

Investment Company Act of 1940 – Section 17(a), 10(f), 12(d)(3), 17(d) and Rule 17d-1
Merrill Lynch & Co., Inc., et al.

September 27, 2006

RESPONSE OF THE OFFICE OF
INVESTMENT COMPANY REGULATION
DIVISION OF INVESTMENT MANAGEMENT

Our Ref. No. 06-1-ICR
MERRILL LYNCH & CO., INC., et al.

Your letter of September 26, 2006, requests our assurance that we would not recommend that the Commission take any enforcement action under sections 10(f), 12(d)(1)(A) and (B), 12(d)(3), 17(a) and 17(d) of the Investment Company Act of 1940 (the “Act”) and rule 17d-1 under the Act if Merrill Lynch, BlackRock, their affiliates, and the New BlackRock Funds,¹ rely on the Exemptive Orders following the Transactions, subject to the Exemptive Orders’ material representations and terms and conditions.² New BlackRock, BlackRock, the BlackRock Advisors, other BlackRock affiliates, and the New BlackRock Funds agree to comply with the terms and conditions of the Exemptive Orders as though such terms and conditions were imposed directly on such entities.

Based on the facts and representations made in your letter, we would not recommend that the Commission take any enforcement action under sections 10(f), 12(d)(1)(A) and (B), 12(d)(3), 17(a) and 17(d) of the Act and rule 17d-1 under the Act if Merrill Lynch, BlackRock, their affiliates, and the New BlackRock Funds rely on the Exemptive Orders following the Transactions.³ This response expresses the Division’s position on enforcement action only, and does not purport to express any legal conclusions on the questions presented. Facts or representations different from those presented in your letter might require a different conclusion.

Marilyn Mann
Senior Counsel
Office of Investment Company Regulation
September 27, 2006

INCOMING LETTER:

¹ For purposes of this letter, references to the foregoing entities extend only to those entities for which your letter specifically requests relief, as described in your discussion of the Exemptive Orders.

² Unless otherwise noted, each defined term in this letter has the same meaning as defined in your letter.

³ You state that you are not requesting, and understand that we are not taking, any position with respect to section 15(f) of the Act. You also state that you have been advised that there is no express or implied understanding between the parties to the Transactions and their affiliates with respect to the amount or level of any transactions that may be entered into in reliance on the Exemptive Orders after the Transactions.

Investment Company Act of 1940--
Sections 10(f), 12(d)(1)(A) and (B),
12(d)(3), 17(a), and 17(d) and Rule 17d-1

September 26, 2006

Nadya B. Roytblat, Esq.
Assistant Director
Office of Investment Company Regulation
Division of Investment Management
United States Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-4041

Re: Merrill Lynch & Co., Inc. et al.

Dear Ms. Roytblat:

On behalf of Merrill Lynch & Co., Inc. (“Merrill Lynch”) and BlackRock, Inc. (“BlackRock”), their respective affiliates referred to herein, and the New BlackRock Funds (as defined below), we respectfully request that the Staff of the Division of Investment Management (the “Staff”) of the Securities and Exchange Commission (the “Commission”) advise us that it will not recommend that the Commission take any enforcement action under Sections 10(f), 12(d)(3), 12(d)(1)(A) and (B), 17(a) and 17(d) of the Investment Company Act of 1940, as amended (the “Act”), and Rule 17d-1 under the Act, in the circumstances described below.

Background and Statement of Facts

On February 15, 2006, BlackRock and two of its wholly-owned subsidiaries entered into a Transaction Agreement and Plan of Merger (the “Agreement”) with Merrill Lynch, the parent company of Merrill Lynch Investment Managers, L.P. (“MLIM”) and the other investment advisers under common control with MLIM (collectively, the “MLIM Advisers”). Pursuant to

the terms and conditions of the Agreement, Merrill Lynch has agreed to contribute certain assets and entities that constitute its investment management business (the “MLIM business”) to a new entity to be formed (“New BlackRock”) in exchange for equity ownership in New BlackRock of up to 49.8% (with a 45% interest in common stock, each share of which has one vote on all matters on which common shareholders are entitled to vote (“Common Stock”). The holdings of Merrill Lynch will be subject to a number of governance, change in control and standstill requirements, including a requirement that Merrill Lynch vote its shares of Common Stock in accordance with a stockholders agreement. BlackRock will survive the proposed merger as a wholly-owned subsidiary of New BlackRock. The transfer of the MLIM business and the related actions are referred to collectively as the “Transactions.” The Transactions are conditioned upon the satisfaction of certain covenants and the occurrence of certain events. Assuming satisfaction of such conditions and the occurrence of such events, it is expected that the Transactions will be consummated on or about September 29, 2006.

