

## Item 1 Cover Page

### BlackRock Realty Advisors, Inc.

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March 28, 2014

This Brochure provides information about the qualifications and business practices of BlackRock Realty Advisors, Inc. ("BlackRock Realty"), a registered investment adviser. If you have any questions about the contents of this Brochure, please contact us at (212) 810-5300. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority. BlackRock Realty is a registered investment adviser. Registration as an investment adviser does not imply a certain level of skill or training.

Additional information about BlackRock Realty also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 Material Changes**

Below is a summary of changes, deemed to be material, that were made to the Brochure since March 28, 2013:

- Several items in the Brochure were updated to include disclosures with respect to the management of accounts which invest in real estate-related debt investments by BlackRock Realty which were previously managed by another BlackRock Investment Adviser.
- Item 4 ("Advisory Business") was updated to include a description of services which may be performed by affiliates of BlackRock Realty.
- Item 8 ("Methods of Analysis, Investment Strategies and Risk of Loss") was updated to include a section on operating events, summarizing the policies and procedures that address the identification and correction of operating events.

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## Item 4 Advisory Business

### OVERVIEW OF BLACKROCK REALTY

BlackRock Realty provides real estate related investment advisory services. The principal services provided by BlackRock Realty relate to the acquisition, management, disposition of real estate and real estate debt instruments assets as well as the supervision of the development, improvement and property management of real estate. Our principal clients are institutions, such as pension and profit-sharing plans, governmental retirement plans, financial institutions, corporations and other similar organizations and commingled funds in which such institutions invest. BlackRock Realty also offers investment in commingled funds to certain high net worth individuals. BlackRock Realty is part of BlackRock Real Estate, which also provides real estate investment management services in Europe and Asia.

BlackRock Realty, together with its predecessor entities, has been in business since 1981 and has been a registered investment adviser since 1997. BlackRock Realty is an investment manager under the Employee Retirement Income Security Act ("ERISA") and is a qualified professional asset manager ("QPAM") for purposes of Department of Labor Prohibited Transaction Class Exemption 84-14. BlackRock Realty is a pension consultant as defined by the Investment Advisers Act of 1940, as amended (the "Advisers Act").

BlackRock Realty is an indirect, wholly-owned subsidiary of BlackRock, Inc., which is publicly traded on the New York Stock Exchange under the ticker symbol BLK. BlackRock Realty is affiliated with other registered investment advisers which are subsidiaries of BlackRock, Inc. (the "Advisers"). Information about BlackRock Realty is available via the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### BLACKROCK REALTY'S ADVISORY SERVICES

BlackRock Realty provides advisory services with respect to investments in real estate and real estate-related debt investments to privately-offered commingled investment funds ("Real Estate Funds") and institutional separate accounts ("Real Estate Separate Accounts"). Real Estate Funds and Real Estate Separate Accounts are referred to together as "BlackRock Clients".

As a part of its services to BlackRock Clients, BlackRock Realty or an affiliate typically provide the following services:

- (i) selecting real properties or real estate-related debt investments in which to invest assets of the BlackRock Client;
- (ii) acquiring such assets on behalf of the BlackRock Client;
- (iii) managing, through unaffiliated property managers and others, the operations of real properties;
- (iv) managing real estate-related debt instruments;
- (v) if within the investment mandate of the BlackRock Client, supervising the development or rehabilitation of assets owned by the BlackRock Client;
- (vi) monitoring and reporting to BlackRock Clients on the performance of their investments; and
- (vii) determining when and on what terms to finance, refinance or sell the investments and execute such transactions.

In connection with the advice related to real estate described above, BlackRock Realty may utilize and offer advice with respect to certain other types of transactions and derivative

instruments for the purpose of hedging interest rate risk, including but not limited to forward contracts, options, option contracts and other derivative contracts relating to interest rates; letters of credit; project and construction loans; and loans from banks and other financial institutions.

### ***Real Estate Funds***

A principal advisory service provided by BlackRock Realty is the management of Real Estate Funds, such as real estate investment trusts ("REITs"), limited partnerships and limited liability companies, in which tax-exempt entities, such as pension and profit-sharing plans and governmental retirement plans, taxable entities and certain individuals may invest. As a general matter, each Real Estate Fund is managed in accordance with the investment objectives, strategies and guidelines set forth in its governing documents and is not tailored to the individual needs of any particular investor in the Real Estate Fund (each an "Investor"). In addition, depending on the size of the investment and other factors, BlackRock Realty may enter into a "side letter" with one or more Investors in a Real Estate Fund. Such side letters may provide certain rights in addition to those provided in the governing documents of the Real Estate Fund or clarify the terms and conditions of an investment in a Real Estate Fund. Whether or not there is a side letter in place, investment in a Real Estate Fund does not, in and of itself, create an advisory relationship between the Investor and BlackRock Realty. Therefore, Investors must consider whether the Real Estate Fund meets their investment objectives and risk tolerance prior to investing in a Real Estate Fund. Information about each Real Estate Fund can be found in its confidential offering memorandum, which is available to current and prospective Investors only through BlackRock Realty or another authorized party. Termination of BlackRock Realty relationships with Real Estate Funds is governed by the applicable Real Estate Fund documents.

BlackRock Realty and certain BlackRock Realty employees, and employees of affiliates of BlackRock Realty, may acquire interests, generally not to exceed 4.95% in the aggregate (including interests held by BlackRock Realty or any of its affiliates), in certain Real Estate Funds. As discussed below, BlackRock Realty may have an incentive to favor Real Estate Funds in which it or its related persons have such interests over those Real Estate Funds and Real Estate Separate Accounts in which there are lesser or no such interests. Please see Item 6, below. Certain of the Real Estate Funds may operate using "operating fund-feeder" structures, pursuant to which investment operations are vested in an "operating" fund while Investors may access the operating fund directly or may invest through one or more "feeder" funds that, in turn, invest (directly or indirectly) in the operating fund.

While this Brochure may be provided to, and include information relevant to, Investors, this Brochure is designed solely to provide information about BlackRock Realty and should not be considered to be an offer of interests in any Real Estate Fund.

### ***Real Estate Separate Accounts***

The other principal advisory service provided by BlackRock Realty is the management of Real Estate Separate Accounts of institutional investors, including pension plans, government agencies or instrumentalities, quasi-governmental agencies and state and local governments, that wish to invest in real estate and other real estate-related debt investments on a non-pooled basis. BlackRock Realty generally provides investment management services to Real Estate Separate Accounts in accordance with the investment guidelines and restrictions that are developed in consultation with the client. A Real Estate Separate Account client and BlackRock may agree to impose restrictions on certain investments in the investment management agreement, or other agreements, entered into between BlackRock and such client in connection with the Real Estate Separate Account. Real Estate Separate Account agreements are

separately negotiated with each Real Estate Separate Account client and BlackRock does not utilize a standard form of Real Estate Separate Account agreement.

In general, a Real Estate Separate Account client and BlackRock Realty may terminate an investment advisory contract before its expiration date upon not less than more than thirty days' written notice and any unused portion of fees paid would be refunded absent specific alternative arrangements with the BlackRock Client.

In some cases, with the approval of the Real Estate Separate Account client, a Real Estate Separate Account may be structured as a limited liability company or limited partnership. BlackRock Realty and certain BlackRock Realty employees, and employees of affiliates of BlackRock Realty, may acquire interests, generally not to exceed 4.95% in the aggregate (including interests held by BlackRock Realty or an affiliate), in certain Real Estate Separate Account investment entities. As discussed below, BlackRock Realty may have an incentive to favor Real Estate Separate Accounts in which it or its related persons have such interests over those Real Estate Funds and Real Estate Separate Accounts in which there are lesser or no such interests. Please see Item 6, below.

As of January 1, 2014, BlackRock Realty managed \$7 billion of discretionary assets and \$0.8 billion of non-discretionary assets. Of these amounts, the value of securities portfolios which constitute regulatory assets under management was \$571,280,000.

For the purposes of this Brochure, total assets under management ("AUM") for BlackRock Realty Clients' portfolios include gross real estate assets, cash, accounts receivable, security deposits, prepaid assets, short term investments and other assets. AUM for BlackRock Clients with investments in real estate joint ventures is adjusted to reflect the stated ownership percentage (irrespective of any promoted interests) of joint venture partners. AUM of BlackRock Clients with "opportunistic" investment mandates are reflected as the greater of committed capital on which BlackRock Realty is paid a fee or AUM.

Discretionary assets include accounts for which BlackRock Realty's discretion is limited to transactions which fit the parameters specified for the BlackRock Client.

## **SERVICES OF AFFILIATES**

BlackRock Realty may use the services of affiliates which are broker-dealers registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and members of the Financial Industry Regulatory Authority ("FINRA"). For additional information, please refer to Item 10 ("Other Financial Industry Activities and Affiliations Brokerage Practices") of this Brochure. BlackRock Realty may use the services of one or more BlackRock Inc. subsidiaries or appropriate personnel of one or more BlackRock Inc. subsidiaries for investment advice, portfolio execution and trading, operational support and client servicing in their local or regional markets or their areas of special expertise without specific consent by the client, except to the extent explicitly restricted by the client in or pursuant to its Investment Management Agreement ("IMA"), or inconsistent with applicable law. Arrangements among affiliates may take a variety of forms, including but not limited to dual employee, delegation, participating affiliate, sub-advisory, sub-agency or other servicing agreements. This practice is designed to make BlackRock's global capabilities available to BlackRock Realty's clients in as seamless a manner as practical within a varying global regulatory framework. In these circumstances, BlackRock Realty remains fully responsible for the BlackRock Client's account from a legal and contractual perspective. No additional fees are charged for the affiliates' services except as set forth in the IMA.

## Item 5 Fees and Compensation

### BLACKROCK REALTY FEES

For its real estate investment advisory services, BlackRock Realty or its affiliates may be compensated by one or more of the following investment management fees:

- (i) an acquisition fee based on amounts invested or total cost of a real estate asset acquired by the BlackRock Client;
- (ii) a disposition fee based on the amount of the sale price of a real estate asset sold by the BlackRock Client;
- (iii) an asset management fee that is equal to a percentage of the assets under management (either gross assets (i.e., the total value of the assets of the BlackRock Client inclusive of debt) or net assets (i.e., the total value of the assets of the BlackRock Client reduced by the amount of debt of the BlackRock Client)), committed capital, invested capital, distributable cash flow or operating income from such assets;
- (iv) performance-based fees (either as an incentive fee or carried interest) subject to the BlackRock Client account achieving certain specified returns;
- (v) fees for debt placement services or construction supervision; and/or
- (vi) a portion of origination fees earned in connection with the origination of certain real estate-related loans.

