended by PTE 2009–31, 74 FR 59001 (Nov. 16, 2009).

OOO. "Unwind Period" shall have the meaning set forth in Section II.A.3.(b) of this exemption.

PPP. "Unwind Period 2" shall have the meaning set forth in Section III.W. of this exemption.

QQQ. "U.S. Bank" means a bank as defined in section 202(a)(2) of the Investment Advisers Act, as amended.

RRR. "U.S. Broker-Dealer" means a broker-dealer registered under the 1934 Act or exempted from registration under section 15(a)(1) of the 1934 Act as a dealer in exempted government Securities (as defined in section 3(a)(12) of the 1934 Act).

SSS. "U.S. Collateral" means:

(1) U.S. currency;

(2) "Government securities" as defined in section 3(a)(42)(A) and (B) of the 1934 Act;

(3) "Government securities" as defined in section 3(a)(42)(C) of the 1934 Act issued or guaranteed as to principal or interest by the following corporations: The Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Student Loan Marketing Association and the Financing Corporation;

(4) Mortgage-backed Securities meeting the definition of a "mortgage related security" set forth in section 3(a)(41) of the 1934 Act;

(5) Negotiable certificates of deposit and bankers acceptances issued by a "bank" as that term is defined in section 3(a)(6) of the 1934 Act, and which are payable in the United States and deemed to have a "ready market" as that term is defined in 17 CFR 240.15c3–1; or

(6) Irrevocable letters of credit issued by a U.S. Bank other than the borrower or an affiliate thereof, or any combination, thereof.

TTT. "Violation" means a Covered Transaction which is a prohibited transaction under section 406 or 407 of ERISA, Code section 4975, or FERSA section 8477(c) and which is not exempt by reason of a failure to comply with this exemption or another administrative or statutory exemption. To the extent that the non-exempt prohibited transaction relates to an act or omission that is separate and distinct from a prior otherwise exempt transaction that may relate to the same asset (e.g., a conversion of a debt instrument into an equity instrument or a creditor's committee for a debt instrument), the Violation occurs only at the current point in time and no Violation shall be deemed to occur for the earlier transaction relating to the same asset (e.g., the initial purchase of the asset) that was otherwise in compliance with ERISA, the Code or FERSA.

Effective Date: This exemption is effective as of December 1, 2009; notwithstanding the foregoing, this exemption ceases to be available with respect to the BOA Group on the day after the number of representatives of the BOA Group on the BlackRock Board of Directors is reduced to one (1).

Signed at Washington, DC, this 9th day of March____, 2011.

Ivan L. Strasfeld,

Director of Exemption Determinations, Employee Benefits Security Administration, U.S. Department of Labor.

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