NOTICE TO INTERESTED PERSONS

New BlackRock, Inc. ("BlackRock") and Merrill Lynch & Co., Inc. ("ML&Co.") have filed a request for final authorization under Prohibited Transaction Class Exemption ("PTCE") 96-62 (as published in 61 Fed. Reg. 39988 (July 31, 1996), as amended by 67 Fed. Reg. 44622 (July 3, 2002)) with the United States Department of Labor (the "DOL") to permit employee benefit plans (including commingled investment funds holding plan assets) that are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and/or section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), for which Merrill Lynch Bank & Trust Co., FSB, Merrill Lynch Bank USA, Merrill Lynch Investment Managers, LLC, to be renamed BlackRock Investment Management, LLC (the "Lending Agent"), or their affiliates or successors acts as a trustee, custodian or investment manager, to lend securities to certain entities specified below, and to permit the Lending Agent to act as a securities lending agent and to receive a fee. This request is intended to permit securities lending transactions that are authorized under a final authorization granted to ML&Co. in 2003 (E-00304), following the consummation of certain transactions described in Appendix B below between ML&Co. and BlackRock.

The Lending Agent will not lend securities to Affiliated Borrowers (as defined in Appendix A), following consummation of the transactions between ML&Co. and BlackRock until receipt of final authorization from the DOL.

The proposed transactions have met the requirements for tentative authorization under PTCE 96-62. You are hereby notified that the DOL is considering whether to provide final authorization for the above-described transactions pursuant to PTCE 96-62. Upon final authorization by the DOL, the restrictions of sections 406(a)(1)(A) through (D) and 406(b)(1) and (2) of ERISA, sections 8477(c)(2)(A) and (B) of the Federal Employees' Retirement System Act of 1986, and sections 4975(c)(1)(A) through (E) of the Code shall not apply to the transactions described above. The proposed transactions and proposed conditions for final authorization are set forth below in Appendix A, and the summary of facts and representations is set forth below in Appendix B.

As a person who may be affected by this request for final authorization, you have the right to comment by [November 27, 2006].

All written comments by interested persons can be made to:

U.S. Department of Labor
Employee Benefits Security Administration
Office of Exemption Determinations
Division of Individual Exemptions
200 Constitution Avenue, N.W.
Washington, D.C. 20210

Attention: Gary Lefkowitz, Room 5700

Application Number: E-[ ]

Alternatively, interested persons may furnish their comments to the DOL either via email to lefkowitz.gary@dol.gov or via facsimile at (202) 219-0204.

The citations for substantially similar individual exemptions upon which the request for final authorization is based are as follows:

E-00304: Merrill Lynch & Co., Inc.

PTE 2002-45: Deutsche Bank AG (67 Fed. Reg. 59564) September 23, 2002, as amended November 14, 2002 (67 Fed. Reg. 220)

PTE 2002-46: Barclays Global Investors N.A. (67 Fed. Reg. 59569) September 23, 2002, as amended November 14, 2002 (67 Fed. Reg. 220)

PTE 2002-45, PTE 2002-46, and E-00304 cover securities lending programs which include relief for lending securities from Index and Model Driven Funds that are maintained by the lending agent or its affiliates or affiliates of the borrower.

For the convenience of interested persons, Appendix A, attached, sets forth the conditions that would be applicable upon final authorization by the DOL under PTCE 96-62 and Appendix B, also attached, sets forth the facts and representations that support final authorization. BlackRock and ML&Co. strongly urge interested persons to read the attached appendices.

APPENDIX A

TENTATIVE AUTHORIZATION

I. Transactions

The restrictions of sections 406(a)(1)(A) through (D) and 406(b)(1) and (2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), section 8477(c)(2)(A) and (B) of the Federal Employees' Retirement System Act of 1986 ("FERSA"), and the sanctions resulting from the application of section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), by reason of sections 4975(c)(1)(A) through (E) of the Code, shall not apply to:

(a) The lending of securities by employee benefit plans, including commingled investment funds holding plan assets (collectively, the "Client Plans"),[1] for which Merrill Lynch Bank & Trust Co., FSB ("MLTC"), Merrill Lynch Bank USA ("MLBUSA"), or their respective Affiliates or Successors (each, a "Trust Company"), or Merrill Lynch Investment Managers, LLC, which has been renamed "BlackRock Investment Management, LLC," its Affiliates or Successors (the "Lending Agent"), acts as a trustee, custodian or investment manager and for which the Lending Agent acts as securities lending agent or subagent, [2] or for which a subagent is appointed by the Lending Agent, which subagent is either (I) a bank, as defined in section 202(a)(2) of the Investment Advisers Act of 1940, as amended (the "Advisers Act") or a broker-dealer registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (i) which has, as of the last day of its most recent fiscal year, equity capital in excess of $100 million and (ii) which annually exercises discretionary authority to lend securities on behalf of clients equal to at least $1 billion; or (II) an investment adviser registered under the Advisers Act, (i) which has, as of the last day of its most recent fiscal year, equity capital in excess of $1 million and (ii) which annually exercises the authority to lend securities equal to at least $1 billion (each, a "Lending Subagent"), to:

(1) Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), Merrill Lynch Government Securities, Inc. ("MLGSI"), Merrill Lynch Professional Clearing Corp. ("MLPCC"), Merrill Lynch International ("MLI"), Merrill Lynch Japan Securities Co. Ltd. ("MLJ"), BlackRock Investments, Inc. ("BlackRock Investments"), State Street Research

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[1] The common and collective trust funds trusteed, custodied, and/or managed by the Lending Agent (defined below) or a Trust Company (also defined below), and in which Client Plans invest, are referred to herein as "Commingled Funds". The Client Plan separate accounts trusteed, custodied, and/or managed by the Lending Agent or a Trust Company are referred to herein as "Separate Accounts". Commingled Funds and Separate Accounts are collectively referred to herein as "Lender" or "Lenders".

[2] The Lending Agent or an Affiliate may be retained by primary securities lending agents to provide securities lending services in a subagent capacity with respect to portfolio securities of clients of such primary securities lending agents. As a securities lending sub-agent, the Lending Agent's role parallels that under the lending transactions for which the Lending Agent acts as a primary securities lending agent on behalf of its clients. References to the Lending Agent's performance of services as securities lending agent should be deemed to include its parallel performance as a securities lending sub-agent, and references to the Client Plans should be deemed to include those plans for which the Lending Agent is acting as a sub-agent with respect to securities lending, unless otherwise specifically indicated or by the context of the reference.

Investment Services, Inc. ("State Street"), ABN AMRO Distribution Services (USA), Inc. ("ABN AMRO"), Harris Williams LLC ("Harris Williams"), J.J.B. Hilliard, W.L. Lyons, Inc. ("W.L.Lyons"), MGI Funds Distributors, Inc. ("MGI"), Persimmon Securities, Inc. ("Persimmon"), PFPC Distributors, Inc. ("PFPC"), PNC Capital Markets LLC ("PNC Capital"), PNC Investments LLC ("PNC Investments"), Northern Funds Distributors, LLC ("Northern Funds"), and BlackRock Distributors, Inc. ("BlackRock Distributors"), and their respective Affiliates or Successors; or

(2) Any current or future Affiliate of Merrill Lynch & Co., Inc. ("ML&Co."),[3] BlackRock, Inc. ("BlackRock"), or The PNC Financial Services Group, Inc. ("PNC") that is a bank, as defined in section 202(a)(2) of the Advisers Act, that is supervised by the United States or a state, any broker-dealer registered under the Exchange Act, or any foreign Affiliate of ML&Co., BlackRock, or PNC that is a bank or broker-dealer that is supervised by the Financial Services Authority of the United Kingdom (the "U.K. FSA") or the Financial Services Authority of Japan (the "Japan FSA") (the "Foreign Affiliates") (each entity referred to in (1) and (2) individually, "Affiliated Borrower", and, collectively, "Affiliated Borrowers"); and

(b) The receipt of compensation by the Lending Agent and the Lending Subagent in connection with these transactions.

II. Conditions

Section I of this tentative authorization applies only if the conditions of Section II are satisfied. For purposes of this tentative authorization, any requirement that the approving fiduciary be independent of the Lending Agent or the Affiliated Borrower shall not apply in the case of a Company Plan invested in a Commingled Fund, provided that at all times the holdings of all Company Plans in the aggregate comprise less than 10% of the assets of the Commingled Fund.

(a) For each Client Plan, neither the Lending Agent nor a Trust Company (except as expressly permitted in the following sentence) has or exercises discretionary authority or control with respect to the investment of the assets of Client Plans involved in the transaction or renders investment advice (within the meaning of 29 CFR 2510.3-21(c)) with respect to such assets, including decisions concerning a Client Plan's acquisition or disposition of securities available for loan.

This paragraph (a) will be deemed satisfied notwithstanding that the Lending Agent or a Trust Company exercises discretionary authority or control or renders investment advice in connection with an Index Fund or Model-Driven Fund managed or advised by the Lending Agent or a Trust Company in which Client Plans invest.

(b) Any arrangement for the Lending Agent to lend securities is approved in advance by a Plan fiduciary who is independent of the Lending Agent (the "Independent Fiduciary").

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[3] Any reference to ML&Co., PNC, or BlackRock shall be deemed to include its current or future Affiliates and Successors.

(c) The specific terms of the securities loan agreement (the "Loan Agreement") are negotiated by the Lending Agent which acts as a liaison between the Lender and the Affiliated Borrower to facilitate the securities lending transaction. In the case of a Separate Account, the Independent Fiduciary of a Client Plan approves the general terms of the Loan Agreement between the Client Plan and the Affiliated Borrower as well as any material change in such Loan Agreement. In the case of a Commingled Fund, approval is pursuant to the procedure described in paragraph (i), below.

(d) The terms of each loan of securities by a Lender to an Affiliated Borrower are at least as favorable to such Separate Account or Commingled Fund as those of a comparable arm's-length transaction between unrelated parties.

(e) A Client Plan, in the case of a Separate Account, may terminate the lending agency or subagency arrangement at any time, without penalty, on five business days' notice. A Client Plan in the case of a Commingled Fund may terminate its participation in the lending arrangement by terminating its investment in the Commingled Fund no later than 35 days after the notice of termination of participation is received, without penalty to the Client Plan, in accordance with the terms of the Commingled Fund. Upon termination, the Affiliated Borrowers will transfer securities identical[4] to the borrowed securities (or the equivalent thereof in the event of the reorganization, recapitalization or merger of the issuer of the borrowed securities) to the Separate Account or, if the Client Plan's withdrawal necessitates a return of securities, to the Commingled Fund, within:

(1) The customary delivery period for such securities;

(2) Five business days; or

(3) The time negotiated for such delivery by the Client Plan in a Separate Account, or by the Lending Agent, as lending agent to a Commingled Fund, and the Affiliated Borrowers, whichever is least.

(f) The Separate Account, Commingled Fund or another custodian designated to act on behalf of the Client Plan, receives from each Affiliated Borrower (either by physical delivery, book entry in a securities depository located in the United States, wire transfer or similar means) by the close of business on or before the day the loaned securities are delivered to the Affiliated Borrower, collateral consisting of United States currency, securities issued or guaranteed by the United States government or its agencies or instrumentalities, irrevocable bank letters of credit issued by a United States bank, other than ML&Co., New BlackRock, Inc. ("BlackRock")(or any subsequent parent corporation of the Lending Agent) or an Affiliate thereof, or any combination thereof, or other collateral permitted under Prohibited Transaction Exemption ("PTE") 81-6 (46 FR 7527, January 23, 1981) ("PTE 81-6") (as it may be amended or superseded) (collectively, the "Collateral"). The Collateral will be held on behalf of a Client Plan in a depository account separate from the Affiliated Borrower.

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[4] For purposes of this tentative authorization, securities of the same issuer, class and type but that are not the actual borrowed securities will be considered identical.