The Transactions will constitute an “assignment” for purposes of the Act of the investment management and advisory agreements between the MLIM Advisers and the registered investment companies advised by them (the “MLIM Funds”), thus terminating such agreements. Accordingly, it is proposed that a new investment advisory and management agreement be entered into between each MLIM Fund and BlackRock Advisors, Inc., a wholly-owned subsidiary of BlackRock, or another investment adviser controlled by or under common control with BlackRock and New BlackRock (collectively, “BlackRock Advisors”). Proxy statements with respect to the proposed new investment management agreements with BlackRock Advisors to take effect upon the closing of the Transactions have been provided to shareholders of the MLIM Funds for their consideration. In the case of certain of the MLIM

Funds and the registered investment companies advised by BlackRock Advisors (the “BlackRock Funds”), it will be proposed to merge such MLIM Funds with or into certain open-end BlackRock Funds and in other cases to merge an open-end BlackRock Fund into certain of the open-end MLIM Funds. Registration statements on Form N-14 have been or will be filed with the Commission with respect to these reorganizations. Collectively, all registered investment companies advised by BlackRock Advisors after the Transactions are referred to herein as the “New BlackRock Funds.” As a condition to the consummation of the Transactions pursuant to the Agreement, broker-dealers that are direct or indirect wholly-owned subsidiaries of Merrill Lynch (“ML Affiliated Broker-Dealers”) are expected to enter into a global distribution agreement with BlackRock with respect to the New BlackRock Funds. Two of the ML Affiliated Broker-Dealers are expected to be a “principal underwriter” of certain of the New BlackRock Funds.

The MLIM Advisers, the MLIM Funds and certain affiliates thereof have obtained and presently engage in certain transactions in reliance on the exemptive orders under the Act described below (the “Exemptive Orders”). The New BlackRock Funds, BlackRock Advisors and other entities discussed below in our description of the Exemptive Orders wish to rely on the Exemptive Orders following the Transactions. We have been advised by MLIM and BlackRock that there is no express or implied understanding between the parties to the Transactions and their affiliates with respect to the amount or level of any transactions that may be entered into in reliance on the Exemptive Orders (as requested in this letter) after the Transactions.⁴

⁴ We are not requesting in this letter, and we understand that the Staff is not taking, any position with respect to Section 15(f) of the Act.

The need for the requested relief results from the terms of the Agreement, pursuant to which (1) Merrill Lynch will acquire a 45% interest in the Common Stock, (2) Merrill Lynch will transfer the MLIM business to New BlackRock and a new investment management agreement will be entered into between each MLIM Fund and one of the BlackRock Advisors, and (3) two of the ML Affiliated Broker-Dealers will serve as principal underwriter of certain of the New BlackRock Funds. Section 2(a)(3)(C) of the Act defines “affiliated person” of another person to include any person controlling, controlled by, or under common control with such other person. Section 2(a)(9) of the Act creates a presumption of control over a company by any person owning more than 25% of the company’s voting securities. Merrill Lynch, through its ownership of 45% of the Common Stock, will be presumed to control New BlackRock, BlackRock and the BlackRock Advisors. Since Merrill Lynch also controls various entities, including the ML Affiliated Broker-Dealers, these entities and the BlackRock Advisors will be under common control, and thus affiliated persons of each other. In addition, the BlackRock Advisors, as investment advisers to the New BlackRock Funds, may be deemed to control the New BlackRock Funds. Thus, the ML Affiliated Broker-Dealers and other entities controlled by Merrill Lynch and the New BlackRock Funds may be deemed to be under common control and thus affiliated persons of one another. With respect to certain of the New BlackRock Funds, each of the ML Affiliated Broker-Dealers will be either a principal underwriter or an affiliated person of a principal underwriter.