If fees are charged for debt placement or construction supervision services, such fees would generally be comparable to those that would be charged by unaffiliated entities providing comparable services for institutional owners. To the extent fees are based on capital gains or capital appreciation, BlackRock Realty complies with Rule 205-3 under the Advisers Act, which permits the payment of performance fees by clients that meet certain requirements. See Item 6 for a discussion of certain conflicts related to performance-based fees.

The types and amounts of, and the related limitations and restrictions on, fees charged by BlackRock Realty are not uniform among BlackRock Clients and may be affected by the extent of services to be provided or the size of the account. Therefore, BlackRock Realty does not maintain a fee schedule. The fees and expenses related to Real Estate Funds offered pursuant to private securities offerings are fully specified in the offering materials of each Real Estate Fund. These materials are available from BlackRock Realty upon request. While fees related to Real Estate Funds are generally not negotiable, such fees may include discounts based on the amount invested.

The timing of fee payments is negotiated with each Real Estate Separate Account client or is set forth in the relevant Real Estate Fund offering documents. Asset-based fees generally are paid monthly or quarterly, and are calculated on the value of gross or net assets or, in the case of certain closed-end funds, committed capital or invested capital. Performance fees or other performance based compensation generally are based on exceeding specified yield or total return benchmarks or “hurdles” or an appropriate index and generally are payable (i) on a quarterly or annual basis and/or (ii) as investments are realized and/or capital is distributed. Certain BlackRock Client accounts charge performance fees or allocations based on the relevant accounts’ net profits without regard to any index or performance hurdle. In other cases, certain BlackRock Client accounts may have periodic or cumulative performance hurdles prior to BlackRock receiving a performance fee or allocation.

BlackRock Realty may invest BlackRock Clients’ funds which are incidental to its investments in real estate in liquid, short-term investments, such as bank and certificates of deposit or deposit such funds in money market funds. BlackRock Realty estimates that the portion of its activities

related to such non-real estate advisory services is less than one percent. Therefore, a small portion of BlackRock Realty's compensation may be related to the management of cash and cash-equivalent investments held in connection with real estate advisory services and the amount of cash and cash-equivalent investments are generally included in the gross asset value of a BlackRock Client's assets for the purpose of calculating investment management fees.

In many cases, BlackRock Realty's fees are based on the value and performance of the assets held in the BlackRock Client account. BlackRock Realty may be charged with the responsibility to, or have a role in, determining such values. To the extent BlackRock Realty's fees are based on the value or performance of BlackRock Client accounts, BlackRock Realty may benefit by receiving a fee based on the increased value of assets in an account. When valuing an asset, BlackRock Realty attempts, in good faith, to determine the fair value of the asset in question in a manner consistent with BlackRock Realty's then current valuation policies (unless otherwise specified by the BlackRock Client). BlackRock Realty also relies on valuations provided by third-party appraisals of real estate assets and on market quotations (when market quotations are available and deemed reliable) for the valuation of certain debt instruments. In general, third-party appraisals are performed at least annually and internal valuations are performed each quarter that a third-party appraisal is not performed. Please see "*Potential Conflicts Arising Out of Valuation of Illiquid Assets*" in Item 11 for more information regarding pricing and valuation.

### **DEDUCTION OF FEES FROM CLIENT ACCOUNTS**

BlackRock Realty is generally authorized to deduct its advisory fees from the accounts of Real Estate Funds. BlackRock Realty is also typically authorized by its Real Estate Separate Accounts to deduct fees directly from the Real Estate Separate Accounts. In some cases, the BlackRock Client is asked to pay fees upon receipt of a fee statement from BlackRock or a third-party custodian or consultant. BlackRock Realty generally bills BlackRock Clients or deducts fees on a quarterly basis in arrears.

### **CLIENT EXPENSES**

BlackRock Clients bear the costs associated with their investments (including costs related to the establishment and maintenance of investment vehicles) and are required to reimburse BlackRock Realty for such costs if incurred by it. Such expenses may include, without limitation, property management fees and compensation and costs of management and leasing personnel, insurance premiums, developer fees, costs related to construction and maintenance, custodian fees, servicing fees, fees of legal counsel, accountants, outside appraisers and real estate brokers, and fees for architectural, engineering or other studies or reports related to proposed or existing investments, fees and expenses of unaffiliated parties incident to the preparation and distribution of reports and travel expenses and other out-of-pocket property and portfolio expenses, incurred in connection with the evaluation, negotiation, operations or sale of proposed or existing investments and operations of portfolios.

Real Estate Funds also generally bear their own operating and other expenses (in addition to those listed above) including, but not limited to: (i) sales expenses; (ii) legal expenses; (iii) internal and external accounting, audit and tax preparation expenses; (iv) insurance; and (v) operating expenses. Real Estate Funds that are feeder funds also bear a pro rata share of the expenses associated with the related operating/master fund.

However, BlackRock Clients are not required to reimburse BlackRock Realty for BlackRock Realty's overhead and operating expenses.



**OTHER FEE-RELATED MATTERS**

BlackRock Realty's fees are payable in advance or in arrears, depending on the BlackRock Client. However, no fee will be payable six or more months in advance of the services rendered. BlackRock Realty's investment management agreements with its clients generally do not have termination dates. Rather, the investment management agreements typically may be terminated by the Adviser or the BlackRock Client with advance notice, as set forth in the relevant investment management agreement. In the event of the termination of a relationship, unearned fees, if any, paid in advance will be refunded to the BlackRock Client. To the extent fees have been earned but not yet billed, such fees will be pro-rated and paid by the client upon termination. In certain cases (e.g., separate accounts with performance based fees), fees may continue to be paid after termination of the relationship in accordance with the relevant agreement.

While BlackRock Realty may charge transaction related fees as discussed in this Item, it does not receive commissions or markups for the sale of securities or investment products.

## **Item 6 Performance-Based Fees and Side-By-Side Management**

As described in Item 5, both (a) incentive fees and promoted interests after investors receive a specified return and (b) investment management fees based on the gross asset value (i.e., the total value of the assets of the BlackRock Client inclusive of debt) or net assets (i.e., the total value of the assets of the BlackRock Client reduced by the amount of debt of the BlackRock Client), of the client's assets depend on the capital gains on or capital appreciation of the assets of a client. As such, nearly all BlackRock Clients are subject to fees which are dependent on the performance of their investments. The extent to which fees of any BlackRock Client are impacted by the capital appreciation of its assets varies from client to client based on the specific fee arrangement. Certain BlackRock Client fees, such as those based on operating income, do not depend on capital appreciation but are impacted by the cash flow of the BlackRock Client's assets. Other BlackRock Client Fees are based on the amount of real estate transactions completed or loans originated. Performance based fees are generally payable on a quarterly or annual basis or as investments are realized and/or capital is distributed.

BlackRock Clients should be aware that when BlackRock Realty receives performance-based fees, or BlackRock personnel have any other financial incentive to achieve gains in excess of the disincentive to suffer losses, BlackRock and/or any personnel may have an incentive to choose investments that are riskier or more speculative than might otherwise be chosen. Similarly, BlackRock Realty may have an incentive to engage in transactions which would result in a transaction fees over other transactions.

In addition, BlackRock Realty and its supervised persons engage in side-by-side management of accounts that pay varying or no performance-based fees that may raise conflicts of interest, including circumstances where, as noted in Item 4, above, BlackRock Realty or its related persons are permitted to invest in a Real Estate Fund or Real Estate Separate Account. BlackRock Realty or its supervised persons may have a significant financial interest in a Real Estate Fund or Real Estate Separate Account structured as a fund which may raise conflicts of interests. BlackRock Realty may have an incentive to favor certain accounts over others that may be less lucrative where: (i) the actions taken on behalf of one account may impact other similar or different accounts (e.g., because such accounts have the same or similar investment styles or otherwise compete for investment opportunities, have potentially conflicting investments or investment styles, or have differing ability to engage in certain transactions) and (ii) BlackRock Realty and its personnel have differential interests in such accounts (i.e., expose BlackRock Realty or its related persons to differing potential for gain or loss through differential ownership interests or compensation structures – including circumstances where some accounts pay only asset-based fees while others are subject to performance or incentive fees or allocations).

To mitigate such potential conflicts of interest, BlackRock's policies and procedures stress that investment decisions are to be made in accordance with the fiduciary duties owed to each such account and without consideration of BlackRock's (or such personnel's) pecuniary, investment or other financial interests. Specifically, see the description of BlackRock Realty's allocation policy in Item 11.

Individual compensation of BlackRock Realty supervised persons may be impacted by the receipt of performance-based fees by BlackRock Realty. However, no specific formula exists tying any supervised person's compensation to the receipt or amount of performance-based fees by BlackRock Realty.

## Item 7 Types of Clients

As described in Item 4, BlackRock Realty's investment management services are offered to institutional investors and certain individuals through Real Estate Separate Accounts and Real Estate Funds which may be structured as REITs, limited partnerships, limited liability companies or other forms of entities. Separate accounts may be structured as investment entities owned by only one separate account client with, or without, a co-investment by BlackRock. BlackRock Realty may advise both U.S. and non-U.S. clients.