(g) The market value (or in the case of a letter of credit, a stated amount) of the Collateral on the close of business on the day preceding the day of the loan is initially at least 102 percent of the market value of the loaned securities. The applicable Loan Agreement gives the Separate Account or the Commingled Fund in which the Client Plan has invested a continuing security interest in, and a lien on or title to, the Collateral. The level of the Collateral is monitored daily by the Lending Agent. If the market value of the Collateral, on the close of trading on a business day, is less than 100 percent of the market value of the loaned securities at the close of business on that day, the Affiliated Borrower is required to deliver, by the close of business on the next day, sufficient additional Collateral such that the market value of the Collateral will again equal 102 percent.

(h) (1) For a Lender that is a Separate Account, the Loan Agreement contains a requirement that, prior to entering into a Loan Agreement, the applicable Affiliated Borrower shall furnish its most recently available audited and unaudited statements to the Lending Agent which will, in turn, provide such statements to the Client Plan before the Client Plan approves the terms of the Loan Agreement. The Affiliated Borrower must give prompt notice at the time of a loan of any material adverse changes in its financial condition since the date of the most recently furnished financial statements. If any such changes have taken place, the Lending Agent will not make any further loans to the Affiliated Borrower unless an Independent Fiduciary of the Client Plan in a Separate Account is provided notice of any material change and approves the continuation of the lending arrangement in view of the changed financial condition.

(2) For a Lender that is a Commingled Fund, the Lending Agent will furnish upon reasonable request to an Independent Fiduciary of each Client Plan invested in the Commingled Fund the most recently available audited and unaudited financial statements of the applicable Affiliated Borrower prior to authorization of lending, and annually thereafter.

(i) In the case of Commingled Funds, the information described in paragraph (h) (including any information with respect to any material change in the arrangement) shall be furnished by the Lending Agent as lending fiduciary to the Independent Fiduciary of each Client Plan whose assets are invested in the Commingled Fund, not less than 30 days prior to implementation of the arrangement or material change to the lending arrangement as previously described to the Client Plan, and thereafter, upon the reasonable request of the Client Plan's Independent Fiduciary. In the event of a material adverse change in the financial condition of an Affiliated Borrower, the Lending Agent will make a decision, using the same standards of credit analysis the Lending Agent would use in evaluating unrelated borrowers, whether to terminate existing loans and whether to continue making additional loans to the Affiliated Borrower.

In the event any such Independent Fiduciary submits a notice in writing within the 30-day period provided in the preceding paragraph to the Lending Agent, as lending fiduciary, 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 Commingled Fund, without penalty to the Client Plan, no later than 35 days after the notice of withdrawal is received. 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. In the case of a Client Plan whose assets are proposed to be invested

in the Commingled Fund subsequent to the implementation of the arrangement, the Client Plan's investment in the Commingled Fund shall be authorized in the manner described in paragraph (c).

(j) In return for lending securities, the Lender either:

(1) Receives a reasonable fee, which is related to the value of the borrowed securities and the duration of the loan; or

(2) Has the opportunity to derive compensation through the investment of cash Collateral. (Under such circumstances, the Lender may pay a loan rebate or similar fee to the Affiliated Borrowers, if such fee is not greater than the fee the Lender would pay in a comparable arm's-length transaction with an unrelated party.)

(k) Except as otherwise expressly provided herein, all procedures regarding the securities lending activities will, at a minimum, conform to the applicable provisions of PTE 81-6 and PTE 82-63 (46 Fed. Reg. 14804, April 6, 1982) (PTE 82-63), both as amended or superseded, as well as to applicable securities laws of the United States, the United Kingdom and Japan.

(l) If any event of default occurs, to the extent that (i) liquidation of the pledged Collateral or (ii) additional cash received from the Affiliated Borrower does not provide sufficient funds on a timely basis, the Client Plan will have the right to purchase securities identical[5] to the borrowed securities (or the equivalent thereof in the event of the reorganization, recapitalization or merger of the issuer of the borrowed securities) and apply the Collateral to the payment of the purchase price. If the Collateral is insufficient to accomplish such purchase, the Affiliated Borrower, pursuant to the applicable Loan Agreement, will indemnify the Client Plan invested in a Separate Account or Commingled Fund in the United States for any shortfall with respect to the difference between the market value of the loaned securities and the market value of the related Collateral plus applicable interest at a reasonable rate on such amount and any transaction costs incurred (including attorney's fees), as determined on the date of the Affiliated Borrower's breach of its obligation to return the loaned securities pursuant to the applicable Loan Agreement. The Client Plan will be able to collect on any indemnification from a U.S. domiciled affiliate of MLPF&S or another U.S.-domiciled Affiliated Borrower.

(m) The Lender receives the equivalent of all distributions made to holders of the borrowed securities during the term of the loan, including but not limited to all interest and dividends on the loaned securities, shares of stock as a result of stock splits and rights to purchase additional securities, or other distributions.

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[5] For purposed of this tentative authorization, securities of the same issuer, class and type but that are not the actual borrowed securities will be considered identical.

(n) Prior to any Client Plan's approval of the lending of its securities to any Affiliated Borrower, a copy of this document (or, if final, the final authorization) is provided to the Client Plan.[6]

(o) The Independent Fiduciary of each Client Plan that is invested in a Separate Account or Commingled Fund is provided with (including by electronic means) quarterly reports with respect to the securities lending transactions that include the following information so that the Independent Fiduciary can effectively monitor such transactions with the Affiliated Borrower: the market value of all outstanding security loans to the Affiliated Borrowers and to other borrowers as compared to the total Collateral held for both categories of loans on a daily basis; the daily fees where Collateral other than cash is utilized and specification of the details used to establish the daily rebate payable to all borrowers where cash is used as Collateral; and the rates at which securities are loaned to the Affiliated Borrowers compared with those at which securities are loaned to other borrowers on a daily basis. The Lending Agent may, in lieu of providing the quarterly reports described in this paragraph (o) to each Independent Fiduciary of a Client Plan invested in a Separate Account or Commingled Fund, provide such Independent Fiduciary with the certification of an auditor selected by the Lending Agent who is independent of the Lending Agent (but who may or may not be independent of the Client Plan) that the loans are affected on arm's length terms and that such terms are no less favorable to the Separate Account or Commingled Fund than the daily pricing schedule established by the Lending Agent showing lending fees and rebate rates with respect to new loans of designated classes of securities, such as U.S. Government securities, U.S. equities and corporate bonds, international fixed income securities and international equities. Where the Independent Fiduciary of a Client Plan invested in a Separate Account or Commingled Fund is provided the certification of an auditor, such Independent Fiduciary shall be entitled to receive the quarterly reports upon request.

(p) Only Client Plans with total assets having an aggregate market value of at least $50 million are permitted to lend securities to the Affiliated Borrowers; provided, however, that:

(1) In the case of two or more Client Plans which are maintained by the same employer, controlled group of corporations or employee organization, whose assets are commingled for investment purposes in a single master trust or any other entity the assets of which are "plan assets" under 29 CFR 2510.3-101 (the "Plan Asset Regulation"), which entity is engaged in a securities lending arrangement with the Lending Agent, the foregoing $50 million requirement shall be deemed satisfied if such trust or other entity has aggregate assets which are in excess of $50 million; provided that if the fiduciary responsible for making the investment decision on behalf of such master trust or other entity is not the employer or an affiliate of the employer, such fiduciary has total assets under its management and control, exclusive of the $50 million threshold amount attributable to plan investment in the commingled entity, which are in excess of $100 million;

(2) In the case of two or more Client Plans which are not maintained by the same employer, controlled group of corporations or employee organization, whose assets are commingled for

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[6] If any material changes are made to this document after it has been provided to any Client Plan, a copy of the final authorization shall be provided to each such Client Plan.

investment purposes in a group trust or any other form of entity the assets of which are "plan assets" under the Plan Asset Regulation, which entity is engaged in securities lending arrangements with the Lending Agent, the foregoing $50 million requirement is satisfied if such trust or other entity has aggregate assets which are in excess of $50 million (excluding the assets of any Client Plan with respect to which the fiduciary responsible for making the investment decision on behalf of such group trust or other entity or any member of the controlled group of corporations including such fiduciary is the employer maintaining such Client Plan or an employee organization whose members are covered by such Client Plan). However, the fiduciary responsible for making the investment decision on behalf of such group trust or other entity:

(A) Has full investment responsibility with respect to plan assets invested therein; and

(B) Has total assets under its management and control, exclusive of the $50 million threshold amount attributable to plan investment in the commingled entity, which are in excess of $100 million.

In addition, none of the entities described above are formed for the sole purpose of making loans of securities; and

(3) In the case of two or more Client Plans invested in a Commingled Fund, whether or not through an entity described in (p)(1) or (p)(2), the $50 million requirement shall be deemed satisfied if 50 percent or more of the units of beneficial interest in such Commingled Fund are held by investors each having total net assets of at least $50 million. Such investors may include Client Plans, entities described in (p)(1) or (p)(2), or other investors that are not employee benefit plans covered by section 406 of ERISA, section 4975 of the Code, or section 8477 of FERSA.

(q) With respect to any calendar quarter, at least 50 percent or more of the outstanding dollar value of securities loans negotiated on behalf of Lenders will be to borrowers unrelated to the Lending Agent.

(r) In addition to the above, all loans involving foreign Affiliated Borrowers have the following requirements:

(1) The foreign Affiliated Borrower is a bank, supervised either by a state or the United States, a broker-dealer registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act") or a bank or broker-dealer that is supervised by the U.K. FSA or the Japan FSA;

(2) The foreign Affiliated Borrower is in compliance with all applicable provisions of Rule 15a-6 under the Exchange Act (17 CFR 240.15a-6) (Rule 15a-6) which provides foreign broker-dealers a limited exemption from United States registration requirements;

(3) All Collateral is maintained in United States dollars or United States dollar-denominated securities or letters of credit (unless an applicable exemption provides otherwise);

(4) All Collateral is held in the United States and the situs of the securities lending agreements is maintained in the United States under an arrangement that complies with the

indicia of ownership requirements under section 404(b) of ERISA and the regulations promulgated under 29 CFR 2550.404(b)-1 related to the lending of securities; and

(5) Prior to a transaction involving a foreign Affiliated Borrower, the foreign Affiliated Borrower:

(A) Agrees to submit to the jurisdiction of the United States;

(B) Agrees to appoint an agent for service of process in the United States, which may be an affiliate (the "Process Agent");

(C) Consents to service of process on the Process Agent; and

(D) Agrees that enforcement by a Client Plan of the indemnity provided by the Affiliated Borrower may occur in the United States courts.

(s) The Lending Agent maintains, or causes to be maintained, within the United States for a period of six years from the date of such transaction, in a manner that is convenient and accessible for audit and examination, such records as are necessary to enable the persons described in paragraph (t)(1) to determine whether the conditions of the exemption have been met, except that:

(1) A prohibited transaction will not be considered to have occurred if, due to circumstances beyond the control of the Lending Agent and/or its Affiliates, the records are lost or destroyed prior to the end of the six-year period; and

(2) No party in interest other than the Lending Agent or its Affiliates shall be subject to the civil penalty that may be assessed under section 502(i) of ERISA, or to the taxes imposed by Section 4975(a) and (b) of the Code, if the records are not maintained, or are not available for examination as required below by paragraph (t)(1).

(t) (1) Except as provided in subparagraph (t)(2) of this paragraph and notwithstanding any provisions of sections (a)(2) and (b) of section 504 of ERISA, the records referred to in paragraph (s) are unconditionally available at their customary location for examination during normal business hours by:

(A) Any duly authorized employee or representative of the Department of Labor, the Internal Revenue Service or the Securities and Exchange Commission;

(B) Any fiduciary of a participating Client Plan or any duly authorized representative of such fiduciary;

(C) Any contributing employer to any participating Client Plan or any duly authorized employee or representative of such employer; and

(D) Any participant or beneficiary of any participating Client Plan, or any duly authorized representative of such participant or beneficiary.

