determined in accordance with SEC Rule 17a–7(b) of the 1940 Act;

- (c) The securities involved in the cross-trade transaction are those for which there is a generally recognized market:
- (d) The cross-trade transaction is effected only where the trade involves less than five (5) percent of the aggregate average daily trading volume of the securities which are the subject of the transaction for the week immediately preceding the authorization of the transaction. A cross-trade transaction may exceed this limit only by express authorization of independent fiduciaries on behalf of Plans affected by the transaction, prior to the execution of the cross-trade.
- 4. For all accounts participating in the cross-trading program, if the number of units of a particular security which any accounts need to sell on a given day is less than the number of units of such security which any accounts need to buy, or vice versa, the direct cross-trade opportunity must be allocated among the buying or selling accounts on a pro rata basis.
- 5. (a) BlackRock furnishes the authorizing Plan fiduciary at least once every three months, and not later than 45 days following the period to which it relates, a report disclosing: (i) a list of all cross-trade transactions engaged in on behalf of the Plan; and (ii) with respect to each cross-trade transaction, the prices at which the securities involved in the transaction were traded on the date of such transaction; and
- (b) The authorizing Plan fiduciary is furnished with a summary of the information required under this paragraph 4(a) at least once per year. The summary must be furnished within 45 days after the end of the period to which it relates, and must contain the following: (i) A description of the total amount of Plan assets involved in crosstrade transactions during the period; (ii) a description of BlackRock's cross-trade practices, if such practices have changed materially during the period covered by the summary; (iii) a statement that the Plan fiduciary's authorization of cross-trade transactions may be terminated upon receipt by BlackRock of the fiduciary's written notice to that effect; and (iv) a statement that the Plan fiduciary's authorization of the cross-trade transactions will continue in effect unless it is terminated.
- 6. The cross-trade transaction does not involve assets of any Plan established or maintained by BlackRock or any of its affiliates.

- 7. All Plans that participate in the cross-trade program have total assets of at least \$25 million.
- 8. BlackRock receives no fee or other compensation (other than its agreed upon investment management fee) with respect to any cross-trade transaction.
- 9. BlackRock is a discretionary investment manager with respect to Plans participating in the cross-trade program.

10. For purposes of this proposed exemption:

- (a) Cross-trade transaction means a purchase and sale of securities between accounts for which BlackRock or an affiliate is acting as an investment manager;
- (b) Affiliate means any person directly or indirectly through one or more intermediaries, controlling, controlled by, or under common control with BlackRock;
- (c) *Plan Account* means an account holding assets of one or more employee benefit plans that are subject to the Act, for which BlackRock acts as a fiduciary.

## **Summary of Facts and Representations**

- 1. BlackRock is a Delaware limited partnership with its principal office located in New York City. BlackRock Management Partners L.P. (BMP) is the general partner of BlackRock. The partners of BlackRock and BMP executed an agreement with PNC Bank on February 28, 1995, whereby all of the interests in BlackRock and BMP were sold to a wholly-owned subsidiary of PNC Bank, N.A. In this regard, BlackRock continues to conduct its business in the same manner as it did prior to the sale. BlackRock provides a broad range of financial services to a variety of clients, including corporations, financial institutions, registered investment companies and employee benefit plans. BlackRock serves as investment manager for a substantial number of qualified pension plans and currently has more than \$24 billion of assets under management.
- 2. With respect to the employee benefit plans that will participate in the proposed cross-trading program (the Plans), BlackRock will be acting as a discretionary investment manager. The Plan Accounts maintained by BlackRock are all considered "managed accounts" under which BlackRock and the sponsor or other named fiduciary of the underlying Plan have agreed that the investment of the assets in question will be managed actively at the discretion of BlackRock, pursuant to written guidelines as to which types of securities to buy or sell for the account.

Under the investment guidelines for many of the Plan Accounts, BlackRock

manages the assets in accordance with investment parameters that are designed to invest the assets in various types of fixed-income securities, such as mortgage-backed securities, U.S. Government securities or corporate debt securities. BlackRock primarily manages such Plan assets using duration management techniques with the performance and composition of the assets for the Plan Account measured against a specified benchmark, such as various Salomon Brothers, Lehman Brothers or Merrill Lynch indices that are selected by the Plan sponsor or other named fiduciary. The duration of the assets held by the Plan Account will be comparable to the portfolio specified by the referenced benchmark. BlackRock states that the objective factors contained in or required by these investment parameters may not be changed or otherwise altered without the prior written approval of the Plan sponsor or other named fiduciary. The types of securities held in these accounts are generally the same for each Plan Account that retains BlackRock for purposes of managing such an account, although the specific mix of securities varies depending on the investment objectives of the particular Plan Account.

3. Securities sales and purchases for Plan Accounts may result from either: (a) The active decision-making by BlackRock's account manager relating to new investments for the Plan Account; or (b) a change in the overall level of investment as a result of investments and withdrawals made to the Plan Account by the Plan sponsor or other named fiduciary requiring a rebalancing of the account with transactions involving the Plan Account's existing securities. Under either of these circumstances, BlackRock's disposition of a particular security for one Plan Account may involve a security that is desirable for another Plan Account, presenting an opportunity to save substantial dealer markups for both the liquidating Plan Account and the acquiring Plan Account. This saving could be effected by a cross-trade transaction, which involves matching BlackRock's sell orders for a particular day with its buy orders for the same day in nondealer transactions.

The execution of such cross-trades between various BlackRock accounts could involve trades between Plan Accounts, or between Plan Accounts and investment companies managed by BlackRock, or between Plan Accounts and private institutional accounts managed by BlackRock. In this regard, because BlackRock has special expertise in fixed-income securities, registered