To help the United States government fight the funding of terrorism and money laundering activities, BlackRock Realty may seek to obtain, verify, and record information that identifies each client who retains BlackRock Realty to manage its account or who invests in a Real Estate Fund. In this regard, when a prospective client seeks to open an account with BlackRock Realty, or a prospective investor subscribes for an interest in a Real Estate Fund, we may ask for a completed Form W-8/W-9, as applicable, which includes the name, address, Tax ID/Employer ID number (or any other registration number issued in the jurisdiction of location or incorporation) and other reasonably required information that will allow BlackRock Realty to identify the prospective client or Investor. BlackRock Realty may ask for information and documentation regarding source of funds to be invested. BlackRock Realty also reserves the right to ask for more information regarding the individuals who are beneficial owners of the prospective client or Investor and/or exercise control over the prospective client or Investor. BlackRock Realty may ask for the names of such beneficial owners and may also ask for address, date of birth, and other information that will allow it to identify such beneficial owners. BlackRock Realty may also request such other information from BlackRock Clients, Investors and prospective clients and Investors as may be necessary to comply with applicable law. Furthermore, BlackRock Realty may verify any of the aforementioned information using third-party sources and may share that information as required by applicable law or in connection with the execution of trades on behalf of that client or Investor. For certain clients or Investors, BlackRock Realty may rely on the client's or Investor's broker-dealer, administrator, transfer agent, custodian or placement agent to obtain, verify and record the required information.

*Real Estate Separate Accounts.* BlackRock Realty generally provides investment management services to Real Estate Separate Account clients in accordance with the investment guidelines and restrictions that are developed in consultation with the client at the outset of the adviser-client relationship. As described in Item 4, Real Estate Separate Account clients are typically institutional investors, including U.S. and foreign governmental and corporate pension plans, government agencies or instrumentalities, endowments and state and local governments, agencies or instrumentalities that wish to invest in real estate and other real estate-related investments on a non-pooled basis. BlackRock Realty generally requires a minimum of \$200 million for the establishment of a Real Estate Separate Account for tax-exempt entities (with potential exceptions).

*Real Estate Funds.* Real Estate Funds may be organized as domestic or offshore (non-U.S.) companies, limited partnerships, limited liability companies, REITs or other legal entities, as determined appropriate by BlackRock. As a general matter, each Real Estate Fund is managed in accordance with its investment objectives, strategies and guidelines and is not tailored to the individual needs of any particular Investor and an investment in a Real Estate Fund does not, in and of itself, create an advisory relationship between the Investor and BlackRock. Therefore, Investors must consider whether the Real Estate Fund meets their investment objectives and risk tolerance prior to investing in a Real Estate Fund. Information about each Real Estate Fund, including its investment risk, can be found in its confidential private offering documents, which are available to current and prospective Investors only through a BlackRock-affiliated broker-dealer or another authorized party. Certain BlackRock non-U.S. affiliates may act as placement agents with respect to the distribution of Real Estate Funds to investors outside the U.S.

Generally, Real Estate Funds are outside of the definition of an “investment company” under the Investment Company Act of 1940, as amended (“Investment Company Act”) because they do not invest primarily in securities. Rather, the majority of the investments made by the Real Estate Funds are investments in real estate and real estate related assets which are not considered securities. Certain Real Estate Funds which invest in real estate-related debt investments are exempt from registration under the Investment Company Act under Section 3(c)(5). Interests in the Real Estate Funds are offered on a private placement basis (or under Regulation S if offered overseas) to persons who qualify as “accredited investors” as defined under the Securities Act of 1933, as amended (the “Securities Act”). Additionally, investors in the Real Estate Funds may be subject to certain other eligibility requirements (such as being a “qualified client” as defined in Rule 205-3 under the Advisers Act) which are set forth in the offering documents for each of the Real Estate Funds. BlackRock personnel (including, but not limited to, BlackRock portfolio management personnel responsible for the management of such Real Estate Funds or other BlackRock Client accounts) who meet the Real Estate Fund’s investor eligibility criteria and certain other eligible personnel of BlackRock may invest in the Real Estate Funds.

Certain of the Real Estate Funds may operate using “master-feeder” structures, pursuant to which trading operations are vested in a “master” fund while Investors may access the master fund directly or may invest through one or more “feeder funds” that, in turn, invest (directly or indirectly) in the master fund.

For Real Estate Funds, BlackRock Realty will generally require a minimum of \$100 million of committed capital to begin operating a Real Estate Fund.

BlackRock Realty and its affiliates may, from time to time and as appropriate, solicit BlackRock Clients to invest in Real Estate Funds, and may make such investments on a discretionary basis on the BlackRock Client’s behalf. As these may not be appropriate investments for all clients, not all BlackRock Clients will be offered the opportunity to invest, and not all BlackRock Clients afforded that opportunity will choose to invest.

While this brochure may be provided to, and include information relevant to, Investors, this brochure is designed solely to provide information about BlackRock Realty and should not be considered to be an offer of interests in any Real Estate Fund.

*Special Purpose Entities.* In connection with the provision of advisory services to Real Estate Separate Accounts and Real Estate Funds, BlackRock Realty may also provide services to limited partnerships, group trusts, REITs, limited liability companies (“LLCs”) and tax-exempt organizations formed pursuant to Section 501(c) of the Internal Revenue Code (“501(c) Organizations”) owned by Real Estate Funds or Real Estate Separate Accounts (“Title Holding Companies”). In most cases, these entities are organized to hold title to real properties on behalf of Clients of BlackRock Realty or to act as borrowers for loans related to such properties. To the extent permitted by applicable law, BlackRock Realty employees may serve as directors, officers and/or authorized signatories for Title Holding Companies, or in the case of LLCs, BlackRock Realty may act as manager for Title Holding Companies.

## Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

### METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

In managing discretionary client accounts and providing recommendations to non-discretionary clients, BlackRock Realty utilizes various investment strategies and methods of analysis, as described below. Item 8 contains a discussion of the primary risks associated with these investment strategies. However, it is not possible to identify all of the risks associated with investing and the particular risks applicable to a BlackRock Client account will depend on the nature of the account, its investment strategy or strategies and the types of assets held.

While BlackRock Realty seeks to manage accounts so that risks are appropriate to the strategy of such accounts, it is often not possible or desirable to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. BlackRock Clients, Investors and other investors should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential losses. Clients, Investors and other investors should read carefully all applicable informational materials and offering/governing documents prior to retaining BlackRock Realty to manage an account or investing in any Real Estate Fund.

The accounts managed by BlackRock Realty invest only in real estate and real estate-related debt investments and are not intended to provide a complete investment program for a client or investor. Clients and investors are responsible for appropriately diversifying their assets to guard against the risk of loss.

Since BlackRock Realty's principal services relate to real estate investments, it generally uses methods of investment analysis appropriate to real properties, and real estate-related debt investments. BlackRock Realty's investment analysis is guided by BlackRock Realty's proprietary research and the knowledge, experience and market expertise of its senior investment professionals. BlackRock Realty has developed advanced proprietary tools to assist this process. BlackRock Realty employs both a top-down and bottom-up approach to its real estate analysis through its Global Target Market Factor Analysis, which forecasts risk and return for 80 U.S. markets and over 500 submarkets (depending on the property type) forecasting their relative risk-adjusted performance over the investment horizon. In addition, BlackRock Realty's Portfolio Analysis Repositioning System ("PARS") allows the portfolio management team to continuously test and track the effect of investment decisions on the portfolio's risk and return position relative to its benchmark. These tools allow BlackRock Realty to target a clear tactical position for its portfolios, and to identify and negotiate its target acquisitions and dispositions.

The strategies BlackRock Realty follows in advising BlackRock Clients on their real estate investments are based on its primary objective: to invest BlackRock Clients' funds directly (or indirectly through joint ventures or other vehicles) in improved income-producing real property or in property which upon improvement or rehabilitation is expected to produce income, which will generate a current return through cash distributions during the ownership period and will offer a potential for profit through gain on resale.

BlackRock Realty's principal strategies (which as to Real Estate Separate Account clients are generally governed by investment objectives and criteria established in consultation with those clients) to achieve this objective are:

## Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

1. Diversification of accounts by property type, geography, economic sector or a combination of the those factors (except where a BlackRock Client has specified a particular sector or sectors for investment);
2. A holding period as established in consultation with Real Estate Separate Account clients or as described in the offering materials for Real Estate Funds;
3. Subject to BlackRock Client restrictions, use of borrowings to leverage investments and sale and leaseback or guarantee arrangements;
4. Subject to BlackRock Client restrictions, investment in development and/or "value-added" investments; and
5. Sale only after full consideration of all relevant factors, including economic conditions.

Certain Real Estate Funds and Real Estate Separate Accounts may pursue other strategies including the development of commercial and residential properties or the entitlement or re-entitlement of land with the goal of achieving capital appreciation.

With respect to Real Estate Funds and Real Estate Separate Accounts which invest in real estate-related debt investments, BlackRock Realty's principal objective is to generate net income from interest and other sources. BlackRock Realty generally seeks to manage such portfolios to maximize risk-adjusted return by managing credit risk, diversifying the security underlying its investments and the use of leverage.

All BlackRock Client strategies are conducted pursuant to the governing documents of the applicable Real Estate Funds or Real Estate Separate Accounts.

BlackRock Realty's investment strategies with respect to cash investments are short-term and seek to concentrate on maximizing liquidity and short-term yields while reducing risk of loss of principal.

Investing in real estate and real estate-related debt investments involves a risk of loss. BlackRock Clients should be prepared to bear a complete loss of their investment.

### **BLACKROCK'S RQA GROUP**

BlackRock supports its investment strategies with proprietary risk management technology, such as that provided by BlackRock Solutions®, which produces risk management reports using technology such as its "Aladdin" technology platform. In addition, a representative of BlackRock's Risk & Quantitative Analysis Group ("RQA") attends BlackRock Real Estate investment committee meetings. The investment committees generally meet once each week to consider all acquisitions, dispositions, financings and quarterly strategy presentations. Clients, Investors and other investors should be aware that no risk management system is fail-safe, and no assurance can be given that risk frameworks employed by RQA and an Adviser's portfolio managers will achieve their objectives and prevent or otherwise limit substantial losses.

## MATERIAL RISKS OF INVESTING IN REAL ESTATE EQUITY

The primary risks related to investment in real estate generally and the significant investment strategies employed by BlackRock Realty are described below. Not all possible risks are described below. The specific risks applicable to each BlackRock Client's account will differ based on the client's investment strategy and the type of assets held in the client's account. The offering documents of each Real Estate Fund provide more detailed information regarding the risks involved in investing in such Real Estate Fund.

### *Impact of a Recessionary Environment*

Real estate historically has experienced significant fluctuations and cycles in value and local market conditions which may result in reductions in the value of real property interests and, possibly, the amount of income generated by real property. All real estate-related investments are subject to the risk that a general downturn in the national or local economy will depress real estate prices and revenues.