(2) None of the persons described above in paragraphs (t)(1)(B) through (t)(1)(D) are authorized to examine the trade secrets of the Lending Agent or its Affiliates or commercial or financial information which is privileged or confidential.

III. Definitions –

(a) *Affiliate:* An affiliate of a person means (i) any person directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with such other person; (ii) any officer, director, or partner, employee or relative (as defined in Section 3(15) of ERISA) of such other person; and (iii) any corporation or partnership of which such other person is an officer, director or partner. The term "control" means the power to exercise a controlling influence over the management or policies of a person other than an individual.

(b) *Company Plan*: An ERISA covered employee benefit plan sponsored or maintained by ML&Co., BlackRock, PNC or an Affiliate for their own employees.

(c) *Index Fund*: Any investment fund, account or portfolio sponsored, maintained, trusteed or managed by a Trust Company, the Lending Agent or their respective Affiliates, in which one or more investors 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 which compose such Index or (ii) sampling the securities which compose such Index based on objective criteria and data;

(2) for which a Trust Company, the Lending Agent or their respective Affiliates do not use their discretion, or data within their control, to affect the identity or amount of securities to be purchased or sold;

(3) that contains "plan assets", as defined in the Plan Asset Regulation; and,

(4) that involves no agreement, arrangement, or understanding regarding the design or operation of the fund which is intended to benefit a Trust Company, the Lending Agent or their respective Affiliates or any party in which a Trust Company, the Lending Agent or their respective Affiliates may have an interest.

(d) *Model-Driven Fund*: Any investment fund, account or portfolio sponsored, maintained, trusteed or managed by a Trust Company, the Lending Agent or their respective Affiliates, in which one or more investors invest, and

(1) which is composed of securities the identity of which and the amount of which are selected by a computer model that is based on prescribed objective criteria using independent third-party data, not within the control of a Trust Company, the Lending Agent or their respective Affiliates, to transform an Index;

(2) which contains "plan assets" as defined in the Plan Asset Regulation; and

(3) that involves no agreement, arrangement or understanding regarding the design or operation of the fund or the utilization of any specific objective criteria which is intended to

benefit a Trust Company, the Lending Agent, or their respective Affiliates, or any party in which a Trust Company, the Lending Agent or their respective Affiliates may have an interest.

(e) *Index*: a securities index that represents the investment performance of a specific segment of the public market for equity or debt securities in the United States and/or 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 stock exchange or association of securities dealers;

(2) The index is created and maintained by an organization independent of ML&Co., BlackRock or their Affiliates; and

(3) The index is a generally accepted standardized index of securities which is not specifically tailored for the use of the Lending Agent or its Affiliates.

(f) *Successor*:

(1) With respect to a Trust Company, an entity which is included within the controlled group of corporations (within the meaning of Section 1563(a) of the Code) of ML& Co. .

(2) With respect to an Affiliated Borrower, an entity which is within the controlled group of corporations (within the meaning of section 1563(a) of the Code) of each of ML&Co., BlackRock, or PNC, as the case may be.

(3) With respect to the Lending Agent, an entity which is included within the controlled group of corporations (within the meaning of Section 1563(a) of the Code)of BlackRock.

APPENDIX B

SUMMARY OF FACTS AND REPRESENTATIONS

The facts and representations relating to the Submission are set forth below. Interested persons are referred to the application on file with the Department (Submission No. E-[ ] for the complete representations of the Applicants.

(A) Introduction

On June 15, 2003, Merrill Lynch & Co., Inc. ("ML&Co.") received final authorization (E-00304) to permit employee benefit plans, including commingled investment funds holding plan assets (collectively, the "Client Plans"), for which Merrill Lynch Bank Trust Company, FSB ("MLTC"), Merrill Lynch Bank USA ("MLBUSA"), or their respective affiliates or successors (each, a "Trust Company"), acts as a trustee or custodian, or for which a Trust Company or Merrill Lynch Investment Managers, LLC ("MLIM") acts as an investment manager, to lend securities to Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), Merrill Lynch Government Securities, Inc. ("MLGSI"), Merrill Lynch Professional Clearing Corp. ("MLPCC"), Merrill Lynch International ("MLI"), and Merrill Lynch Japan Securities Co. Ltd. ("MLJ"), and their affiliates and successors, and for MLIM to act as securities lending agent or subagent and to receive compensation in connection with loans of securities from the Client Plans to securities borrowers, including MLPF&S, MLGSI, MLPCC, MLI, and MLJ.

On February 15, 2006, BlackRock, Inc. ("Old BlackRock") and two of its wholly owned subsidiaries, New BlackRock, Inc. ("BlackRock") and BlackRock Merger Sub, Inc. ("Merger Sub"), entered into a Transaction Agreement (the "Transaction Agreement"). Pursuant to the Transaction Agreement, BlackRock became, as of the closing date, the public holding company for Old BlackRock's business as a result of the merger of Old BlackRock with Merger Sub, and ML&Co. contributed MLIM via a capital contribution to BlackRock (the "Transaction"). In consideration for the contribution of MLIM, ML&Co. received 65 million shares of capital stock of BlackRock which is divided between shares of BlackRock common stock and shares of Series A non-voting participating preferred stock such that ML&Co. now holds up to 45% of the common stock of BlackRock and 49.3% of the total issued and outstanding capital stock of BlackRock (the BlackRock common stock together with the Series A non-voting participating preferred stock are referred to herein as the "BlackRock Stock"). Further, The PNC Financial Services Group, Inc.'s ("PNC") ownership of BlackRock equals approximately 34.4% of the issued and outstanding common stock of BlackRock.

As a result of the Transaction, MLIM became an indirect wholly owned subsidiary of BlackRock and changed its name to BlackRock Investment Management, LLC (the "Lending Agent"). The Trust Companies[7] and MLPF&S, MLGSI, MLPCC, MLI, and MLJ remained wholly owned subsidiaries of ML&Co.

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[7] Merrill Lynch Trust Company, FSB has changed its name to Merrill Lynch Bank & Trust Co., FSB in connection with its merger with Merrill Lynch Bank & Trust Co., a New Jersey state-chartered bank.

Following consummation of the Transaction, the Lending Agent intends (subject to obtaining appropriate relief) to operate its securities lending program, including the lending of securities of Client Plans for which a Trust Company or the Lending Agent acts as a trustee, custodian or investment manager to MLPF&S, MLGSI, MLPCC, MLI, MLJ, BlackRock Investments, Inc. ("BlackRock Investments"), State Street Research Investment Services, Inc. ("State Street"), ABN AMRO Distribution Services (USA), Inc. ("ABN AMRO"), Harris Williams LLC ("Harris Williams"), J.J.B. Hilliard, W.L. Lyons, Inc. ("W.L.Lyons"), MGI Funds Distributors, Inc. ("MGI"), Persimmon Securities, Inc. ("Persimmon"), PFPC Distributors, Inc. ("PFPC"), PNC Capital Markets LLC ("PNC Capital"), PNC Investments LLC ("PNC Investments"), Northern Funds Distributors, LLC ("Northern Funds"), and BlackRock Distributors, Inc. ("BlackRock Distributors"), and their respective affiliates and successors (MLPF&S, MLGSI, MLPCC, MLI, MLJ, BlackRock Investments, State Street, ABN AMRO, Harris Williams, W.L.Lyons, MGI, Persimmon, PFPC, PNC Capital, PNC Investments, Northern Funds, and BlackRock Distributors, and their respective affiliates and successors, are together the "Affiliated Borrowers").[8] The final authorization would permit Client Plans for which a Trust Company or the Lending Agent acts as a trustee, custodian, or an investment manager, to lend securities to the Affiliated Borrowers and for the Lending Agent to act as securities lending agent or subagent and to receive compensation in connection with loans of securities from the Client Plans to securities borrowers, including the Affiliated Borrowers. The relief requested is identical to the relief granted in E-00304, except that it makes clear that it applies to covered transactions where the Lending Agent or a Trust Company lends securities to the Affiliated Borrowers following the consummation of the Transaction and the Lending Agent acts as the lending agent and receives a fee. The Lending Agent will not lend securities to the Affiliated Borrowers following consummation of the transactions between ML&Co. and BlackRock until receipt of the final authorization from the DOL.

(B) Description of the Applicants

Old BlackRock is one of the largest publicly traded investment management firms in the United States with approximately $464.1 billion of assets under management at June 30, 2006. Old BlackRock manages assets on behalf of institutional and individual investors worldwide through a variety of equity, fixed income, cash management and alternative investment products. In addition, Old BlackRock provides risk management, investment system outsourcing and financial advisory services to institutional investors under the BlackRock Solutions® brand name. Old BlackRock serves clients from offices in the U.S., Europe, Asia,

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[8] For purposes of the request for final authorization, the terms Lending Agent, Trust Company and Affiliated Borrowers include such entities and their affiliates and successors. An affiliate of a person means (i) any person directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with such other person; (ii) any officer, director, or partner, employee or relative (as defined in Section 3(15) of ERISA) of such other person; and (iii) any corporation or partnership of which such other person is an officer, director or partner. The term "control" means the power to exercise a controlling influence over the management or policies of a person other than an individual. An entity shall be considered (a) a successor of the Lending Agent only if it is part of the BlackRock controlled group of corporations (within the meaning of Section 1563(a) of the Code), (b) a successor of a Trust Company if it is part of the ML&Co. controlled group of corporations (within the meaning of Section 1563(a) of the Code) and (c) a successor of an Affiliated Borrower if it is part of the ML&Co., BlackRock or PNC controlled group of corporations, as the case may be, (within the meaning of Section 1563(a) of the Code).

and Australia. Old BlackRock currently is a majority owned indirect subsidiary of PNC. Upon consummation of the Transaction, New BlackRock, Inc. was renamed "BlackRock, Inc." and became the public holding company for Old BlackRock's businesses.

ML&Co. is a holding company that, through its subsidiaries, provides broker-dealer, investment banking, financing, wealth management, advisory, asset management, insurance, lending, and related products and services on a global basis. ML&Co. conducts its activities through three business segments in various locations throughout the world: (i) the Global Markets and Investment Banking Group, (ii) the Global Private Client Group and (iii) MLIM. ML&Co. is a "Consolidated Supervised Entity" and is subject to group-wide supervision by the U.S. Securities and Exchange Commission (the "SEC"). As a result of the Transaction, ML&Co. has up to 49.3% equity ownership interest (approximately 45% voting interest) in BlackRock through its ownership of the BlackRock Stock.

MLPF&S, MLGSI, MLPCC, MLI, and MLJ, continue to be directly or indirectly wholly owned subsidiaries of ML&Co. following consummation of the Transaction. MLPF&S, the principal wholly owned subsidiary of ML&Co., is a Delaware corporation registered with and regulated by the SEC as a broker-dealer, and is a member of the New York Stock Exchange, and the National Association of Securities Dealers, Inc. MLPF&S is also regulated by the Municipal Securities Rulemaking Board (with respect to municipal securities activities) and the Commodity Futures Trading Commission and the National Futures Association (with respect to MLPF&S's activities as a futures commission merchant). MLPF&S, one of the largest securities firms in the world, is a leading broker and/or dealer in the purchase and sale of corporate equity and debt securities, mutual funds, money market instruments, government securities, high yield bonds, municipal securities, financial futures contracts and options. As a leading investment banking firm, MLPF&S provides corporate, institutional, and government clients with a wide variety of financial services including underwriting the sale of securities to the public, structured and derivative financing, private placements, mortgage and lease financing and financial advisory services, including advice on mergers and acquisitions. MLPF&S also acts as a prime broker for hedge funds. MLPF&S, acting as principal, is active in borrowing securities from institutions. MLPF&S either utilizes those securities to satisfy its own needs or re-lends those securities to borrowing prime brokerage clients and others who need a particular security for various purposes. Together with other affiliates of ML&Co., MLPF&S borrows and lends securities worth several billion dollars on an average daily basis (excluding intercompany loans). All borrowings by MLPF&S conform to applicable provisions of Regulation T of the Board of Governors of the Federal Reserve System, T, 12 C.F.R. § 220.6(h) (2002).