The affiliations between the ML Affiliated Broker-Dealers, on the one hand, and the BlackRock Advisors and New BlackRock Funds, on the other hand, will create prohibitions on certain transactions involving the ML Affiliated Broker-Dealers and the New BlackRock Funds after the Transactions, including principal transactions prohibited by Section 17(a) of the Act,

joint transactions prohibited by Section 17(d) of the Act and Rule 17d-1 under the Act, and the prohibition by Section 10(f) of the Act of the New BlackRock Funds' acquisition of securities during the existence of an underwriting syndicate of which a ML Affiliated Broker-Dealer is a principal underwriter. In addition, the fact that each of the ML Affiliated Broker-Dealers is either a principal underwriter or an affiliated person of a principal underwriter of certain New BlackRock Funds creates similar prohibitions under Section 17(a) and 17(d) of the Act and Rule 17d-1 under the Act with respect to transactions between the ML Affiliated Broker-Dealers and those New BlackRock Funds. Thus, absent the relief requested herein, the prohibitions discussed above will prevent the New BlackRock Funds from engaging in certain transactions in which the BlackRock Funds currently engage with the ML Affiliated Broker-Dealers, as specifically discussed below. In addition, the MLIM Funds, as part of the New BlackRock Funds, would no longer be able to engage in certain transactions prohibited by Sections 17(a), 17(d) and 10(f) of the Act and Rule 17d-1 under the Act that they are currently engaging in, subject to the terms and conditions of the Exemptive Orders discussed below. Accordingly, we are requesting relief to rely on the following three Exemptive Orders after the Transactions: (1) CMA Tax-Exempt Fund, Investment Company Act Release Nos. 15475 (Dec. 11, 1986) (notice) and 15520 (Jan. 5, 1987) (order); (2) Merrill Lynch Ready Assets Trust, Investment Company Act Release Nos. 18693 (May 6, 1992) (notice) and 18748 (June 2, 1992) (order); and (3) Apex Municipal Fund, Investment Company Act Release Nos. 25052 (June 26, 2001) (notice) and 25074 (July 24, 2001) (order).

In addition, we are requesting relief to rely on the following three Exemptive Orders: (1) Mercury QA Strategy Series, Inc., Investment Company Act Release Nos. 24382 (Apr. 7, 2000) (notice) and 24438 (May 3, 2000) (order); (2) Apex Municipal Fund, Investment Company Act

Release Nos. 25062 (July 12, 2001) (notice) and 25100 (Aug. 3, 2001) (order); and (3) Merrill Lynch Principal Protected Trust, Investment Company Act Release Nos. 26164 (Aug. 20, 2003) (notice) and 26180 (Sept. 16, 2003) (order). The BlackRock Funds would require relief from Sections 12(d)(1)(A) and (B) and 12(d)(3) of the Act to engage in the transactions permitted by these Exemptive Orders. In addition, with respect to the Apex Municipal Fund order, they would require relief from Sections 17(a) and 17(d) of the Act and Rule 17d-1 under the Act to engage in certain transactions with entities affiliated with the BlackRock Funds and from Section 17(a) to engage in certain interfund transactions.⁵ After the Transactions, the New BlackRock Funds will require relief from Sections 17(a) and 17(d) of the Act and Rule 17d-1 under the Act to engage in certain transactions permitted by the Apex Municipal Fund and Merrill Lynch Principal Protected Trust orders with the ML Affiliated Broker-Dealers and other entities controlled by Merrill Lynch.⁶ We are requesting relief with respect to the three Exemptive Orders listed above to permit certain existing MLIM Funds as well as other New BlackRock Funds to rely on them after the Transactions.⁷

Set forth below is a brief description of the Exemptive Orders currently relied upon by the MLIM Advisers, the MLIM Funds and certain affiliates thereof, as provided in the Exemptive Orders.