Recent economic developments have increased, and may continue to increase, the risk associated with investing in real estate. Consequences of the recent economic turmoil that has adversely affected, and may continue to adversely affect, investments in real estate include, among other things: (i) a dramatic decline in the value of real estate and securities associated with real estate which may continue for a prolonged period, resulting in a highly volatile and uncertain business environment for investors in real estate and real estate-related securities and (ii) a lack of available credit, lack of confidence in the financial sector and reduced business activity.

Given the volatile nature of the current market disruption and the uncertainties underlying efforts to mitigate or reverse the disruption, BlackRock Realty may not timely anticipate or manage existing, new or additional risks, contingencies or developments, including regulatory developments and trends in new products and services, in the current or future market environment.

### *Factors Affecting Performance and Value*

Real property investments are subject to varying degrees of risk. The yields available from equity investments in real estate depend on the amount of income earned and capital appreciation generated by properties as well as the expenses incurred in connection therewith. If real estate assets do not generate income sufficient to meet operating expenses, including debt service and capital expenditures, the ownership of such real estate could be adversely affected. Income from, and the value of, real estate is affected by the general economic climate, local conditions such as oversupply, or a reduction in demand for such properties in the areas in which they are located, attractiveness to potential tenants, competition from other properties, maintenance and insurance and increases in operating costs (including insurance premiums, utilities and real estate taxes). In addition, revenues from properties and real estate values are affected by such factors as the cost of compliance with regulations and the potential for liability under applicable laws, including changes in tax laws, and are also affected by interest rate levels and the availability of financing. Income from real estate investments is adversely affected if and when a significant number of tenants are unable to pay rent or if and when properties are vacant and cannot be rented on favorable terms. Certain significant expenditures associated with an investment in real estate (such as mortgage payments, real estate taxes and maintenance costs) generally do not decline when circumstances cause a reduction in income from the property. Because real estate investments are relatively illiquid, the ability to vary a portfolio of real estate investments promptly in response to economic or other conditions is limited.



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### *Possible Inability to Consummate Investments on Favorable Terms*

There is significant competition for attractive investment opportunities from other major real estate investors with significant capital, including both publicly traded and private REITs, private institutional investment funds managed by other managers, foreign investors, various types of financial institutions and their affiliates, family groups and wealthy individuals. Competitive offers to invest may drive up prices of prospective investments thereby limiting suitable investment opportunities. No assurance can be given that BlackRock Realty will be able to acquire properties, and real estate-related debt investments on terms, including financing, favorable to BlackRock Clients.

### *Possible Inability to Complete Renovation, Expansion or Development on Advantageous Terms*

One investment strategy employed by BlackRock Realty to varying degrees depending on the BlackRock Client is to invest in renovation, expansion and development opportunities. Investments involving renovation, expansion and/or development of real estate involves significant risks in addition to those involved in the ownership and operation of established properties, including the risks that financing may not be available on favorable terms and that construction may not be completed on schedule or within budget, resulting in increased debt service expense and construction costs and delays in leasing such properties and generating cash flow. Substantial renovation, expansion and development activities are also subject to risks relating to the inability to obtain, or delays in obtaining, all necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations. Once completed, new, expanded or renovated properties may perform below anticipated levels, producing cash flow below budgeted amounts. In addition, substantial renovation and expansion, as well as new development activities, regardless of whether or not they are ultimately successful, typically require a substantial portion of management's time and attention, which could divert management's time from the other investment activities. Renovation, expansion or development activities may be financed through construction loans, in which case there is a risk that, upon completion of construction, permanent financing may not be available or may be available only on disadvantageous terms.

### *Investments in development and redevelopment projects may not yield anticipated returns.*

One strategy employed by BlackRock Realty to varying degrees depending on the BlackRock Client is acquiring, directly or indirectly, on behalf of such client development properties which will allow the BlackRock Client to reposition the asset either through development or redevelopment. Such projects are subject to the following risks normally associated with these projects:

- BlackRock Realty may be unable to obtain financing for these projects on favorable terms or at all;
- The development projects may not be completed on schedule or within budgeted costs;
- The development project may encounter delays or refusals in obtaining all necessary zoning, land use, building, and other required governmental permits and authorizations; and
- Occupancy rates and lease income at newly developed or redeveloped properties may fluctuate depending on a number of factors, including market and economic conditions, and may result in the investment not being profitable.

In deciding whether to develop or redevelop a particular property, BlackRock Realty makes certain assumptions regarding the expected future performance of that property. BlackRock Realty may underestimate the costs necessary to bring the property up to the standards



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established for its intended market position or may be unable to increase occupancy at a newly acquired property as quickly as expected or at all.

### *Concentration of Investment in the Real Estate Sector*

BlackRock Realty provides investment advice exclusively with respect to real estate and real estate related investments. Only a small portion of an investor's overall portfolio should be allocated to real estate and real estate related investments.

### *Real Estate Investments are Illiquid*

Because real estate investments are relatively illiquid, BlackRock Realty's ability to promptly sell one or more properties in response to changing economic, financial and investment conditions is limited. The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond BlackRock Realty's control.

### *Investments in the Real Estate Funds are Illiquid*

No public or private market presently exists, or is likely to exist in the future, for investments in the Real Estate Funds. The rights of investors in Real Estate Funds with redemption rights to have their investments redeemed are subject to the discretion of the Real Estate Fund's board of directors or other governing body to determine the timing and method of funding redemption requests, including whether to incur debt or sell assets.

### *Adverse economic and other conditions could negatively affect occupancy levels and lease rates.*

Adverse economic or other conditions would be expected to lower real estate occupancy levels and limit the ability of property owners to increase rents. The following factors, among others, may negatively affect real estate investments:

- local or regional real estate market conditions involving property leasing;
- period of economic slowdown or recession or rising interest rates or the public perception that any of these events may occur could result in general decline in rents or an increase in tenant defaults;
- increased operating costs, including the need for capital improvements, insurance premiums, real estate taxes and utilities;
- changes in supply of, or demand for, similar or competing properties in an area;
- the impact of environmental protection laws;
- earthquake and other natural disasters, terrorist acts, civil disturbances or acts of war which may result in uninsured or underinsured losses or render such properties less desirable in the marketplace; and
- changes in tax, real estate and zoning laws.

### *Leasing delays or tenant bankruptcies impact real estate cash-flows*

Real estate investments are dependent upon the payment and performance of lease obligations, such as maintenance of properties, payment of taxes, utilities and other charges and maintenance of insurance, by tenants. Property owners have no control over the success or failure of their tenants' businesses and, at any time, any tenant may experience a downturn in its business that may weaken its financial condition. As a result, tenants may delay lease commencement or renewal, fail to make lease payments when due or declare bankruptcy. Any

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leasing delays, tenant failures to make lease payments when due or tenant bankruptcies could result in the termination of the tenant's lease.

If tenants are unable to comply with the terms of their leases, the property owner may be forced to modify lease terms in ways that are unfavorable to it. Alternatively, the failure of a tenant to perform under a lease or to extend a lease upon expiration of its term could require the property owner to declare a default, repossess the property, find a suitable replacement tenant, operate the property or sell the property.

Any bankruptcy filings by or relating to a tenant could bar all efforts to collect pre-bankruptcy debts from that tenant or seize its property, unless the creditor receives an order permitting such collection from the bankruptcy court, which it may be unable to obtain. A tenant bankruptcy could also delay the property owner's efforts to collect past due balances under the relevant leases and could ultimately preclude full collection of these sums. If a tenant assumes the lease while in bankruptcy, all pre-bankruptcy balances due under the lease must be paid to the property owner in full. However, if a tenant rejects a lease while in bankruptcy, the owner would have only a general unsecured claim for pre-petition damages. Any unsecured claim may be paid only to the extent that funds are available and only in the same percentage as is paid to all other holders of unsecured claims.

### *Possibility of Foreign Investments*

A BlackRock Client may elect to invest part of its assets directly or indirectly in real estate located outside of the United States. Any such non-U.S. investments entail additional risks including, without limitation, changes in regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, high transaction costs, less government supervision of real estate brokers and property owners, less developed bankruptcy laws, difficulty in enforcing contractual obligations, potential restrictions on the flow of international capital, lack of uniform accounting and auditing standards and greater price volatility. These risks are often heightened for investments in smaller capital markets, emerging markets, developing markets or frontier markets.

Investments that are denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Currency exchange rates can be volatile, particularly during times of political or economic unrest or as a result of actions taken by central banks. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. BlackRock Realty may employ hedging techniques to minimize these risks, but can offer no assurance that such strategies will be effective. See "Hedging against interest rate exposure may result in loss" for a discussion of the risks of hedging strategies.

### *Uninsured Loss*

BlackRock Realty causes BlackRock Clients to carry commercial general liability, fire, extended coverage and rental loss insurance covering all of their properties with reputable carriers selected by BlackRock Realty and with policy specifications and insured limits which BlackRock Realty believes are adequate and appropriate under the circumstances, given relative risk of loss, the cost of such coverage and industry practice. There are, however, certain types and magnitudes of losses that are not generally insured because it is not economically feasible to insure against such losses, such as losses due to riots or acts of war, or other losses that may not be insured or may be insured subject to certain limitations, including large deductibles or co-payments, such as losses due to floods or seismic activity. Should an uninsured loss or a loss in excess of insured limits occur, the property owner could lose its capital invested in such properties, as well as the anticipated future revenue from such properties and, in the case of debt which is with recourse to

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the owner, the owner would remain obligated for any mortgage debt or other financial obligations related to such properties. Property insurance for the properties of BlackRock Clients may be provided pursuant to blanket policies that also cover properties owned by BlackRock Realty or its affiliates, or by other clients of BlackRock Realty or its affiliates.