MLGSI, a Delaware corporation, is a wholly owned subsidiary of ML&Co. MLGSI is one of the largest dealers in U.S. Government and government agency securities. MLGSI deals in mortgage-backed pass-through instruments issued by certain of these entities and also in related futures, options, and forward contracts for its own account, to hedge its own risk, and to facilitate customer's transactions. MLGSI is both a primary dealer and a distributor, acts as an agent with respect to government and government agency issues, and makes a market in both government and government agency issues. MLGSI supports its market making activities and finances its government and government agency securities positions by borrowing and lending such securities and entering into repurchase agreements with respect to these securities.

MLPCC, a Delaware corporation, is also a wholly owned subsidiary of MLPF&S and registered with and regulated by the SEC as a broker-dealer. MLPCC provides prime broker clearing, financing administration and recordkeeping services to hedge funds and other broker-dealers. MLPCC regularly borrows securities in connection with its clearance and settlement activities.

MLI, incorporated under the laws of England, is a wholly owned subsidiary of ML&Co. Its core business activities include origination, underwriting, trading and distribution of debt and equity securities, investment banking and mergers and acquisitions. It acts as a principal in interest rate and currency swaps and other products and trades in various instruments to hedge its positions. MLI, like MLPF&S, acts as a prime broker and regularly borrows securities to satisfy its own needs or to re-lend those securities to clients who need a particular security for various purposes. MLI is regulated by the U.K. FSA and is an authorized person under the Financial Services and Markets Act of 2000. MLI provides dealing and investment services in respect of all investment and related instruments. It effects transactions either as principal or as agent or in both capacities. MLI trades for its own account. To the extent that it transacts business directly with U.S. customers, MLI acts in compliance with Rule 15a-6 under the Exchange Act (and as further modified by certain SEC no-action letters, "Rule 15a-6"), 17 C.F.R. § 240.15a-6, which provides a limited exemption from U.S. broker-dealer registration requirements for foreign broker-dealers.

MLJ, incorporated under the laws of Japan, is a wholly owned subsidiary of ML&Co. Its core business activities include origination, underwriting, trading and distribution of debt and equity securities, investment banking and mergers and acquisitions. It acts as a principal in interest rate and currency swaps and other products and trades in various instruments to hedge its positions. MLJ, like MLPF&S, regularly borrows securities to satisfy its own needs or to re-lend those securities to clients who need a particular security for various purposes. MLJ is regulated by the Japan FSA and is registered thereunder as a broker-dealer. To the extent that it transacts business directly with U.S. customers, MLJ acts in compliance with Rule 15a-6.

MLTC and MLBUSA are both direct or indirect wholly owned subsidiaries of ML&Co. Each entity remains a direct or indirect wholly owned subsidiary of ML&Co. following consummation of the Transaction. MLTC is a federal savings bank regulated by the Office of Thrift Supervision, and MLBUSA is a Utah industrial loan corporation regulated by the State of Utah and the Federal Deposit Insurance Corporation. MLBUSA acts as the trustee of Commingled Funds, while MLTC may act as trustee of Commingled Funds and as a directed trustee, custodian or investment manager, including a manager of Indexed Accounts (as defined below) on behalf of Client Plans who have Separate Accounts or invest in Commingled Funds. Each Trust Company represents that it does not exercise any discretionary authority over whether a Client Plan (other than plans maintained by ML&Co. or its affiliates) selects a Trust Company as a custodian, trustee or investment manager, including a manager of Indexed Accounts.

Prior to the consummation of the transaction, MLIM was a Delaware limited liability company and was a wholly owned subsidiary of ML&Co. Upon consummation of the Transaction, MLIM became a wholly owned subsidiary of BlackRock and changed its name to BlackRock Investment Management, LLC. MLIM is registered under the Advisers Act, as an

investment adviser, and is registered under the Commodity Exchange Act as a commodity trading adviser and commodity pool operator. MLIM provides investment management services to large institutional clients, including over $30 billion of Indexed Accounts for domestic corporate, Taft-Hartley and governmental employee benefit plans, as well as for non-U.S. pension plans. MLIM may be retained to manage an Indexed Account directly by a plan fiduciary, or may act as either a discretionary or non-discretionary investment adviser to a Trust Company. MLIM represents that it does not exercise any discretionary authority over whether a Client Plan (other than plans maintained by ML&Co. or its affiliates) selects MLIM as an investment manager of Indexed Accounts. A different division of MLIM, Global Securities Financing ("GSF"), acts as a securities lending agent and sub-agent for mutual funds, other commingled investment vehicles and institutional accounts, including employee benefit plans. GSF lends securities of clients to major broker-dealers, including (to the extent permitted by applicable law) MLPF&S, MLGSI, MLPCC, MLI and MLJ, and in return receives, on behalf of clients, collateral in the form of securities or cash. Following consummation of the Transaction, the Lending Agent engages in these activities as an indirect wholly owned subsidiary of BlackRock.

Other entities that are included among the Affiliated Borrowers are BlackRock Investments and State Street, which are wholly owned subsidiaries of BlackRock, and ABN AMRO, Harris Williams, W.L.Lyons, MGI, Persimmon, PFPC, PNC Capital, PNC Investments, Northern Funds, and BlackRock Distributors, which are wholly owned subsidiaries of PNC. Each of these entities is registered with and regulated by the SEC as a broker-dealer.

"Indexed Accounts" include "Index Funds" or "Model-Driven Funds". For purposes of this application for final authorization, Index Funds and Model-Driven Funds are defined as provided in the DOL's exemption for securities lending granted to Deutsche Bank, AG, PTE 2002-45, 67 Fed. Reg. 59564 (September 23, 2002). An Index Fund may be a Separate Account or a Commingled Fund, the objective of which is the replication of the performance of an independently maintained stock or bond index that represents the performance of a specific segment of the public market for equity or debt securities. Index Funds are passively managed because the choice of stocks or bonds purchased and sold, and the volume purchased and sold, is made according to predetermined third party indices rather than based upon active management. For purposes of this application, an "Index Fund" is any investment fund, account or portfolio sponsored, maintained, trusteed or managed by the Lending Agent or a Trust Company, in which one or more investors invest and (1) which is designed to track the rate of return, risk profile and other characteristics of an independently maintained securities Index (as defined), by either (a) replicating the same combination of securities which compose such Index or (b) sampling the securities which compose such Index based on objective criteria and data; (2) for which the Lending Agent or a Trust Company does not use its discretion, or data solely within its control, to affect the identity or amount of securities to be purchased or sold; (3) which contains "plan assets" as defined in the Plan Assets Regulation; and (4) that involves no agreement, arrangement or understanding regarding the design or operation of the fund which is intended to benefit ML&Co. or its affiliates, BlackRock or its affiliates or any party in which they may have an interest.

A Model-Driven Fund, as defined below, may be a Separate Account or a Commingled Fund, the performance of which is based on computer models using prescribed

objective criteria to transform an independently-maintained stock or bond index representing the performance of a specific segment of the public market for equity or debt securities. The portfolio of a Model-Driven Fund is determined by the details of the computer model, which examines structural aspects of the stock or bond market rather than the underlying values of such securities. The process for the establishment and operation of all Indexed Accounts that are model-driven is disciplined. Objective rules are established for each model. Since the Model-Driven Funds operate pursuant to pre-specified computer programs, the rules and programs are changed only infrequently. For purposes of this application, a "Model-Driven Fund" is any investment fund, account or portfolio sponsored, maintained, trusteed or managed by the Lending Agent or a Trust Company, in which one or more investors invest and (1) which is composed of securities the identity of which and the amount of which are selected by a computer model that is based on prescribed objective criteria using independent third party data, not within the control of ML&Co., BlackRock or their affiliates, to transform an Index, as defined below; (2) which contains "plan-assets" as defined in the Plan Assets Regulation; and (3) that involves no agreement, arrangement or understanding regarding the design or operation of the fund or the utilization of any specific objective criteria which is intended to benefit ML&Co. or its affiliates, BlackRock or its affiliates or any party in which they may have an interest.

An "Index" is a securities index that represents the investment performance of a specific segment of the public market for equity or debt securities in the U.S. and/or 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 stock exchange or association of securities dealers; (2) the index is created and maintained by an organization independent of ML&Co., BlackRock or their affiliates; and (3) the index is a generally accepted standardized index of securities which is not specifically tailored for the use of ML&Co., BlackRock, or their affiliates.

If the final authorization sought by this application is granted, the investment committee, or Board of Directors (or trust committee hereof) of the Lending Agent or a Trust Company will retain the Lending Agent as a securities lending agent for Commingled Funds that are Indexed Accounts. Such Commingled Funds include Merrill Lynch Equity Index Trust, a Commingled Fund of which MLBUSA is the trustee, that seeks to replicate the total return of the Standard & Poor's 500 Composite Stock Index as closely as possible before expenses, and the Large Cap Value Index Trust of Merrill Lynch QA Collective Trust Series, a Commingled Fund of which MLTC is the trustee that seeks to replicate the total return of the Russell 1000 Value Index as closely as possible before expenses. Similarly, the managers of certain Indexed Accounts managed by the Lending Agent may also retain the Lending Agent to provide securities lending services for such accounts.

The Lending Agent and each Trust Company have no discretion in the selection of securities in the Indexed Accounts. These securities are selected either by reference to the Index, in the case of Index Funds, or through the operation of a computer model, in the case of Model-Driven Funds. In the case of Model-Driven Funds, while the Lending Agent or a Trust Company will retain the discretion to change the model, it expects that such changes will not be made on a frequent basis. Accordingly, while the Lending Agent or a Trust Company would have investment discretion as a legal matter under section 3(21) of ERISA with respect to the

assets held in Indexed Accounts, it could not change the portfolios to accommodate the Affiliated Borrower's desires to borrow particular securities.

(C) Detailed Description of the Proposed Transactions

(i) General.

The Applicants seek a final authorization to permit a securities lending program that would allow the Affiliated Borrowers to borrow securities from Client Plans for which the Lending Agent or a Trust Company acts as trustee, custodian or investment manager of an Indexed Account and for which the Lending Agent will act as securities lending agent or subagent and permit the Lending Agent to receive compensation in connection with such transactions. Neither a Trust Company, the Lending Agent, the Affiliated Borrowers nor any of their affiliates will have or exercise any discretionary authority or control with respect to the investment of the assets of Client Plans involved in the transaction (except to the extent the Lending Agent or a Trust Company acts as manager of an Indexed Account), nor will they render investment advice (within the meaning of 29 C.F.R. § 2510.3-21(e)) with respect to those assets, including decisions concerning a Client Plan's acquisition or disposition of securities available for loan.