⁵ The BlackRock Funds could currently engage in the securities lending transactions with the ML Affiliated Broker-Dealers that are permitted by this Exemptive Order.

⁶ The Mercury QA Strategy Series, Inc. order does not involve any transactions with Merrill Lynch affiliates.

⁷ We are requesting no-action relief with respect to the Exemptive Orders that grant relief from Sections 17(a) and 17(d) of the Act and Rule 17d-1 under the Act regardless of whether the relevant prohibitions derive from the affiliation between entities controlled by Merrill Lynch and the New BlackRock Funds or from the role of entities controlled by Merrill Lynch as principal underwriter or affiliated person of a principal underwriter of certain New BlackRock Funds (without regard to whether the identity of the MLIM Funds' principal underwriters, or the significance thereof with respect to Sections 17(a) and 17(d) of the Act and Rule 17d-1 under the Act, was discussed in the relevant applications).

CMA Tax-Exempt Fund, et al. (File No. 812-5990)

This order permits certain tax-exempt MLIM Funds to engage in principal transactions involving certain high quality, short-term tax-exempt securities with Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”), which is one of the ML Affiliated Broker-Dealers. The order grants relief under Sections 6(c) and 17(b) of the Act from Section 17(a) of the Act and is subject to various terms and conditions.

Following the Transactions, the material representations and the terms and conditions of the order will be applicable to the BlackRock Advisors, any New BlackRock Funds that invest primarily in a portfolio of tax-exempt securities and that seek to rely on the order, MLPF&S and Merrill Lynch. We believe that allowing the New BlackRock Funds to engage in transactions with MLPF&S in reliance on the order would be appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

BlackRock has advised us that, during the year ended June 30, 2006, the BlackRock Funds that are tax-exempt money market funds engaged in \$4.61 billion aggregate purchase and \$4.42 billion aggregate sales transactions in short-term tax-exempt securities with MLPF&S on a principal basis.

Merrill Lynch Ready Assets Trust, et al. (File No. 812-7285)

This order permits certain taxable money market funds advised by the MLIM Advisers to engage in principal transactions in certain taxable money market securities with certain ML

Affiliated Broker-Dealers. The order grants relief under Sections 6(c) and 17(b) of the Act from Section 17(a) of the Act and is subject to various terms and conditions.

Following the Transactions, the material representations and the terms and conditions of the order will be applicable to the BlackRock Advisors, any New BlackRock Funds that are taxable money market funds and that seek to rely on the order, MLPF&S, Merrill Lynch Government Securities, Inc. (“GSI”), Merrill Lynch Money Markets Inc. (“MMI”) and Merrill Lynch. We believe that allowing the New BlackRock Funds to engage in transactions with the ML Affiliated Broker-Dealers named above in reliance on the order would be appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

BlackRock has advised us that, during the year ended June 30, 2006, the BlackRock Funds that are taxable money market funds engaged in \$113.49 billion aggregate purchase and \$1.86 billion aggregate sales transactions in taxable money market securities with MLPF&S, GSI and MMI on a principal basis.

Apex Municipal Fund, et al. (File No. 812-11262)

This order permits certain tax-exempt MLIM Funds to purchase eligible municipal securities, as defined in Rule 10f-3(a)(3) under the Act, through group orders where MLPF&S is a member of the underwriting syndicate. The order grants relief under Sections 6(c), 10(f) and 17(b) of the Act from Sections 10(f) and 17(a) of the Act and is subject to various terms and conditions.

Following the Transactions, the material representations and the terms and conditions of the order will be applicable to the BlackRock Advisors, any New BlackRock Funds that invest in eligible municipal securities and that seek to rely on the order, MLPF&S and Merrill Lynch. We believe that allowing the New BlackRock Funds to purchase eligible municipal securities through group orders where MLPF&S is a member of the underwriting syndicate in reliance on the order would be appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

BlackRock has advised us that it does not track the extent to which tax-exempt BlackRock Funds have purchased eligible municipal securities through group orders in underwritten offerings. BlackRock has reviewed underwritten transactions in which closed-end funds it manages have purchased securities from offerings in which MLPF&S acted as the lead underwriter. These purchases aggregated approximately \$41.1 million for the twelve months ended June 30, 2006.