### *Debt Financing*

BlackRock Realty employs the use of leverage to the extent permitted by the specific BlackRock Client. BlackRock Realty may cause the BlackRock clients to incur secured, unsecured, recourse and non-recourse debt. All or a portion of such borrowings may be obtained from affiliates of BlackRock Realty. Borrowing from affiliates involves potential conflicts of interest further described in *Item 11*. BlackRock Clients which employ leverage are subject to risks normally associated with debt financing, including the risk that cash flow after debt service will be insufficient to accumulate sufficient cash for distributions, the risk that existing indebtedness (which is unlikely to be fully amortized at maturity) will not be able to be refinanced, that the terms of available refinancing will not be as favorable as the terms of existing indebtedness or that the loan covenants will not be complied with. If principal payments due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new debt or equity capital, it is possible that the BlackRock Client's cash flow may not be sufficient in all years to repay all such maturing debt. Furthermore, if prevailing interest rates or other factors at the time of refinancing (such as the reluctance of lenders to make commercial real estate loans) result in higher interest rates upon refinancing, the interest expense relating to such refinanced indebtedness would increase. If a property is mortgaged to secure payment of indebtedness and the BlackRock Client is unable to meet mortgage payments or otherwise comply with loan covenants, the property could be foreclosed upon or otherwise transferred to the mortgagee, with a consequent loss of income and asset value.

### *Hedging against interest rate exposure may result in losses*

Subject to client restrictions, BlackRock Realty may enter into interest rate swap agreements for the purpose of hedging interest rate risk or pursue other hedging strategies. BlackRock Clients' hedging activity will vary in scope based on the level and volatility of interest rates, the type of portfolio investments held, and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect BlackRock Clients because, among other things:

- interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates;
- available interest rate hedging may not correspond directly with the interest rate risk for which protection is sought;
- the duration of the hedge may not match the duration of the related liability;
- the credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs the BlackRock Client's ability to sell or assign its side of the hedging transaction;
- the party owing money in the hedging transaction may default on its obligation to pay; and
- the BlackRock Client's hedging activity may adversely affect its earning.

The success of a hedging transaction will depend on BlackRock Realty's ability to correctly predict movements of interest rates. Therefore, unanticipated changes in interest rates may result in poorer overall investment performance than if the BlackRock Client had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, BlackRock Realty may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged.

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Any such imperfect correlation may prevent a BlackRock Client from achieving the intended hedge and expose the BlackRock Client to risk of loss.

### *Cyber Security Risk*

With the increased use of technologies such as the Internet to conduct business, a portfolio is susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events and are not limited to, gaining unauthorized access to digital systems, and misappropriating assets or sensitive information, corrupting data, or causing operational disruption, including the denial-of-service attacks on websites. Cyber security failures or breaches by a third party service provider and the issuers of securities in which the portfolio invests, have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, including the cost to prevent cyber incidents.

### *Regulation and Enhanced Scrutiny of the Private Investment Fund Industry*

BlackRock Realty is subject to regulations under the Bank Holding Company Act of 1956, as amended ("Bank Holding Company Act") which may limit or restrict the activities of BlackRock Clients.

In addition, in July 2010, the Dodd-Frank Wall Street Reform (the "DFA") was signed into law in the U.S. The DFA is expansive in scope and requires the adoption of extensive regulations and numerous regulatory decisions in order to be fully implemented. The continued adoption of these regulations and decisions will in large measure determine the impact of the DFA on BlackRock Realty and other financial services firms. The DFA may significantly change BlackRock Realty's operating environment and the financial markets in general in unpredictable ways. It is not possible to predict the ultimate effects that the DFA, or subsequent implementing regulations and decisions, will have upon BlackRock's business, financial condition, and results of operations. The Real Estate Funds are not currently "covered funds" under the Volcker Rule, however, they may become "covered funds" in the future and the impact of the Volcker Rule on liquidity and pricing in the broader financial markets is unknown at this time. In addition, BlackRock could become designated as a systemically important financial institution ("SIFI") and become subject to direct supervision by the Board of Governors of the Federal Reserve System (the "Federal Reserve"). If BlackRock were designated a SIFI, it could be subject to enhanced prudential, supervisory and other requirements, such as risk-based capital requirements; leverage limits; liquidity requirements; resolution plan and credit exposure report requirements; concentration limits; a contingent capital requirement; enhanced public disclosures; short-term debt limits; and overall risk management requirements. Further, new regulations under the DFA, relating to regulation of swaps and derivatives, may impact the manner by which BlackRock Realty and BlackRock Clients use and trade swaps and other derivatives, and may significantly increase the costs of derivative trading, including hedging activities. Similarly, BlackRock Realty's management of funds and accounts that use swaps and derivatives to hedge interest rate could be adversely impacted by recently adopted changes to the CFTC regulations. These rule changes include those concerning, among other things, the registration and regulation of commodity pool operators and commodity trading advisors (and the accompanying registration and regulation of such entities by the National Futures Association (the "NFA")), the registration status of dealer counterparties and other counterparties who are major participants in the swap markets, and requirements concerning mandatory clearing of certain swap transactions. Jurisdictions outside the United States in which BlackRock Realty operates are also in the process of devising or considering more pervasive regulation of many elements of the financial services industry, which could have a similar impact on BlackRock Realty and the broader markets.

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Other jurisdictions outside the United States in which BlackRock operates have implemented or are in the process of considering implementing more pervasive regulation of many elements of the financial services industry, which could have an impact on BlackRock and the broader markets. Such jurisdictions include the European Union ("EU"), which on July 22 2013 put into effect the EU's Alternative Investment Fund Managers Directive ("AIFMD"). The AIFMD regulates managers of, and service providers to, a broad range of alternative investment funds ("AIFs") domiciled within and (depending on the precise circumstances) outside the EU. The AIFMD also regulates the marketing of all AIFs inside the European Economic Area (the "EEA"). The AIFMD has been implemented in some EU countries, including the United Kingdom, Ireland, France, Germany, the Netherlands and Luxembourg, but several other EU member states are still in various stages of the adoption process. In general, the AIFMD will have a staged implementation between mid-2013 and 2018. Compliance with the AIFMD's requirements is likely to restrict marketing by funds subject to the AIFMD and place additional compliance and disclosure obligations regarding remuneration, capital requirements, leverage, valuation, stakes in EU companies, depositaries, the domicile of custodians and liquidity management. The effect of either meeting the AIFMD requirements and marketing such funds in the EU or electing not to continue to market such funds in the EU may have a significant impact on BlackRock's current business model. It is not possible to predict the ultimate effects that the AIFMD, or subsequent implementing regulations and decisions, will have upon BlackRock's business, financial condition, and results of operations. BlackRock Realty manages funds that would be in scope of the AIFMD if they are to be marketed in the European Union. It is not possible to predict the ultimate effects that the AIFMD, or subsequent implementing regulations and decisions, will have upon BlackRock's business, financial condition, and results of operations.

### *Properties Owned Through Partnerships and Joint Ventures*

BlackRock may cause BlackRock Clients to invest in joint ventures with developers or other unaffiliated persons or entities active in the real estate business. Joint venture investments involve the risks that the joint ventures might become bankrupt (in which event the BlackRock Client could remain liable for the obligations of such joint venture), that such joint ventures might at any time have economic or other business interests or goals which are inconsistent with the business interests or goals of the BlackRock Client, and that such joint ventures may be in a position to take action contrary to the BlackRock instructions or requests or contrary to the BlackRock Client's policies or objectives. In addition, agreements governing joint ventures often contain restrictions on the transfer of a joint venture's interest, "buy-sell" or similar provisions which may result in a requirement that the BlackRock Client purchase or sell its interest at a disadvantageous time or on disadvantageous terms.

### *Government Regulations*

Governmental authorities at the federal, state and local levels are actively involved in the promulgation and enforcement of regulations relating to land use, zoning restrictions and environmental protection. Such regulations may inhibit or prevent planned renovation, expansion or development. Even with respect to improved real estate, regulations may be promulgated which would have the effect of restricting or curtailing certain usages of existing structures, or requiring that such structures be renovated or altered in some fashion. Such regulations could have the effect of increasing the expenses, and of lowering the profitability, of any of the properties affected thereby. One example of such regulation is the institution of rent controls or other economic controls.

### *Environmental Regulation*

BlackRock Realty engages environmental experts to conduct such on-site studies and studies of the history and current usage of properties as it deems appropriate. However, environmental studies cannot guarantee that BlackRock Realty will be aware of all contamination at the

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properties it acquires and the costs of removal, management or remediation, either because such conditions were latent or because of changes in laws and regulations. Such laws often impose liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of investigation, remediation, management or removal of such substances may be substantial, and the presence of such substances or the failure to properly remediate the contamination on such property may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs it incurs in connection with the contamination. Finally, the owner of a site may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. In connection with its ownership and operation of real estate, BlackRock Clients may incur liability for such costs. Certain federal, state and local laws, regulations and ordinances govern the removal, encapsulation or disturbance of asbestos containing materials ("ACMs") when such materials are in poor condition or in the event of construction, remodeling, renovation or demolition of a building. Such laws may impose liability for release of ACMs and may provide for third parties to seek recovery from owners or operators of real property for personal injury associated with ACMs.

### *Highly competitive market for investment opportunities*

There is significant competition for real estate investment opportunities. Some competitors may have a lower cost of funds and access to funding sources that are not available to BlackRock Clients. As a result of this competition, BlackRock Realty may not be able to take advantage of attractive investment opportunities from time to time.

### *Conflicts related to multiple roles and related entities*

BlackRock Realty and its related persons may invest in and/or serve as general partner or managing member, or on the board of directors or advisory board, of a Real Estate Fund and may provide services other than advice (including, but not limited to, administration, organizing and managing the business affairs, preparing financial statements and providing audit support, preparing tax related schedules or documents, and sales and investor relations support) to such funds, in some cases for a fee separate and apart from the advisory fee. A Real Estate Fund may pay or reimburse BlackRock or its affiliates for certain organizational and initial offering expenses and operating expenses related to the Real Estate Fund. In addition, given its relationship to certain of the Real Estate Funds, BlackRock or its affiliates may be in a position to directly access such Real Estate Funds' accounts.

### *Other risks related to investments in Real Estate Funds*

Investments in Real Estate Funds are subject to other risks related to the structure and terms of the Real Estate Funds and the types of activities in which such Real Estate Fund may engage. The offering documents of each Real Estate Fund contain risk factors or investment considerations which each prospective investor should read and consider.