The securities lending program will expand and diversify the borrowing pool and thereby increase the potential demand for, and the resulting income to be derived from, the Client Plans' securities. However, because as a result of the Transaction, (i) ML&Co. has an approximate 49.3% ownership interest in BlackRock, through its ownership of BlackRock Stock; (ii) the Trust Companies and MLPF&S, MLGSI, MLPCC, MLI and MLJ remain wholly owned subsidiaries of ML&Co.; (iii) the Lending Agent is an indirect wholly owned subsidiary of BlackRock; (iv) PNC has an approximate 34.4% ownership interest in BlackRock through its ownership of common stock of BlackRock; (v) ABN AMRO, Harris Williams, W.L.Lyons, MGI, Persimmon, PFPC, PNC Capital, PNC Investments, Northern Funds, and BlackRock Distributors remain wholly owned subsidiaries of PNC; and (vi) BlackRock Investments and State Street remain wholly owned subsidiaries of BlackRock, the lending of securities to the Affiliated Borrowers by the Client Plans could be deemed to be prohibited under ERISA. Further, the securities lending program would be outside the scope of the relief provided by PTCE 81-6, 46 Fed. Reg. 7527 (January 23, 1981), and PTCE 82-63, 47 Fed. Reg. 14804 (April 6, 1982). The Lending Agent will have discretion to negotiate the terms of the securities loans with the Affiliated Borrowers and (to the extent permitted by the Client Plans) invest any cash collateral received in respect of the loans, and will receive a fee for its services. Moreover, PTCE 81-6 may be deemed to be violated if the Client Plans lend securities to MLI or MLJ because they are foreign affiliates of ML&Co., which are not registered under the Exchange Act.

(ii) Securities Lending Program.

(a) Any arrangement for the Lending Agent to lend securities will be approved, in writing, in advance by a fiduciary of a Client Plan, who is independent of the Lending Agent (the "Independent Fiduciary").[9] The Lending Agent, as securities

[9] Any requirement that the approving fiduciary be independent of BlackRock or ML&Co., the Lending Agent, a Trust Company or the Affiliated Borrowers will not apply in the case of an employee benefit plan

lending agent, will negotiate the terms of loans with borrowers, including the Affiliated Borrowers in accordance with a client-approved form of loan agreement (the "Loan Agreement") and otherwise act as a liaison among the parties to facilitate the lending transaction. In the case of a Commingled Fund, approval by the Independent Fiduciary of a Client Plan will be provided in accordance with the special procedure set forth in paragraphs (k) and (l) below. No loans of futures contracts will be involved. As securities lending agent, the Lending Agent will also have responsibility for monitoring receipt of all required collateral, marking such collateral to the market daily so that adequate levels of collateral can be maintained, monitoring and evaluating on a continuing basis the performance and creditworthiness of the borrowers, and if authorized by a Client Plan, receiving, holding and investing cash collateral pursuant to investment guidelines established by the Client Plan or directing the cash collateral to an account selected by an Independent Fiduciary for the Client Plans, in either case for an additional fee. All procedures for lending securities will be designed to comply with the applicable conditions of PTCE 81-6 and PTCE 82-63.

(b) The Lending Agent also may be retained from time to time by primary securities lending agents to provide securities lending services in a sub-agent capacity with respect to portfolio securities of Client Plans who are clients of such primary lending agents. As securities lending sub-agent, the Lending Agent's role in the lending transactions would parallel that under the lending transactions for which it acts as primary securities lending agent on behalf of its clients.[10]

(c) Where the Lending Agent is the primary securities lending agent a Client Plan's Independent Fiduciary will sign a securities lending agency agreement with the Lending Agent (the "Agency Agreement") before the plan participates in a securities lending program. Where the Lending Agent is the primary securities lending agent with respect to a Commingled Fund, the Agency Agreement will be entered into between a Trust Company in its capacity as trustee of the Commingled Fund or the Lending Agent in its capacity as a manager of an Indexed Account, and the Lending Agent, and

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sponsored or maintained by ML&Co., BlackRock, PNC or an affiliate for their own employees invested in a Commingled Fund, provided that at all times the holdings of all such plans in the aggregate comprise less than 10% of the assets of the Commingled Fund.

10 BlackRock is also requesting exemptive relief for situations when the Lending Agent is acting as a securities lending agent and appoints a subagent, which is either (A) a bank, as defined in section 202(a)(2) of the Advisers Act or a broker-dealer registered under the Exchange Act, (i) which has, as of the last day of its most recent fiscal year, equity capital in excess of $100 million and (ii) which annually exercises discretionary authority to lend securities on behalf of clients equal to at least $1 billion; or (B) an investment adviser registered under the Advisers Act, (i) which has, as of the last day of its most recent fiscal year, equity capital in excess of $1 million and (ii) which annually exercises the authority to lend securities equal to at least $1 billion.

For the sake of simplicity, future references to the Lending Agent's performance of services as securities lending agent should be deemed to include its parallel performance as a securities lending sub-agent and references to Client Plans should be deemed to include those Client Plans for which the Lending Agent is acting as a sub-agent with respect to securities lending activities, unless otherwise indicated specifically or by the context of the reference.

approved by the Independent Fiduciary of a Client Plan in accordance with the special procedure set forth in paragraphs (k) and (l) below. The Agency Agreement will, among other things, describe the operation of the securities lending program, disclose the form of the Loan Agreement to be entered into on behalf of the Client Plan with borrowers, identify the securities which are available to be lent, identify the required collateral and required daily marking-to-market, and provide a list of permissible borrowers, including the Affiliated Borrowers. The Agency Agreement will also set forth the basis and rate for the Lending Agent's compensation from the Client Plans for the performance of securities lending and cash collateral investment services.

(d) The Agency Agreement will contain provisions to the effect that if any Affiliated Borrower is designated by the Client Plan as an approved borrower, the Client Plan will acknowledge the relationship between the Affiliated Borrower and the Lending Agent. The Lending Agent will represent to the Client Plan that each and every loan made to the Affiliated Borrower on behalf of the Client Plan will be effected on arm's length terms and at market rates which are no less favorable to the Client Plan than a loan of such securities, made at the same time and under the same circumstances, to an unrelated borrower.

(e) Where the Lending Agent is lending securities under a sub-agency arrangement, before the Client Plan participates in the securities lending program, the primary securities lending agent will enter into a securities lending agency agreement (the "Primary Lending Agreement") with an Independent Fiduciary of a Client Plan. Where the Lending Agent is lending securities with respect to a Commingled Fund, the primary securities lending agent will enter into the agreement with the Commingled Fund. The primary securities lending agent will be unrelated to the Lending Agent and the Affiliated Borrowers. The Primary Lending Agreement will contain substantive provisions virtually identical to those provided in the Agency Agreement relating to the description of the operation of the securities lending program, use of an approved form of Loan Agreement, specification of securities which are available to be lent, specification of the required margin and the requirement of daily marking-to-market, and provision of a list of approved borrowers (which will include one or more Affiliated Borrowers). The Primary Lending Agreement will specifically authorize the primary securities lending agent to appoint sub-agents (which may include the Lending Agent) to facilitate its performance of securities lending agency functions. Where the Lending Agent is to act as such a sub-agent, the Primary Lending Agreement will expressly disclose that the Lending Agent is to act in such capacity. The Primary Lending Agreement will also set forth the basis and rate for the primary securities lending agent's compensation from the Client Plan for the performance of securities lending services and will authorize the primary securities lending agent to pay a portion of its fee, as the primary securities lending agent determines in its sole discretion, to any sub-agent(s) it retains (including the Lending Agent) pursuant to the authority granted under such agreement.

Pursuant to its authority to appoint sub-agents, the primary securities lending agent will enter into a securities lending sub-agency agreement (the "Sub-Agency Agreement") with the Lending Agent under which the primary securities lending agent will retain and authorize the Lending Agent, as sub-agent, to lend securities of the

primary securities lending agent's Client Plans, subject to the same terms and conditions as are specified in the Primary Lending Agreement.

The Lending Agent represents that the Sub-Agency Agreement will contain provisions which are in substance comparable to those described above in connection with an Agency Agreement in situations where the Lending Agent is the primary securities lending agent. In this regard, the Lending Agent will make the same representation in the Sub-Agency Agreement as described above with respect to arm's-length dealing with Affiliated Borrowers. The Sub-Agency Agreement will also set forth the basis and rate for the Lending Agent's compensation to be paid by the primary securities lending agent.

(f) The Affiliated Borrowers are either U.S. registered broker-dealers or, in the case of MLI and MLJ, do business with U.S. registered broker-dealers (including other Affiliated Borrowers) and U.S. persons in compliance with Rule 15a-6 of the Exchange Act.

Rule 15a-6 provides foreign broker-dealers, including foreign banks acting in their broker-dealer capacity, with a limited exemption from U.S. broker-dealer registration requirements. Specifically, paragraph (a)(4) of Rule 15a-6 provides an exemption from U.S. broker-dealer registration for any foreign broker-dealer that effects transactions in securities with or for, or induces or attempts to induce the purchase or sale of any security by a U.S. registered broker-dealer, whether the registered broker or dealer is acting as principal for its own account or as agent for others. In addition, paragraph (a)(3) of Rule 15a-6 provides an exemption from U.S. broker-dealer registration for a foreign broker-dealer that induces or attempts to induce the purchase or sale of any security (including over-the-counter-equity and debt options) by a "U.S. institutional investor" or a "major U.S. institutional investor," provided that, the foreign broker-dealer, among other things, enters into these transactions through a U.S. registered broker-dealer intermediary. The term "U.S. institutional investor," as defined in Rule 15a-6(b)(7), includes an employee benefit plan within the meaning of ERISA if (a) the investment decision is made by a plan fiduciary, as defined in section 3(21) of ERISA, which is either a bank, savings and loan association, insurance company or registered investment adviser, or (b) the employee benefit plan has total assets in excess of $5 million, or (c) the employee benefit plan is a self-directed plan with investment decisions made solely by persons that are "accredited investors" as defined in Rule 501(a)(1) of Regulation D under the Securities Act of 1933, as amended. The term "major U.S. institutional investor" is defined in Rule 15a-6(b)(4) as a person that is a U.S. institutional investor that has total assets in excess of $100 million or an investment adviser registered under section 203 of the Advisers Act that has total assets under management in excess of $100 million.[11]

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[11] See also SEC No-Action Letter issued to Cleary, Gottlieb, Steen & Hamilton on April 9, 1997 (hereinafter, the "April 9 No-Action Letter"), expanding the definition of the term "major U.S. institutional investor."

The Lending Agent represents that MLI and MLJ and their Affiliates, to the extent that they induce or attempt to induce the purchase or sale of any security by a U.S. institutional or major U.S. institutional investor will, among other things:

(1) Consent to service of process for any civil action brought by, or proceeding before, the SEC or any self-regulatory organization;

(2) Provide the SEC (upon request or pursuant to agreements reached between any foreign securities authority, including any foreign government, and the SEC or the U.S. Government) with any information or documents within the possession, custody or control of the foreign broker-dealer, any testimony of any such foreign associated persons, and any assistance in taking the evidence of other persons, wherever located, that the SEC requests and that relates to transactions effected pursuant to the Rule; and

(3) Rely on the U.S. registered broker-dealer through which the transactions with the U.S. institutional and major U.S. institutional investors are effected to (among other things):

(A) Effect the transactions, other than negotiating their terms;

(B) Issue all required confirmations and statements to the U.S. institutional investor or the major U.S. institutional investor;

(C) As between the foreign broker-dealer and the U.S. registered broker-dealer, extend or arrange for the extension of credit in connection with the transactions;

(D) Maintain required books and records relating to the transactions, including those required by Rules 17a-3 (Records to be Made by Certain Exchange Members) and 17a-4 (Records to be Preserved by Certain Exchange Members, Brokers and Dealers) of the Exchange Act;

(E) Receive, deliver and safeguard funds and securities in connection with the transactions on behalf of the U.S. institutional investor or major U.S. institutional investor in compliance with Rule 15c3-3 of the Exchange Act (Customer Protection – Reserves and Custody of Securities);[12] and

(F) Participate in certain oral communications (e.g., telephone calls) between the foreign associated person and the U.S. institutional investor (not the major U.S. institutional investor), and accompany the foreign associated

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12 Under certain circumstances described in the April 9 No-Action Letter (e.g., clearance and settlement transactions), there may be direct transfers of funds and securities between the Client Plan and MLI or MLJ. In such situations, the U.S. registered broker-dealer will not be acting as principal with respect to any duties it is required to undertake pursuant to Rule 15a-6.

person on all visits with both U.S. institutional and major institutional investors.[13]

The Lending Agent also notes that MLI and MLJ may enter into transactions with Affiliated Borrowers that are U.S. registered broker-dealers in accordance with Rule 15(a)(6)(a)(4).