Apex Municipal Fund, et al. (File No. 812-12184)

This order permits (a) the MLIM Funds to pay an affiliated lending agent a fee based on a share of the revenue derived from securities lending activities; (b) the MLIM Funds and certain affiliated institutional accounts to use cash collateral from securities lending transactions and/or uninvested cash to purchase shares of affiliated money market funds or affiliated private investment companies; (c) the MLIM Funds to lend portfolio securities to the ML Affiliated Broker-Dealers; and (d) the MLIM Funds to engage in certain purchase and sale transactions with each other. The order grants relief under Section 12(d)(1)(J) of the Act from Sections 12(d)(1)(A) and (B) of the Act, under Sections 6(c) and 17(b) of the Act from Section 17(a) of

the Act, and under Section 17(d) of the Act and Rule 17d-1 under the Act to permit certain joint transactions. The order is subject to various terms and conditions.

Following the Transactions, the material representations and the terms and conditions of the order will be applicable to BlackRock, the BlackRock Advisors, the New BlackRock Funds that seek to rely on the order, a securities lending agent controlled by New BlackRock, one or more private investment companies managed by an entity controlled by New BlackRock, institutional clients of New BlackRock or entities controlled by New BlackRock, the ML Affiliated Broker-Dealers and Merrill Lynch. We believe that allowing the New BlackRock Funds and the other foregoing entities to engage in transactions in reliance on the order would be appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

MLIM and BlackRock expect that the securities lending group presently at MLIM will manage all securities lending activities of the New BlackRock Funds following the Transactions. The MLIM securities lending group presently consists of twelve full-time employees who work solely in the management and operations areas of securities lending. It is expected that all of these employees will move to New BlackRock; these individuals are presently employed by Merrill Lynch Investment Managers, LLC and they will continue to be employed by such entity, which is expected to be renamed BlackRock Investment Management, LLC. The securities lending group is supported by individuals in the risk management, compliance and legal advisory groups within MLIM, and it is expected that these individuals will also join New BlackRock. It is further contemplated that the full systems infrastructure developed by MLIM for its securities lending operations will move to New BlackRock.

We believe it is very important that the New BlackRock Funds be able to utilize fully the securities lending relief previously obtained by the MLIM Funds and the other applicants to the order. MLIM believes that the MLIM Funds have benefited through use of an affiliated securities lending agent over programs administered by major custodian banks. These benefits include reduced transaction costs, restricting certain securities from going out on loan, limiting the lending to higher quality counterparties, and a more equitable distribution of lending opportunities to MLIM Funds with smaller portfolios.

Mercury QA Strategy Series, Inc., et al. (File No. 812-11770)

This order permits certain funds of funds that rely on Section 12(d)(1)(G) of the Act and are advised by certain MLIM Advisers to invest in securities and financial instruments of any kind permissible under the Act (“Other Securities”). The order grants relief under Section 12(d)(1)(J) of the Act from Section 12(d)(1)(G)(i)(II) of the Act and is subject to various terms and conditions.

We are aware of the recent adoption of Rule 12d1-2. Under Rule 12d1-2(a)(2), a fund may invest in any “security”, as that term is defined in the Act. However, the relief provided by the order is broader than that permitted by Rule 12d1-2 in that it also applies to all financial instruments permissible under the Act. Accordingly, we request that any New BlackRock Fund that wishes to do so be able to invest in all financial instruments covered by the application.

Following the Transactions, the material representations and the terms and conditions of the order will be applicable to the BlackRock Advisors and any New BlackRock Funds that seek to rely on the order. Accordingly, we believe that allowing the New BlackRock Funds to invest in Other Securities in reliance on the order would be appropriate in the public interest and

consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

Merrill Lynch Principal Protected Trust, et al. (File No. 812-13001)

This order provides relief under Section 6(c) of the Act from Section 12(d)(3) of the Act, under Sections 6(c) and 17(b) of the Act from Section 17(a) of the Act and under Section 17(d) of the Act and Rule 17d-1 under the Act to permit certain joint transactions. The relief permits the MLIM Funds to enter into principal protection arrangements with entities controlling, controlled by, or under common control with the MLIM Advisers. The order is subject to various terms and conditions.