## **MATERIAL RISKS OF INVESTING IN REAL ESTATE DEBT**

The majority of assets managed by BlackRock Realty are invested in real estate equity. Certain of the BlackRock Clients may invest in real estate-related debt instruments, some of which may be securities. Such real estate debt investments are subject to risks, including, without limitation, those identified below. In addition, investments in real estate debt instruments are subject to the more general real estate-related risks described above.



### *Risks of Commercial Mortgage Loans*

The value of commercial mortgage loans will be influenced by the rate of delinquencies and defaults experienced on the commercial mortgage loans and by the severity of loss incurred as a result of such defaults. The factors influencing delinquencies, defaults and loss severity include (i) economic and real estate market conditions, (ii) the term and structure of the mortgage loans, and (iii) any limits to enforceability or to legal and financial recourse upon a default under the terms of the mortgage loan or applicable state laws.

- Delinquencies, defaults and loss severity on commercial mortgage loans in general will be influenced by the effects of general and local economic conditions on real estate values and the conditions of specific industry segments (e.g., multifamily, retail, office, etc.). Performance of specific mortgage loans will be influenced by the ability of tenants to make lease payments, the ability of a property to attract and retain tenants and the ability of the owner to maintain the property and comply with applicable laws.
- Commercial mortgage loans generally are not amortizing or do not fully amortize, which necessitates sale of the property or refinancing of the "balloon" amount at or prior to maturity of the mortgage loan. Accordingly, investors bear the risk that the borrower will be unable to refinance or otherwise repay the mortgage at maturity, thereby defaulting on its obligation.
- Most commercial mortgage loans provide recourse only to specific assets, such as the property, and not against the borrower's other assets. Exercise of foreclosure and other remedies may involve lengthy delays and unforeseen expenses in the face of declining property values. In certain circumstances, the creditor may also incur environmental liability for conditions existing at or on the property.

### *Risks of Mortgage-Backed Securities*

In general, the risks associated with an investment in commercial mortgage-backed securities ("CMBS") include those arising from investment in the underlying pool of commercial mortgage loans and the risks of investing in fixed income instruments with positive duration. If an investor invests in subordinated CMBS it will be the first in line among the debt holders to bear the risk of loss from delinquencies and defaults experienced on the collateral.

### *Risks of Lower Credit Quality Investments*

Mezzanine loans are subordinated to senior debt on the underlying properties. In the event of default on the senior debt or the mezzanine loan, the net proceeds from a foreclosure or workout may not be sufficient to cover the expenses of foreclosure and payment in full of the senior debt and the mezzanine loan. In such event the holders of mezzanine debt will realize a loss of up to all of their investment before the senior debt will suffer any loss. In addition, as a result of the terms of the mezzanine loan, intercreditor arrangements (if any) and applicable law, the foreclosure proceedings may be controlled by the senior lender, which may be detrimental to the interests of the holders of the mezzanine loan.

Lower-rated or non-rated CMBS have speculative characteristics and involve substantial financial risk. The prices of lower credit quality securities have been found to be less sensitive to interest rate changes than more highly rated investments, but more sensitive to adverse economic conditions or individual issuer developments. Securities rated lower than B by the rating organizations, including securities rated as low as D, can be regarded as having extremely poor prospects of ever attaining any real investment standing and may be in default. With regard to such securities, existing credit supports and the owner's equity in the property may be insufficient to protect the BlackRock Client from loss.

### *Interest Rate Risk*

The value of the CMBS and certain other debt investments will have an inverse relationship with interest rates. Accordingly, if interest rates rise, the value of such investments will decline. In addition, to the extent that the mortgage loans underlying specific mortgaged-backed securities are prepayable, the value of such mortgage securities may be negatively affected by increasing prepayments, which generally occur when interest rates decline. Typically, commercial mortgage loans are not prepayable or are subject to prepayment penalties.

### *Operating Events*

Operational mistakes (“Operating Events”) occasionally may occur in connection with BlackRock Realty’s management of BlackRock Client accounts. BlackRock Realty is subject to BlackRock policies and procedures that address identification and correction of Operating Events, consistent with applicable standards of care and client documentation. An Operating Event generally is compensable from an Adviser to a client or fund when it is a mistake (whether an action or inaction) in which the Adviser has, in its reasonable view, deviated from the applicable standard of care in managing a Portfolio, subject to the considerations set forth below.

Operating Events which BlackRock Realty may experience include, but are not limited to: (i) the purchase of an investment contrary to applicable investment guidelines or restrictions; (ii) incorrectly processing subscription or redemption requests; (iii) failure to follow instructions of a Real Estate Separate Account client; and (iv) incorrect computation of management fees.

Operating Events may result in gains or losses or may have no financial impact. BlackRock Clients generally are entitled to retain any gain resulting from an Operating Event. BlackRock makes its determinations regarding Operating Events pursuant to its policies on a case-by-case basis, in its discretion, based on factors it considers reasonable, including regulatory requirements and business practices. Not all Operating Events will be considered compensable mistakes. Relevant factors which may be considered when evaluating whether an Operating Event is compensable include, among others, the nature of the service being provided at the time of the event, specific applicable contractual and legal requirements and standards of care, whether an applicable investment objective or guideline was contravened, the nature of the client’s investment program, and the nature and materiality of the relevant circumstances.

When BlackRock determines that reimbursement by BlackRock is appropriate, the client or fund will be compensated as determined in good faith by BlackRock. BlackRock will determine the amount to be reimbursed, if any, based on what it considers reasonable guidelines regarding these matters in light of all of the facts and circumstances related to the Operating Event. In general, compensation is expected to be limited to direct and actual losses, which may be calculated relative to comparable conforming investments, market factors and benchmarks and with reference to materiality, related transactions and/or other factors BlackRock considers relevant. Compensation generally will not include any amounts or measures that BlackRock determines are speculative or uncertain.



## Item 9 Disciplinary Information

Effective July 1, 2011, as part of a reorganization and merger, BFM acquired the investment advisory business of its affiliate, State Street Research & Management Company ("SSRM"). Historically, BlackRock Inc. acquired SSRM Holdings, Inc. (the "SSRM Acquisition"), the holding company of SSRM and State Street Research Investment Services, Inc. ("SSRIS") from MetLife Inc. on January 31, 2005. On September 23, 2005 the SEC initiated action against SSRM, based on its findings that prior to the SSRM Acquisition, SSRM incorrectly transferred \$156,128 in redemption fees it collected from shareholders of the State Street Research International Equity Fund (the "Fund"), to the Fund's distributor, SSRIS, instead of paying such fees to the Fund, in violation of the Section 206(2) of the Advisers Act. In accordance with the SEC order SSRM; (i) agreed to cease and desist from committing or causing any violations or future violations of the Section 206(2); (ii) repaid the Fund \$285,743, which included \$156,128 for the incorrectly transferred redemption fees, \$88,067 for interest and lost performance and \$41,548 for expenses; and (iii) agreed to a censure and civil penalty of \$300,000 which was paid on September 30, 2005.

On January 20, 2012, an indirect affiliate of BFM, BlackRock Institutional Trust Company, N.A. ("BTC"), entered into an Offer of Settlement with the CFTC, without admitting or denying wrongdoing, under which BTC agreed to the imposition of a \$250,000 penalty and the entry of an Order to resolve allegations by the CFTC that two trades by BTC violated Section 4c(a)(1) of the Commodity Exchange Act and CFTC Regulation 1.38(a). BTC also agreed to cease and desist from any further violations of these statutes. The CFTC did not allege that any clients of BTC, BlackRock or any related affiliate were harmed in any way in the execution of these two trades.

## Item 10 Other Financial Industry Activities and Affiliations

BlackRock Realty is part of a broad financial services organization. In some cases, BlackRock Realty may have business arrangements with related person/companies that are material to BlackRock Realty's advisory business or to the BlackRock Clients. In some cases, these business arrangements may create a potential conflict of interest, or appearance of a conflict of interest between BlackRock Realty and a BlackRock Client. The services that BlackRock Realty provides its clients as well as related conflicts of interest are discussed in greater detail Item 11.

BlackRock Realty is an indirect wholly-owned subsidiary of BlackRock, Inc. As of December 31, 2013, The PNC Financial Services Group, Inc. (together with its subsidiaries, "PNC") owns approximately 21.9% of the total capital stock of BlackRock, Inc. and approximately 20.9% of BlackRock, Inc.'s voting common stock.

BlackRock Financial Management, Inc. ("BFM"), the sole stockholder of BlackRock Realty and a registered investment adviser, is registered as a commodity pool operator and commodity trading advisor with the CFTC and is a member of the National Futures Association (the "NFA"). BFM may assist BlackRock Realty in implementing certain interest rate hedging strategies.

BlackRock Investments, LLC ("BRIL"), an affiliate of BlackRock Realty, is a broker-dealer registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and is a member of the Financial Industry Regulatory Authority ("FINRA"). BRIL is primarily engaged in the wholesale marketing of certain BlackRock US Funds to other registered broker-dealers, marketing Rule 529 municipal fund securities and the sale of certain other investment products to institutional investors. BRIL may also act as placement agent for certain Private Funds advised by the Advisers, including BlackRock Realty.

BlackRock Realty is also affiliated with certain other broker-dealers, commodity pool operators and commodity trading advisors that do not engage in activities related to BlackRock Realty.

Pursuant to arrangements described in BlackRock Realty's Investment Committee Policies and Procedures, certain BlackRock Realty Management Persons may be members of investment committees which provide investment advice to certain entities managed by BlackRock Investment Management (UK) Limited, BlackRock Investment Management, LLC and BlackRock Investment Management (Australia) Limited in addition to those managed by BlackRock Realty.

BlackRock Residential Opportunity Fund GP LLC, a wholly-owned subsidiary of BlackRock Realty ("ROF GP"), is the sponsor and general partner of BlackRock Residential Opportunity Fund Operating Partnership, LP and its related feeder vehicles (together, the "Residential Opportunity Fund"). BlackRock Realty is the investment manager for the Residential Opportunity Fund. ROF GP is the general partner of the Residential Opportunity Fund. The Residential Opportunity Fund is a closed-end commingled fund formed for the purpose of acquiring land, creating value through land entitlement and development, and pursuing selective residential development and other opportunistic real estate investments.