(g) The Lending Agent will enter into the same form of Loan Agreement with the applicable Affiliated Borrower on behalf of the Client Plans as it does with all other borrowers. An Independent Fiduciary of the Client Plan will approve the terms of the Loan Agreement. The Loan Agreement will specify, among other things, the right of the Client Plan to terminate a loan at any time without penalty on five business days' notice and the Client Plan's rights in the event of any default by an Affiliated Borrower. (A special rule, as set forth in paragraph (l) below, will apply with respect to a Commingled Fund.) The Loan Agreement will explain the basis for compensation to the Client Plan for lending securities to the Affiliated Borrower under each category of collateral. The Loan Agreement also will contain a requirement that the Affiliated Borrower must pay all transfer fees and transfer taxes related to the security loans.

(h) Before authorizing the program permitting loans to Affiliated Borrowers, the Affiliated Borrowers shall provide to the Lending Agent, which, in turn, shall provide to each Client Plan invested in a Separate Account, its most recently available audited and unaudited financial statements. Any such statement will be provided to a Client Plan before the plan is asked to approve the terms of the Loan Agreement. The Loan Agreement will contain a requirement that the Affiliated Borrower must give prompt notice at the time of a loan of any material adverse changes in its financial condition since the date of the most recently furnished financial statements. If any such changes have taken place, the Lending Agent will not make any further loans to the Affiliated Borrower unless an Independent Fiduciary of the Client Plan in a Separate Account is provided notice of any material change and approves the continuation of the lending arrangement in view of the changed financial condition. Conversely, if the Affiliated Borrower fails to provide notice of such a change in its financial condition, such failure will trigger an event of default under the Loan Agreement. For a lender that is a Commingled Fund, the Lending Agent will furnish to an Independent Fiduciary of each Client Plan invested in the Commingled Fund the most recently available audited and unaudited financial statements of the applicable Affiliated Borrower prior to authorization of lending and annually thereafter. In the event of a material adverse change in the financial condition of an Affiliated Borrower, the Lending Agent will make a decision whether to continue the arrangement using the same standards of credit analysis that the Lending Agent would use in evaluating unrelated borrowers, whether to terminate existing loans and whether to continue making additional loans to the Affiliated Borrower.

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[13] Under certain circumstances, the foreign associated person may have direct communications and contact with the U.S. institutional investor. See April 9 SEC No-Action Letter.

(i) As noted above, the agreement by the Lending Agent to provide securities lending services, as agent, to a Client Plan will be embodied in the Agency Agreement. The Client Plan and the Lending Agent will agree in writing to the arrangement under which the Lending Agent will be compensated for its services as securities lending agent, including services as custodian of the collateral, where applicable, and manager of the cash collateral received, where applicable, prior to the commencement of any lending activity. This fee arrangement will generally be a percentage of either the return earned on cash collateral by the Client Plan or, in the case of non-cash collateralized loans, a percentage of the fee paid to the Client Plan by the Affiliated Borrower. Several factors may impact the fee structures, such as industry practices and changes in the market, as well as the types of securities being loaned (e.g., domestic versus foreign securities). Such agreed upon fee arrangement will be set forth in the Agency Agreement and thus will be subject to the prior written approval of an Independent Fiduciary of the Client Plan who is independent of the Affiliated Borrower and the Lending Agent. In any event, the securities lending agency fee to be paid to the Lending Agent will at all times comply with PTCE 82-63.[14]

(j) Similarly, with respect to arrangements under which the Lending Agent is acting as securities lending sub-agent, the agreed upon fee arrangement of the primary securities lending agent will be set forth in the Primary Lending Agreement, and such agreement will specifically authorize the primary securities lending agent to pay a portion of its fee (the portion to be determined by the primary securities lending agent, in its sole discretion) to any sub-agent, including the Lending Agent, which is to provide securities lending services to the plan. The Client Plan will be provided with any reasonably available information which is necessary for the Client Plan fiduciary to make a determination whether to enter into or continue to participate under the Agency Agreement (or the Primary Lending Agreement) and any other reasonably available information which the Independent Fiduciary of the Client Plan may reasonably request.

(k) When the Lending Agent is a securities lending agent with respect to a Commingled Fund, the Lending Agent will, prior to the investment of a Client Plan's assets in such Commingled Fund obtain from the Client Plan authorization to lend any securities held by the Commingled Fund to Affiliated Borrowers. Prior to obtaining such approval, the Lending Agent will provide a written description of the operation of the securities lending program, including the terms of the Agency Agreement between the Commingled Fund and the Lending Agent, disclose the form of the Loan Agreement to be entered into on behalf of the Commingled Fund with borrowers, identify the securities which are available to be lent, and identify the required collateral and daily marking-to-market.

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[14] Conditions (c) and (d) of PTCE 82-63 require that the payment of compensation to a "lending fiduciary" be made under a written instrument and be subject to prior written authorization of an independent "authorizing fiduciary." In the event that a Commingled Fund will participate in the securities lending program, the special rule applicable to such funds concerning the authorization of the compensation arrangement set forth in paragraph (f) of PTCE 82-63 will be satisfied.

(l) In the case of Client Plans currently invested in Commingled Funds, the information described in paragraph (h) above (including any information with respect to any material change in the arrangement) will be furnished by the Lending Agent, as lending fiduciary, to the Independent Fiduciary of each Client Plan investing in the Commingled Fund not less than 30 days prior to implementation of the lending arrangement or material change to the lending arrangement as previously described to the Client Plan, and thereafter, upon the reasonable request of the Client Plan's Independent Fiduciary.

In the event any such Independent Fiduciary submits a notice in writing within the 30-day period provided in the preceding paragraph to the Lending Agent, as lending fiduciary, objecting to the implementation of, material change in, or continuation of the lending arrangement with the Affiliated Borrowers, the Client Plan on whose behalf the objection is tendered will be given the opportunity to terminate its investment in the Commingled Fund, without penalty to the Client Plan, no later than 35 days after the notice of withdrawal is received. 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 lending arrangement; but an existing lending arrangement need not be discontinued by reason of a Client Plan electing to withdraw. The Client Plan will further have the right to terminate its participation in the lending arrangement at any time by terminating its investment in the Commingled Fund no later than 35 days after the notice of termination of participation is received, without penalty to the Client Plan.

(m) Each time a Client Plan loans securities to an Affiliated Borrower pursuant to the Loan Agreement, the Lending Agent will reflect in its records the material terms of the loan, including the securities to be loaned, the required level of collateral, and the fee or rebate payable. The fee or rebate payable for each loan will be at least as favorable to the Client Plan as those of a comparable arm's-length transaction between unrelated parties.

(n) The Client Plan will be entitled to all distributions made to the holders of the borrowed securities during the term of the loan, including but not limited to all interest and dividends on the loaned securities (or a substitute payment thereon), shares of stock as a result of stock splits and rights to purchase additional securities, or other distributions that the Client Plan would have received had it remained record owner of the securities.[15] The Loan Agreement will provide that the Client Plan may terminate any loan at any time. Upon termination, the Affiliated Borrower will be contractually obligated to transfer securities identical to the borrowed securities (or the equivalent thereof) to the Separate Account or, if the Plan's withdrawal necessitates a return of securities, to the Commingled Fund within: (1) the customary delivery period for such

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[15] Dividends and other distributions on foreign securities payable to a Client Plan may be subject to foreign tax withholdings. The applicable Affiliated Borrower, where necessary, will gross-up the in-lieu-of-payment (in respect of such dividend or distribution it makes) to the Client Plan so that the Client Plan will receive back what it otherwise would have received (by way of dividend or distribution) had it not loaned the securities.

securities; (2) five business days; or (3) the time negotiated for such delivery by the Client Plan, or the Lending Agent, as securities lending agent to a Commingled Fund, whichever is the least. The Loan Agreement will give the Client Plan a continuing security interest in and a lien on the collateral. If the Affiliated Borrower fails to return the securities within the designated time, the Lending Agent, as securities lending agent, will have the right under the Loan Agreement to purchase, for the account of the Client Plan, securities identical to the borrowed securities (or their equivalent as discussed above) and apply the collateral to payment of the purchase price and any other expenses of the Client Plan associated with the sale and/or purchase.

(o) The Lending Agent will establish each day a written schedule of lending fees[16] and rebate rates[17] with respect to new loans of designated classes of securities, such as U.S. Government securities, U.S. equities and corporate bonds, international fixed income securities and international equities, in order to assure uniformity of treatment among borrowers and to limit the discretion the Lending Agent would have in negotiating securities loans to Affiliated Borrowers. Loans to all Affiliated Borrowers of a given security on any day will be made at rates or lending fees on the relevant daily schedule or at rates or lending fees which will be more advantageous to the Client Plans. In no case will loans be made to Affiliated Borrowers at rates or lending fees below those on the schedule. The rebate rates (in respect of cash-collateralized loans made by Client Plans) which are established will take into account the potential demand for loaned securities by borrowers other than Affiliated Borrowers, the applicable benchmark cost of funds indices (typically, the U.S. Federal Funds rate), the overnight "repo" rate or the like and anticipated investment return on the investment of cash collateral. The lending fees (in respect of loans made by Client Plans collateralized by other than cash) will reflect current market conditions as influenced by potential market demand.

The Lending Agent will negotiate rebate rates for cash collateral payable to each borrower, including Affiliated Borrowers, on behalf of a Client Plan. Where cash collateral is derived from a loan with an expected maturity date (a "term loan") and is intended to be invested in instruments with maturities corresponding generally to the maturity of the term loan, the aggregate rebate over the life of the loan will be less than the total investment return (assuming no investment default). Where cash collateral is derived from a loan with an overnight maturity or an open maturity (i.e., no specified

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16 The Lending Agent will adopt minimum daily lending fees for non-cash collateral payable by Affiliated Borrowers to the Lending Agent on behalf of a Client Plan. Separate minimum daily lending fees will be established with respect to loans of designated classes of securities, such as those identified in the text. With respect to each designated class of securities, the minimum lending fee will be stated as a percentage of the principal value of the loaned securities. The Lending Agent will submit the method for determining minimum daily lending fees to an Independent Fiduciary of the Client Plan, in the case of a Separate Account, for approval before initially lending any securities to Affiliated Borrowers on behalf of such Client Plan. The Lending Agent will submit the method for determining such minimum daily lending fees to an Independent Fiduciary of the Client Plan involved in or planning to invest in a Commingled Fund pursuant to the procedure described in paragraph (l).

17 The Lending Agent will adopt separate maximum daily rebate rates with respect to securities loans collateralized with cash collateral.

expected maturity date), the aggregate rebate will be less than the total investment return (assuming no investment default) for the period during which the securities were outstanding on loan. With respect to any loan to an Affiliated Borrower, the Lending Agent, at the inception of such loan, will not negotiate and agree to a rebate rate with respect to such loan which would produce a zero or negative return to the Client Plan over the life of the loan (assuming no default on the investments made by the Lending Agent where it has investment discretion over the cash collateral, or on investments expected to be made by the Client Plan's designee where the Lending Agent does not have such discretion). The Lending Agent represents that the maximum written rebate rate negotiated with Affiliated Borrowers will not exceed the rebate rate which would be paid to a similarly situated unrelated borrower with respect to a comparable securities lending transaction. The maximum daily rebate rate will generally be the lower of (a) the overnight repo rate, U.S. Federal Funds rate, or LIBOR, minus a stated percentage and (b) the actual investment rate for the relevant cash collateral, minus a stated percentage. The Lending Agent will disclose the method for determining the maximum daily rebate rate, as described above, to an Independent Fiduciary of a Client Plan for approval before lending any securities to Affiliated Borrowers on behalf of the plan.