Following the Transactions, the material representations and the terms and conditions of the order will be applicable to the BlackRock Advisors, any New BlackRock Funds that seek to rely on the order and entities controlled by Merrill Lynch. We believe that allowing the New BlackRock Funds to enter into principal protection arrangements with entities controlled by Merrill Lynch in reliance on the order would be appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

Rationale For Request For No-Action Position

The relevant facts set forth in the applications that provided the basis for granting the Exemptive Orders, other than the identity of the investment manager(s) and the specific degree of common ownership, will not have changed in any material respect since the Exemptive Orders were granted and will not change in any material respect as a result of the Transactions. Thus,

Merrill Lynch, BlackRock and their affiliates propose that upon consummation of the Transactions, and subject to the specific requests made above, the New BlackRock Funds, the BlackRock Advisors, other BlackRock affiliates, the ML Affiliated Broker-Dealers, Merrill Lynch and other Merrill Lynch affiliates be able to rely on the Exemptive Orders, subject to the Exemptive Orders' material representations and terms and conditions. New BlackRock, BlackRock, the BlackRock Advisors, BlackRock affiliates, and the New BlackRock Funds will comply with the terms and conditions of the Exemptive Orders as though such terms and conditions were imposed directly on them under the relevant Exemptive Orders.

Moreover, certain conditions to the Exemptive Orders could arguably be satisfied more effectively upon the Transactions. As noted above, the ML Affiliated Broker-Dealers will be more clearly separated in operations and capitalization from the investment manager(s) of the New BlackRock Funds following the Transactions, particularly since Merrill Lynch will have a less than 50% indirect equity interest in BlackRock Advisors.

The Staff has previously granted no-action relief in various situations involving parties who, as a result of changes in circumstances, including such as those involved here, have sought to rely on exemptive orders previously granted. *See, e.g.*, Evergreen Investment Management Company, LLC, et al., SEC No-Action Letter (Oct. 11, 2005); MTB Investment Advisors, Inc., SEC No-Action Letter (Oct. 21, 2003); Neuberger Berman Management Inc., SEC No-Action Letter (April 30, 2003); the AAL Mutual Funds, et al., SEC No-Action Letter (Dec. 12, 2002); UBS Global Asset Management (US), Inc., SEC No-Action Letter (Nov. 21, 2002); Frank Russell Investment Company, SEC No-Action Letter (Oct. 18, 2002); PIMCO Funds, SEC No-Action Letter (Aug. 6, 2002); UBS Paine Webber, et al., SEC No-Action Letter (May 9, 2002);

AIM Advisor Funds, Inc., et al., SEC No-Action Letter (Feb. 12, 2002); and United Asset Management Corporation, SEC No-Action Letter (Sept. 24, 2001).

Based upon the facts and representations discussed herein, it is respectfully requested that the Staff advise Merrill Lynch, BlackRock, their affiliates and the New BlackRock Funds that the Staff will not recommend that the Commission take enforcement action under Sections 10(f), 12(d)(1)(A) and (B), 12(d)(3), 17(a) and 17(d) of the Act, and Rule 17d-1 under the Act, against such persons if such persons act in reliance on the Exemptive Orders as provided herein.⁸

If, for any reason, the Staff does not concur with our conclusions, we respectfully request a conference with the Staff before any adverse written response to this letter is issued.

Should you have any questions regarding this request, please contact John A. MacKinnon at (212) 839-5534, Frank P. Bruno at (212) 839-5540 or Tuuli-Ann Ristkok at (212) 839-8513.

Very truly yours,

Sidley Austin LLP

cc: Denis R. Molleur, First Vice President and General Counsel,
Merrill Lynch Investment Managers, L.P.

Howard B. Surloff, Managing Director and General Counsel
U.S. Funds, BlackRock, Inc.

⁸ As discussed above, our request is limited to certain sections of the Act and rules under the Act and specific entities in the case of each Exemptive Order.