BlackRock Global Real Estate Opportunity Fund, LLC, a wholly-owned subsidiary of BlackRock Realty ("GOF GP"), is the general partner of each of the following fund vehicles: (i) BlackRock Global Real Estate Opportunity Fund T, L.P., (ii) BlackRock Global Real Estate Opportunity Fund E, L.P., and (iii) BlackRock Global Real Estate Opportunity Fund F, L.P. (collectively, the "Global Opportunity Fund"). BlackRock Realty is the investment manager for the Global Opportunity Fund. GOF GP is the general partner of the Global Opportunity Fund. The Global Opportunity Fund is a closed-end commingled fund that was formed to make real estate and real estate related debt and equity investments in strategically targeted major markets across the globe and is now in liquidation.

## Item 10 Other Financial Industry Activities and Affiliations

BlackRock Solutions®, a business within BlackRock, provides a broad range of risk management, investment accounting and trade processing tools to a variety of clients, including insurance companies, asset managers, pension funds, investment consultants, REITs, commercial and mortgage banks, savings institutions, government agencies, and central banks. Using proprietary technology, analytics and product knowledge, BlackRock is able to assist these clients in measuring financial risks in their portfolios and across their lines of business on both the asset and liability sides of their balance sheets. Further, BlackRock offers independent assistance in the estimated valuation of complex securities, assets and derivatives, and can assist in developing investment and hedging strategies to meet specific client needs and constraints. BlackRock Solutions® makes available its proprietary enterprise trading system and risk reporting tools to other firms or companies. BlackRock Solutions® also provides advisory services with respect to balance sheet strategies and risk frameworks for capital market exposures.

BlackRock's Financial Markets Advisory Group ("FMA"), also a part of BlackRock Solutions®, offers clients advice on and/or execution of balance sheet strategies and/or other investment management services to manage clients' capital markets exposures and businesses. FMA focuses on delivering capital markets, risk management, advisory and investment management capabilities to advise holders of distressed assets and other complex, difficult to value or special-situation portfolios, and assist such holders with managing, disposing of, restructuring and valuing their portfolios, as well as providing investment advisory services to such portfolios.

BlackRock Realty is part of the BlackRock Alternative Investors ("BAI") group which coordinates BlackRock's alternative investment efforts including product management, business development and client service. BAI's alternative products fall into two main categories: (a) the core Private Funds, which include hedge funds, funds of funds and real estate funds, and (b) currency and commodities.

## **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

BlackRock Realty makes decisions for BlackRock Clients in accordance with its fiduciary obligations to such BlackRock Clients. BlackRock Realty's parent company, BlackRock, is a worldwide asset management, risk management, investment system outsourcing and financial services organization, and a major participant in global financial and capital markets. As a subsidiary of BlackRock, BlackRock Realty is subject to the policies and procedures of BlackRock and references to policies and procedures of BlackRock also apply to BlackRock Realty.

PNC one of the largest diversified financial services organizations in the United States could be considered to have a significant economic interest in BlackRock.

As a global provider of investment management, risk management and advisory services to institutional and retail clients, BlackRock engages in a broad spectrum of activities, including sponsoring and managing a variety of public and private investment funds, funds of funds and separate accounts across fixed income, cash management, equity, multi-asset, alternative investment and real estate strategies, providing discretionary and non-discretionary financial advisory services, providing enterprise trading systems and risk analytics under the BRS brand and engaging in certain broker-dealer activities, transition management services, mortgage servicing and other activities. BlackRock acts as, among other things, an investment manager, investment adviser and broker dealer; additionally, PNC may act as investor, investment banker, commercial banker, research provider, investment adviser, custodian, administrator, primary servicer, master servicer, special servicer, trustee, financier, adviser, market maker, placement agent, proprietary trader, prime broker, commodity firm, pricing vendor, solicitor, broker, dealer, transfer agent, record keeper, electronic crossing network ("ECN"), authorized participant for U.S. iShares ETFs, derivative or swap counterparty, underwriter, municipal securities dealer, index provider, lender, futures commission merchant or agent.

BlackRock Realty may, from time to time, make payments, out of its own profits or other sources, to affiliated or unaffiliated financial institutions, broker-dealers or other entities for distribution and sales support activities, including participation in marketing activities, educational programs, conferences, and technology development or reporting, or sub-accounting, administrative, or other services related to shares or shareholders of investment companies and other funds for which BlackRock Realty provides investment advisory services, or for other services or activities that may facilitate investments by BlackRock Clients in such funds. These payments would be in addition to any payments made or fees paid directly by the investment companies or other funds, and recipients of such payments may be PNC Affiliates.

Each of BlackRock, and PNC have direct and indirect interests in the global fixed income, currency, commodity, equity, and other markets in which BlackRock Clients invest. As a result, BlackRock and its directors, managers, members, officers, and employees (collectively, the "BlackRock Group"), as well as PNC and its respective affiliates, directors, partners, trustees, managers, members, officers, and employees (collectively, "PNC Affiliates"), including those who may be involved in the management, sales, investment activities, business operations, or distribution of BlackRock's services and products, are engaged in businesses and have interests other than that of managing the assets of BlackRock Clients. These activities and interests include potential multiple advisory, transactional, financial, and other interests in securities, instruments, and companies that may be directly or indirectly purchased or sold by or on behalf of BlackRock Clients by BlackRock and other persons.

## **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

As a result of the various activities and interests of the BlackRock Group and of PNC Affiliates as described below, it is possible that BlackRock Clients will have multiple business relationships with members of the BlackRock Group and the PNC Affiliates and BlackRock Investment Advisers will, on behalf of BlackRock Clients, invest in, engage in transactions with, make voting decisions with respect to, or obtain services from entities for which the BlackRock Group and PNC Affiliates perform, or seek to perform, risk management, investment system outsourcing, financing, investment banking and lending, loan servicing or other services. It is also possible that BlackRock Clients will undertake transactions in securities in which one or more PNC Affiliates make a market or otherwise have direct or indirect interests. Although the relationships and activities of the BlackRock Group and the PNC Affiliates may help to offer attractive opportunities and services to BlackRock Clients, such relationships and activities may give rise to potential conflicts of interest between or among BlackRock Group and BlackRock Clients or have other negative effects on BlackRock Clients. Additionally, consistent with applicable law, BlackRock, PNC and their respective affiliates and personnel may receive greater compensation or greater profit in connection with an account for which BlackRock serves as an adviser than with an account advised by an unaffiliated investment adviser. Differentials in compensation may be related to the fact that BlackRock may pay a portion of its advisory fee to its affiliate, or relate to other compensation arrangements, including for portfolio management, brokerage transactions or account servicing. Any differential in compensation may create a financial incentive on the part of BlackRock, PNC their affiliates and personnel to recommend BlackRock over unaffiliated investment advisers, to effect transactions differently in one account over another or to favor accounts in which they have more significant interests over those in which they have a lesser (or no) interest.

BlackRock Realty manages the assets of BlackRock Clients in accordance with the investment mandate selected by the Client and applicable law, and will seek to give advice to and make investment decisions for such BlackRock Client that BlackRock Realty believes to be in the best interests of such BlackRock Client. However, the results of the investment activities of a BlackRock Client may differ significantly from the results achieved by BlackRock Realty for other current or future BlackRock Clients. Thus, the management of numerous accounts for BlackRock Clients and other services provided by BlackRock Realty creates a number of potential conflicts of interest. Similarly, other BlackRock Investment Advisers may also manage accounts of BlackRock Clients and the results of such accounts may also differ significantly from the results achieved by BlackRock Realty for the BlackRock Clients. Additionally, regulatory and legal restrictions and BlackRock's internal policies and procedures may restrict certain investment activities of BlackRock Realty for BlackRock Clients. Personnel of BlackRock Realty also may, from time to time and consistent with BlackRock's Personal Trading Policy, described below, purchase, hold or sell investments which are also purchased, held or sold for BlackRock Clients.

These and other potential conflicts are discussed generally herein or in the relevant IMA, offering documents and/or governing documents of the Real Estate Funds which should be reviewed in conjunction with any investment in that fund. Given the interrelationships among the BlackRock Group, and PNC Affiliates and the changing nature of such firms' businesses, affiliations and opportunities as well as legislative and regulatory developments, there may be other or different potential conflicts that arise in the future or that are not covered by this discussion. As a fiduciary to its BlackRock Clients, however, BlackRock Realty is committed to putting the interests of BlackRock Clients ahead of its own and those of the BlackRock Group and PNC Affiliates in the provision of investment management and advisory services.

**BLACKROCK'S PERSONAL TRADING POLICY AND OTHER ETHICAL RESTRICTIONS**

The directors, officers, and employees of BlackRock and BlackRock Realty may buy and sell public or private securities or other investments for their own accounts, or accounts of their family members and in which such BlackRock personnel may have a pecuniary interest, including through accounts (or investments in funds) managed by BlackRock Investment Advisers. As a result of differing trading and investment strategies or constraints, positions taken by BlackRock directors, officers, and employees may be the same as or different from, or made contemporaneously or at different times than, positions taken for BlackRock Clients.

As these situations may involve potential conflicts of interests, BlackRock has adopted policies and procedures relating to personal securities transactions, insider trading and other ethical considerations, including the Personal Trading Policy in accordance with Rule 17j-1 under the Investment Company Act and Rule 204A-1 under the Advisers Act (the "Rules"). These policies and procedures are intended to identify and prevent actual conflicts of interest with clients and to resolve such conflicts appropriately if they do occur.

In conformity with the Rules, the Personal Trading Policy contains provisions regarding employee trading and reporting requirements that are designed to address potential conflicts of interest with respect to employee personal trading that might interfere or appear to interfere with making decisions in the best interest of BlackRock Clients, and together with BlackRock's Code of Business Conduct and Ethics (referred to collectively as the "Code"), requires employees to comply with the applicable federal securities laws, as well as fiduciary principles applicable to BlackRock's business, including that employees must avoid placing their own personal interests ahead of BlackRock Clients' interests.