(p) For collateral other than cash, the applicable loan fee is reviewed by the Lending Agent daily for competitiveness and adjusted, where necessary, to reflect market terms and conditions.

(q) The method of determining the daily securities lending rates (fees and rebates), the minimum lending fees payable by the Affiliated Borrower and the maximum rebate payable to the Affiliated Borrower will be specified in the Agency Agreement or the Primary Lending Agreement. If the Lending Agent reduces the lending fee or increases the rebate rate on any outstanding loan to an Affiliated Borrower (except for a change resulting from a change in the value of any third-party independent index with respect to which the fee or rebate is calculated), the Lending Agent, by the close of business on the date of such adjustment, will provide the Independent Fiduciary of the Client Plan with notice that it has reduced such fee or increased the rebate rate to such Affiliated Borrower and that the Client Plan may terminate such loan at any time or terminate its investment in the case of a Commingled Fund. In addition, the Lending Agent will provide the Independent Fiduciary of the Client Plan with such information as the fiduciary may reasonably request regarding such adjustment. With respect to any calendar quarter, at least 50 percent or more of the outstanding dollar value of securities loans negotiated on behalf of Client Plans by the Lending Agent will be to unrelated borrowers.[18] Thus, the competitiveness of the loan fee will be continuously tested in the marketplace. Accordingly, loans to Affiliated Borrowers should result in a competitive rate of income to the lending Client Plan.

(r) At all times, the Lending Agent will effect loans in a prudent and diversified manner. While the Lending Agent will normally lend securities to requesting borrowers on a "first come, first served" basis, as a means of assuring uniformity of

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[18] This 50 percent requirement applies regardless of the type of collateral used to secure the loan.

treatment among borrowers, it should be recognized that in some cases it may not be possible to adhere to a "first come, first served" allocation. This can occur, for instance, where (a) the credit limit established for any such borrower by the Lending Agent and/or the Client Plan has already been satisfied; (b) the "first in line" borrower is not approved as a borrower by the particular Client Plan whose securities are sought to be borrowed; (c) the type of collateral offered by the borrower may not be approved by the Client Plan or the rate requested by the borrower is disadvantageous for the Client Plan; or (d) the "first in line" borrower cannot be ascertained, as an operational matter, because several borrowers spoke to different representatives of the Lending Agent at or about the same time with respect to the same security. In situations (a) and (b) above, loans would normally be effected with the "second in line." In situation (c) above, the "first in line" borrower receives the next lending opportunity. In situation (d) above, securities would be allocated equitably among all eligible borrowers.

(s) Under the Loan Agreement, the Affiliated Borrower agrees to indemnify and hold harmless the applicable Client Plan (including the sponsor and fiduciaries of such Client Plan) or Commingled Fund from any and all reasonably foreseeable damages, losses, liabilities, costs and expenses (including reasonable attorneys' fees and disbursements, transfer taxes and stamp duties), excluding any indirect or consequential damages, which such Client Plan may incur arising out of the use of the loaned securities by the Affiliated Borrower or any failure of the Affiliated Borrower to deliver loaned securities in accordance with the terms of the Loan Agreement or any failure by the Affiliated Borrower to otherwise comply with the terms of the Loan Agreement except such as may be caused by the negligence or willful misconduct of the Client Plan. If any event of default occurs, the Lending Agent, as securities lending agent, promptly and at its own expense (subject to rights of subrogation in and to the collateral and against such Affiliated Borrower), will purchase or cause to be purchased, for the account of the Client Plan, securities identical to the borrowed securities (or their equivalent). If the collateral is insufficient to accomplish such purchase, the Affiliated Borrower, pursuant to the indemnification agreement, will indemnify the Client Plan for any shortfall in the collateral plus interest on such amount and any transaction costs incurred (including attorney's fees). Alternatively, if such replacement securities cannot be obtained on the open market, the Affiliated Borrower will pay the Client Plan the difference in U.S. dollars between the market value of the loaned securities and the market value of the related collateral as determined on the date of the Affiliated Borrower's breach of its obligation to return the loaned securities pursuant to the applicable Loan Agreement. The Affiliated Borrower's indemnification will enable the Client Plan to collect on any indemnification from a U.S. domiciled affiliate of MLPF&S.

(t) The Client Plan, or its designee, will receive collateral from each Affiliated Borrower (either by physical delivery, book entry in a securities depository located in the U.S., or wire transfer or similar means) by the close of business on or before the day the loaned securities are delivered to the Affiliated Borrower. All collateral will be received by the Client Plan, or its designee, in the U.S. The collateral will consist of U.S. currency, securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities, irrevocable bank letters of credit issued by a U.S. bank (other than an affiliate of ML&Co. or BlackRock) or such other types of collateral

permitted under PTCE 81-6, as amended, modified, supplemented or superseded by Department exemption or promulgation.

The market value (or in the case of a letter of credit, a stated amount) of the collateral on the close of business on the day preceding the day of the loan will be at least 102 percent of the market value of the loaned securities. The Loan Agreement will give the Separate Account or the Commingled Fund in which the Client Plan has invested a continuing security interest in, and a lien on or title to, the collateral. The Lending Agent will monitor the level of the collateral daily. If the market value of the collateral at the close of trading on a business day is less than 100 percent (or such greater percentage as agreed to by the Lending Agent and the Affiliated Borrowers) of the market value of the loaned securities at the close of business on that day, the Lending Agent will require the Affiliated Borrowers to deliver by the close of business on the next day sufficient additional collateral to bring the level back to at least 102 percent.

(u) With respect to loans involving MLI or other foreign Affiliated Borrowers, the following additional conditions will be applicable, unless another exemption permits otherwise: (a) all collateral will be maintained in U.S. currency or U.S. denominated securities or letters of credit; (b) all collateral will be held in the U.S. and the Lending Agent will maintain the situs of the securities loan agreements in the U.S. under an arrangement that complies with the indicia of ownership requirements under section 404(b) of ERISA and the regulations promulgated under 29 CFR 2550.404b-1; (c) a written consent to service of process in the U.S. for any civil action or proceeding brought in respect of the securities lending transaction, which consent provides that process may be served on such borrower by service on the Lending Agent; and (d) a written consent to submit to the jurisdiction of the U.S. and an agreement that the Client Plan may enforce the indemnity provided by MLI or other foreign Affiliated Borrowers in the U.S. courts.[19]

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[19] With respect to consent to jurisdiction and service of process, the Loan Agreement provides:

Borrower agrees with Lender that any legal action or proceeding arising out of or relating to the Agreement or the transactions contemplated thereby, and any action or proceeding to execute or otherwise enforce any judgment obtained in connection therewith, may be instituted in the Supreme Court of the State of New York, County of New York or in the U.S. District Court for the Southern District of New York, and, by execution and delivery of this consent and appointment of agent ("Consent"), the Borrower irrevocably and unconditionally submits generally to the jurisdiction of each such court. The Borrower irrevocably appoints Merrill Lynch Third Party Processing, with an office on the date hereof at 4800 Deer Lake Drive (03), Jacksonville, FL 32246-6484, as its agent (the "Process Agent") to receive on its behalf any service of process which may be served in any such action or proceeding. Such service may be made by mailing or delivering a copy of such process to the Borrower in care of the Process Agent at the Process Agent's above address, and the Borrower hereby irrevocably authorizes and directs the Process Agent to accept such service on its behalf. As an alternative method of service, the Borrower also irrevocably consents to the service of any and all process in any such action or proceeding by the mailing of copies of such process to the Borrower at its address specified herein. The Borrower agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. The Borrower irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in

(v) Each Independent Fiduciary of a Client Plan participating in the securities lending program will be sent a quarterly transaction report. Such report will provide a list of all security loans outstanding and closed for a specified period. The report will identify, for each open loan position, the securities involved, the identity of the borrower, the value of the security for collateralization purposes, the current value of the collateral, the rebate or loan premium (as the case may be) at which the security is loaned, and the number of days the security has been on loan. In addition, if requested by the Client Plan, the Lending Agent will provide daily confirmations of securities lending transactions and weekly reports setting forth, for each transaction made or outstanding during the relevant reporting period, the loaned securities, the related collateral, rebates and loan premiums and such other information in such format as shall be agreed to by the parties. Further, prior to a Client Plan's approval of loans to an Affiliated Borrower, the Lending Agent will provide a Client Plan with a copy of the final authorization granted in connection with this application.

(w) In order to provide the means for monitoring lending activity, the quarterly report will reflect rates on loans by the Client Plans to the Affiliated Borrowers compared with loans to other borrowers, as well as the level of collateral on the loans. In this regard, the quarterly report will show, on a daily basis, the market value of all outstanding security loans to the Affiliated Borrowers and to other borrowers as compared to the total collateral held for both categories of loans. Further, the quarterly report will state the daily fees where collateral other than cash is utilized and will specify the details used to establish the daily rebate payable to all borrowers where cash is used as collateral. The quarterly report also will state, on a daily basis, the rates at which securities are loaned to the Affiliated Borrowers compared with those at which securities are loaned to other borrowers. This statement will give a Client Plan's Independent Fiduciary information which can be compared to that contained in the daily rate schedule.

(x) Only Client Plans with total assets having an aggregate market value of at least $50 million are permitted to lend securities to the Affiliated Borrowers; provided, however, that:

(1) In the case of two or more Client Plans which are maintained by the same employer, controlled group of corporations or employee organization, whose assets are commingled for investment purposes in a single master trust or any other entity the assets of which are "plan assets" under the Plan Assets Regulation, which entity is engaged in securities lending arrangements with the Lending Agent, the foregoing $50 million requirement is deemed satisfied if such trust or other entity has aggregate assets which are in excess of $50 million; provided that, if the fiduciary

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an inconvenient forum. To the extent that the Borrower has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, the Borrower hereby irrevocably waives such immunity in respect of its obligations under this Consent and, without limiting the generality of the foregoing, agrees that the waivers set forth above shall have the fullest scope permitted under the Foreign Sovereign Immunities Act of 1976 of the United States and are intended to be irrevocable for purposes of such Act.

responsible for making the investment decision on behalf of such master trust or other entity is not the employer or an affiliate of the employer, such fiduciary has total assets under its management and control exclusive of the $50 million threshold amount attributable to plan investment in the commingled entity, which are in excess of $100 million.

(2) In the case of two or more Client Plans which are not maintained by the same employer, controlled group of corporations or employee organization, whose assets are commingled for investment purposes in a group trust or any other form of entity the assets of which are "plan assets" under the Plan Asset Regulation, which entity is engaged in securities lending arrangements with the Lending Agent, the foregoing $50 million requirement is deemed satisfied if such trust or other entity has aggregate assets which are in excess of $50 million (excluding the assets of any Client Plan with respect to which the fiduciary responsible for making the investment decision on behalf of such group trust or other entity or any member of the controlled group of corporations including such fiduciary is the employer maintaining such Client Plan or an employee organization whose members are covered by such Client Plan); provided that the fiduciary responsible for making the investment decision on behalf of such group trust or other entity has full investment responsibility with respect to plan assets invested therein, and has total assets under its management and control, exclusive of the $50 million threshold amount attributable to plan investment in the commingled entity, which are in excess of $100 million.

In addition, none of the entities described above must be formed for the sole purpose of making loans of securities.

(3) In the case of two or more Client Plans invested in a Commingled Fund, whether or not through an entity described in (1) or (2) above, the $50 million requirement shall be deemed satisfied if 50 percent or more of the units of beneficial interest in such Commingled Fund are held by investors each having total net assets of at least $50 million. Such investors may include Client Plans, entities described in (1) or (2) above or other investors that are not employee benefit plans covered by section 406 of ERISA, section 4975 of the Code, or section 8477 of FERSA.

