

BlackRock Cash Management Update

SEC Amends Rule 2a-7

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Regulatory Reform

On January 27, 2010, the Securities and Exchange Commission (SEC) voted 4 to 1 to approve amendments to Rule 2a-7 which governs money market funds. As stated in a press release issued by the SEC, the new rules are intended to increase the resilience of money market funds to economic stresses and reduce the risks of runs on the funds by tightening the maturity and credit quality standards and imposing new liquidity requirements.

The text of the final rules, when they are ultimately posted, may contain additional requirements and details not summarized in today's press release. Visit the SEC website, www.sec.gov, to view the press release summarizing the new rules. Our expectation is that the SEC will allow for an orderly transition to the new rules over the next several months.

Some of the changes, as described in the press release, include:

Liquidity Requirements: The new rules require minimum liquidity levels of 10% overnight for taxable funds and 30% within one week for all money market funds, both taxable and tax-exempt. Current Rule 2a-7 does not have liquidity requirements.

Maturity Restrictions: The new rules shorten the maximum Weighted Average Maturity (WAM) for money market funds from 90 days to 60 days. New to Rule 2a-7, the Weighted Average Life (WAL) of money market funds will be limited to 120 days or less. We expect the WAL to be calculated based on the final maturity or put date of variable rate notes (without reference to maturity shortening provisions).

Eligible Securities: Second tier securities (those that receive a rating agency's second highest rating will remain eligible for money market funds, although funds will be restricted to 3% of assets in aggregate, down from 5% currently. Holdings of second tier securities will be limited to 0.5% of assets per issuer and 45 days in maturity (currently 1% and 397 days). Illiquid securities (those that cannot be sold or disposed of within 7 days at carrying value), will be limited to a 5% maximum allocation, down from 10% currently.

Increased Transparency: The new rules require standardized monthly disclosures of money market fund holdings to the Commission as well as a monthly website posting of holdings for fund investors. Monthly information provided to the Commission will be available to the public with a 60 day lag, and will include the shadow or mark to market-based net asset value (NAV) of each fund. Reporting the shadow NAV more frequently will remind investors that the market-based NAV of money market funds fluctuates slightly around \$1.00 as part of its normal functioning. This information is currently only disclosed twice per year.

BlackRock News

On December 1, 2009, BlackRock, Inc. and Barclays Global Investors, N.A. combined to create a new independent company. Operating under the BlackRock name, this new company offers a full range of solutions—active management, quantitative and index strategies, iShares ETFs, and sophisticated risk management capabilities. We maintain a firmwide focus on investment excellence through the pursuit of alpha and efficient beta.

For additional information, please contact your BlackRock relationship manager.

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In addition, the SEC indicated that there is likely to be a second round of changes, but did not set a specific timeframe for those to be announced. While the SEC did not take action to change the stable \$1.00 per share NAV, it is important to note that this is still under review despite strong opposition from the money market fund industry. We at BlackRock continue to monitor the changing regulatory environment closely and will share further developments with you as they emerge.

While we do not yet know the final form of the rules, we embrace the direction of these changes as their intent is to further protect the money market fund industry and the interests of our clients. In many cases, these changes reflect practices BlackRock already employs and has employed for some time.

About BlackRock

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