(y) The Applicants represent that the conditions set forth in this proposed final authorization will subject the Lending Agent and Affiliated Borrowers to all of the applicable conditions under PTCE 81-6, other than registration under the Exchange Act with respect to MLI and MLJ.

(z) The Lending Agent shall also maintain, or cause to be maintained, within the U.S. for a period of six years from the date of the transaction, in a manner that is convenient and accessible for audit and examination, such records as are necessary to enable the persons described below to determine whether the conditions of the final authorization have been met; except that (1) a prohibited transaction will not be

considered to have occurred if, due to circumstances beyond the control of the Lending Agent, the records are lost or destroyed prior to the end of the six-year period, and (2) no party in interest other than the Lending Agent shall be subject to the civil penalty that may be assessed under section 502(i) of ERISA, or to the taxes imposed by section 4975(a) and (b) of the Code, if the records are not maintained or are not available for examination as required by the final authorization. Except as provided herein and notwithstanding any provisions of section 504(a)(2) and (b) of ERISA, the records referred to above will be available at their customary location for examination during normal business hours by:

(1) Any duly authorized employee or representative of the DOL, the Internal Revenue Service ("IRS") or the SEC;

(2) Any fiduciary of a participating Client Plan or any duly authorized representative of such fiduciary;

(3) Any contributing employer with respect to any Client Plan which lends securities to Affiliated Borrowers or any duly authorized employee or representative of such employer; and

(4) Any participant or beneficiary of any Client Plan which lends securities to an Affiliated Borrower, or any duly authorized employee or representative of such participant or beneficiary.

None of the persons described in paragraphs (2) through (4) above shall be authorized to examine trade secrets of the Lending Agent, or commercial or financial information which is privileged or confidential.

SUMMARY OF CONDITIONS OF THE PROPOSED AUTHORIZATION

BlackRock and ML&Co. believe that the securities lending program increases the income that Client Plans can derive from their securities. However, because as a result of the Transaction, (i) ML&Co. has an approximate 49.3% ownership interest in BlackRock, through its ownership of the BlackRock Stock; (ii) the Trust Companies and MLPF&S, MLGSI, MLPCC, MLI and MLJ remain wholly owned subsidiaries of ML&Co.; (iii) the Lending Agent is an indirect wholly owned subsidiary of BlackRock; (iv) PNC has an approximate 34.4% ownership interest in BlackRock through its ownership of common stock of BlackRock; (v) ABN AMRO, Harris Williams, W.L.Lyons, MGI, Persimmon, PFPC, PNC Capital, PNC Investments, Northern Funds, and BlackRock Distributors remain wholly owned subsidiaries of PNC; and (vi) BlackRock Investments and State Street remain wholly owned subsidiaries of BlackRock, the lending of securities to the Affiliated Borrowers by the Client Plans could be deemed to be prohibited under ERISA. Further, the securities lending program would be outside the scope of the relief provided by PTCE 81-6, 46 Fed. Reg. 7527 (January 23, 1981), and PTCE 82-63, 47 Fed. Reg. 14804 (April 6, 1982). Accordingly, ML&Co. and BlackRock submitted an application to the Department for authorization, pursuant to PTCE 96-62, to offer Client Plans the opportunity to participate in the proposed securities lending program.

If final authorization is obtained, the restrictions of sections 406(a)(1)(A) through (D) and

406(b)(1) and (2) of ERISA, section 8477(c)(2)(A) and (B) of FERSA, and the sanctions resulting from the application of section 4975 of the Code shall not apply to the lending of securities to the Affiliated Borrowers by Client Plans for which a Trust Company or the Lending Agent acts as a trustee, custodian, or an investment manager, and the receipt of compensation by the Lending Agent in connection with acting as a lending agent with respect to these transactions.

The following is a brief summary of the conditions that would be applicable to the proposed securities lending program:

(a) Neither a Trust Company, the Lending Agent, the Affiliated Borrowers nor any of their affiliates will have or exercise any discretionary authority or control with respect to the investment of the assets of Client Plans involved in the transaction (except to the extent the Lending Agent or a Trust Company acts as manager of an Indexed Account), nor will they render investment advice (within the meaning of 29 C.F.R. § 2510.3-21(e)) with respect to those assets, including decisions concerning a Client Plan's acquisition or disposition of securities available for loan.

(b) An Independent Fiduciary will approve in advance any arrangement for the lending of securities.

(c) The Independent Fiduciary of a Separate Account will approve the general terms of, as well as any material changes to, the Loan Agreement. The Independent Fiduciary of a Client Plan invested in a Commingled Fund will approve the general terms of the Loan Agreement by using the procedure described in paragraph (i), below. The specific terms of the Loan Agreement will be negotiated by the Lending Agent.

(d) The terms of each loan of securities to an Affiliated Borrower will be at least as favorable to the Client Plans as those of a comparable arm's-length transaction between unrelated parties.

(e) A Client Plan, in the case of a Separate Account, may terminate the securities lending agency arrangement at any time, without penalty, on five business days' notice. A Client Plan in a Commingled Fund may terminate its participation in the lending arrangement by terminating its investment in the Commingled Fund, without penalty. Upon termination, the Affiliated Borrowers will return, within a specified time, securities identical to the borrowed securities (or the equivalent thereof) to the Separate Account or, if the Client Plan's withdrawal from a Commingled Fund necessitates a return of securities, to the Commingled Fund.

(f) The Affiliated Borrower will furnish Collateral for the loaned securities.

(g) The market value (or in the case of a letter of credit, a stated amount) of the Collateral at the close of business on the day preceding the day of the loan must initially be at least 102 percent of the market value of the loaned securities. The Loan Agreement gives the Separate Account or the Commingled Fund in which the Client Plan has invested a continuing security interest in, and a lien on or title to, the Collateral. The level of the Collateral is monitored daily by the Lending Agent. If the market value of the Collateral, at the close of trading on a business

day, is less than 100 percent of the market value of the loaned securities at the close of business on that day, the Affiliated Borrower must deliver, by the close of business on the next day, sufficient additional Collateral such that the market value of the Collateral will again equal 102 percent.

(h) (1) A Lender that is a Separate Account will receive a copy of the Affiliated Borrower's most recently available audited and unaudited financial statements prior to entering into a loan. The Affiliated Borrower also must provide notice of material adverse changes in its financial condition. If such changes take place, the Lending Agent will not make any further loans unless approved by the Independent Fiduciary.

(2) For a Lender that is a Commingled Fund, the Lending Agent will furnish, upon reasonable request to an Independent Fiduciary of each Client Plan invested in the Commingled Fund, the most recently available audited and unaudited financial statements of the applicable Affiliated Borrower prior to authorization of lending, and annually thereafter.

(i) In the case of Commingled Funds, information regarding the terms of the lending arrangement shall be furnished by the Lending Agent to the Independent Fiduciary of each Client Plan invested in the Commingled Fund, at least 30 days prior to implementation of the arrangement, or upon any material change to the lending arrangement, and thereafter, upon the reasonable request of the Client Plan's Independent Fiduciary. In the event of a material adverse change in the financial condition of an Affiliated Borrower, the Lending Agent will make a decision, using the same standards of credit analysis the Lending Agent would use in evaluating unrelated borrowers, whether to terminate existing loans or to continue making additional loans to the Affiliated Borrower.

If the Independent Fiduciary notifies the Lending Agent that it objects to the implementation of, material change in, or continuation of the arrangement, the Client Plan on whose behalf the objection was tendered will be given the opportunity to terminate its investment in the Commingled Fund, without penalty. The withdrawal shall be effected prior to the implementation of, or material change in, the arrangement; but an existing arrangement need not be discontinued because a Client Plan elects to withdraw. In the case of a Client Plan whose assets are proposed to be invested in the Commingled Fund after the securities lending arrangement is implemented, the Client Plan shall authorize the arrangement prior to investing in the Commingled Fund.

(j) The Lender either will receive a reasonable fee, which is related to the value of the borrowed securities and the duration of the loan, or have the opportunity to derive compensation through the investment of cash Collateral. (Under such circumstances, the Lender may pay a loan rebate or similar fee to the Affiliated Borrowers, if such fee is not greater than the fee the Lender would pay in a comparable arm's-length transaction with an unrelated party.)

(k) Procedures regarding securities lending activities will conform to the requirements of PTE 81-6 and 82-63, as well as the securities laws of the United States, the United Kingdom and Japan.

(l) If any event of default occurs, to the extent that (i) liquidation of the Collateral or (ii)

additional cash received from the Affiliated Borrower does not provide sufficient funds on a timely basis, the Client Plan will have the right to purchase securities identical to the borrowed securities (or their equivalent) and apply the Collateral to the payment of the purchase price. If the Collateral is insufficient to accomplish such purchase, the Affiliated Borrower will indemnify the Client Plan for any shortfall.

(m) The Lender will receive the equivalent of all distributions made to holders of the borrowed securities during the term of the loan.

(n) Before any lending program is approved, the Client Plan will be provided with a complete copy of the final or tentative authorization granted by the DOL.

(o) The Independent Fiduciary of each Client Plan will be provided with detailed quarterly reports with respect to the securities lending transactions so that the Independent Fiduciary can monitor transactions with the Affiliated Borrowers.

(p) Only Client Plans with total assets having an aggregate market value of at least $50 million are permitted to lend securities to the Affiliated Borrowers. Special rules apply in determining whether the $50 million dollar requirement is satisfied, with respect to certain commingled funds.

(q) In any calendar quarter, at least 50 percent or more of the outstanding dollar value of securities loans negotiated on behalf of Lenders will be to borrowers unrelated to the Lending Agent.

(r) All loans involving foreign Affiliated Borrowers have the following additional requirements:

(1) The foreign Affiliated Borrower is a bank, supervised either by a state or the United States, a broker-dealer registered under the Exchange Act or a bank or broker-dealer that is supervised by the U.K. FSA or the Japan FSA;

(2) The foreign Affiliated Borrowers do business with U.S. registered broker-dealers (including other Affiliated Borrowers) and U.S. persons in compliance with all applicable provisions of Rule 15a-6 under the Exchange Act;

(3) All Collateral is maintained in United States dollars or United States dollar-denominated securities or letters of credit (unless an applicable exemption provides otherwise);

(4) All Collateral is held in the United States and the situs of the securities lending agreements is maintained in the United States under an arrangement that complies with the indicia of ownership requirements under section 404(b) of ERISA and 29 CFR 2550.404(b)-1; and

(5) Prior to a transaction involving a foreign Affiliated Borrower, the foreign Affiliated Borrower (i) agrees to submit to the jurisdiction of the United States; (ii) agrees to appoint a

Process Agent; (iii) consents to service of process on the Process Agent; and (iv) agrees that enforcement by a Client Plan of the indemnity provided by the Affiliated Borrower may occur in the United States courts.

(s) Subject to certain exceptions, the Lending Agent maintains within the United States, for a period of six years from the date of such transaction, such records as are necessary to enable the persons described in paragraph (t) to determine whether the conditions of the authorization have been met.

(t) The records referred to in paragraph (s) will unconditionally be available at the customary location for examination during normal business hours by:

(A) Any duly authorized employee or representative of the Department, the IRS or the SEC;

(B) Any fiduciary of a participating Client Plan or any duly authorized representative of such fiduciary;

(C) Any contributing employer to any participating Client Plan or any duly authorized employee or representative of such employer; and

(D) Any participant or beneficiary of any participating Client Plan, or any duly authorized representative of such participant or beneficiary.

None of the persons described in paragraphs (B) through (D) shall be authorized to examine trade secrets of the Lending Agent or its affiliates or commercial or financial information which is privileged or confidential.