The Personal Trading Policy requires that employees at BlackRock conduct all of their personal investment transactions in a manner that is consistent with applicable Federal Securities Laws, and the BlackRock Insider Trading Policy and other policies of BlackRock. These requirements include reporting of personal investment accounts, pre-clearance of personal trading in investment transactions, as well as reporting investment transactions. Additionally, all violations of the Personal Trading Policy must be promptly reported to BlackRock's Chief Compliance Officer or his designees. The Personal Trading Policy also generally prohibits employees from acquiring securities in initial public offerings, and it contains prohibitions against profiting from short-term trading, subject to very limited exceptions. The Personal Trading Policy also imposes "blackout" periods on certain employees, including particular portfolio management personnel, prohibiting transactions in certain securities during time periods surrounding transactions in the same securities by accounts of clients of BlackRock. Moreover, the Personal Trading Policy and other BlackRock policies contain provisions that are designed to prevent conflicts relating to the use of inside information and to serving as a director of outside entities.

Any member of the BlackRock Group covered by the Code who fails to observe its requirements or those contained in related BlackRock policies and procedures may be subject to remedial action. BlackRock will determine on a case by case basis what remedial action should be taken in response to any violation. This may include requiring the employee to void or reverse a trade, the cost of which may be borne by the employee or owner of the account or limiting an employee's personal trading for some period of time. The Personal Trading Policy will be made available to a BlackRock Client or prospective client upon request.



## **OUTSIDE ACTIVITIES**

Members of the BlackRock Group have a duty to act solely in the interest of BlackRock's Clients; as such BlackRock's Outside Activity Policy requires that employees at BlackRock obtain approval before engaging in any outside activities so that BlackRock has the opportunity to consider whether such activities create actual or potential conflicts of interest. The Outside Activity Policy is intended to identify activities that have the potential to conflict with an employee's role at BlackRock and/or BlackRock's activities.

## **POLITICAL CONTRIBUTIONS**

Pursuant to BlackRock's Political Contributions Policy, which governs making or soliciting political contributions and engaging in political activities in the US, BlackRock Inc., and its employees are prohibited from making any U.S. political or charitable contributions for the purpose of influencing a BlackRock Client or potential client, a U.S. public official or his or her agency in connection with BlackRock's business. However, employees may make U.S. personal political or charitable contributions in accordance with the requirements and restrictions of applicable law and BlackRock's policies. To help ensure compliance with SEC rules, and the many U.S. state and local pay-to-play rules, all BlackRock employees must pre-clear and obtain prior approval before they (or their spouse or their dependent children) make any contributions (i.e., any monetary contribution or contribution of goods or services) to a political candidate, government official, political party or political action committee ("PAC") in the U.S.

The BlackRock PAC, a non-partisan political action committee, was established under a subsidiary of BlackRock, Inc. and is supported voluntarily by eligible U.S. BlackRock employees who pool their resources to help elect U.S. federal candidates who, as determined by the PAC's Board, share BlackRock's values and goals.

## **POTENTIAL CONFLICTS RELATING TO ADVISORY ACTIVITIES**

The results of the investment activities of a BlackRock Client may differ significantly from the results achieved by BlackRock Investment Advisers for current or future BlackRock Clients. BlackRock Realty will manage the assets of a BlackRock Client in accordance with the investment mandates selected by such BlackRock Client. However, members of the BlackRock Group (including BlackRock Investment Advisers), as well as PNC Affiliates (to the extent they have independent relationships with BlackRock clients), may give advice, and take action, with respect to any BlackRock Client or, in the case of a PNC Affiliate, their own accounts or clients of a PNC Affiliate, that may compete or conflict with the advice BlackRock Realty may give to, or an investment action BlackRock Realty may take on behalf of, a BlackRock Client (or a group of BlackRock Clients), or may involve a different timing or nature of action than with respect to a BlackRock Client. In particular, members of the BlackRock Group, the PNC Affiliates and one or more BlackRock Clients may buy or sell positions while another BlackRock Client is undertaking the same or a differing, including potentially opposite strategy. Similarly, BlackRock Realty's management of BlackRock Clients may benefit members of the BlackRock Group and PNC Affiliates. For example, BlackRock Clients may, to the extent permitted by applicable law, invest directly or indirectly in an investment in which a member of the BlackRock Group, or other BlackRock Client or a PNC Affiliate, for itself or its clients, has equity, debt, or other interest. In addition, to the extent permitted by applicable law, BlackRock Clients may engage in investment transactions which may result in BlackRock Clients, or proprietary or client accounts of a PNC Affiliate, being relieved of obligations or otherwise able to divest or cause BlackRock Clients to have to divest certain investments. The purchase, holding, and sale, as well as voting of investments in, or of investments by BlackRock Clients may enhance the profitability or increase or decrease the value of a BlackRock Group member's or other BlackRock Clients' accounts own investments in, or of the investments in a PNC Affiliate's proprietary or client account, with respect to such companies. This gives rise to certain potential conflicts of interest.

## **POTENTIAL CONFLICTS RELATING TO PORTFOLIO MANAGEMENT OF VARIOUS ACCOUNTS**

BlackRock Realty makes decisions for BlackRock Clients based on the investment mandates selected by such BlackRock Clients. In doing so, as a result of similarities or differences in such mandates or otherwise, BlackRock Realty has potential conflicts in connection with the investments of, and transactions effected for, BlackRock Clients, including in situations in which members of the BlackRock Group have a pecuniary or investment interest. Certain clients may also be limited by rules issued by regulators or self-regulatory organizations, such as short sale limits and trading halts. For additional information regarding conflicts relating to side-by-side management, please refer to Item 6 ("Performance-Based Fees and Side-By-Side Management") of this Brochure.

### ***Potential Conflicts Relating to the Allocation of Investment Opportunities among BlackRock Clients***

BlackRock Realty has potential conflicts in connection with the allocation of investment opportunities among BlackRock Clients that have similar or overlapping investment objectives, including in situations in which members of the BlackRock Group may have a pecuniary or investment interest. BlackRock Realty has developed policies and procedures that provide that it will allocate investment opportunities among its clients in a manner that is fair and equitable over time. Under BlackRock Realty's investment allocation policy, if more than one client is interested in a particular real estate equity investment opportunity, it will be allocated through a rotation process to the client whose name appears highest on the client priority list for that type of property. Exceptions to the rotation process may be made by the BlackRock Realty Head of Transactions based on whether the transaction is part of a joint venture relationship program previously approved by the investment committee or is the second phase of an existing project. After being allocated an investment opportunity in this context, a client's name is rotated to the bottom of the priority list for that type of property. The BlackRock Realty Allocation Committee, comprised of the Head of BlackRock Real Estate, the Chairman of the Americas Investment Committee and the BlackRock Realty Chief Compliance Officer, will resolve any conflicts or questions of interpretation in connection with determinations.

Under BlackRock Realty's investment allocation policy real estate debt transactions are first allocated to accounts which are formed to invest in real estate debt. If a real estate debt transaction is not fully allocated to real estate debt accounts, the remaining investment will be allocated among interested clients on a rotation basis as described above or split among several BlackRock Clients on such terms as are deemed fair and equitable to all interested Clients by the Head of Transactions and the BlackRock Realty Chief Compliance Officer.

Although allocating investments among BlackRock Clients may create potential conflicts of interest because of the interests of members of the BlackRock Group or because BlackRock Realty may receive greater fees or compensation from certain BlackRock Clients, BlackRock Realty will not make allocation decisions based on such interests or greater fees or compensation. BlackRock Realty may determine that an investment opportunity is appropriate for one or more BlackRock Clients, but not for certain other BlackRock Clients due to the characteristics of the portfolios of the BlackRock Clients or for other reasons. Notwithstanding the foregoing, and considering BlackRock's policy to treat all eligible BlackRock Clients fairly and equitably over time, any particular allocation decision among accounts may be more or less advantageous to any one BlackRock Client or group of BlackRock Clients.



***Inconsistent Investment Positions and Timing of Competing Transactions***

From time to time, BlackRock Realty may take an investment position or action for one or more accounts that may be different from, or inconsistent with, an action or position taken for one or more other accounts having similar or differing investment objectives. These positions and actions may adversely impact, or in some instances may benefit, one or more affected accounts. For example, a BlackRock Client may buy an asset in a particular market and another BlackRock Client may sell an asset in that same market during the same time period. The pricing of such purchase or sale may result in a decrease (or increase) in the prevailing prices in that market. Similarly, transactions in investments by one or more BlackRock Clients and members of the BlackRock Group may have the effect of diluting or otherwise disadvantaging the values, prices or investment strategies of another BlackRock Client. When BlackRock Realty implements a portfolio decision or strategy ahead of, or contemporaneously with, similar portfolio decisions or strategies of another BlackRock Client, market impact, liquidity constraints, or other factors could result in one or more BlackRock Clients receiving less favorable results or such BlackRock Clients could otherwise be disadvantaged. On the other hand, potential conflicts may also arise because portfolio decisions regarding a BlackRock Client may benefit other BlackRock Clients Accounts. For example, the marketing for sale of multiple similar assets by multiple BlackRock Clients may enhance the marketability of such assets.

Under certain circumstances, a BlackRock Client (or a group of BlackRock Clients) may invest in a transaction in which one or more other BlackRock Clients are expected to participate, or already have made or will seek to make, an investment. Such BlackRock Clients may have conflicting interests and objectives in connection with such investments, including with respect to views on the operations or activities of the assets involved, the targeted returns from the investment and the timeframe for, and method of, exiting the investment. Conflicts may also arise in cases where multiple BlackRock Clients (or clients of other BlackRock Investment Advisers) invest in different parts of an entity's capital structure, including circumstances in which one or more BlackRock Clients may own equity of an entity and another BlackRock Client (or a client of another BlackRock Investment Adviser) may own debt of the same entity. In general, BlackRock Realty will not acquire an asset on behalf of a BlackRock Client encumbered by a loan from another BlackRock Client and will not make a loan on behalf of one BlackRock Client encumbering property owned by another BlackRock Client. However, a BlackRock Client may hold securitized debt secured in part by a property which is owned by another BlackRock Client (or a client of another BlackRock Investment Adviser). If that property becomes financially impaired, BlackRock Realty or another BlackRock Investment Adviser, acting on behalf of its client account, may seek to enforce rights as a creditor against that property. If an entity in which a BlackRock Client (or group of BlackRock Clients) and one or more other BlackRock Clients (or clients of other BlackRock Investment Advisers) hold different classes of equity or debt securities (or other assets, instruments or obligations related to any transaction) encounters financial problems, decisions over the terms of any workout will raise conflicts of interests (including, for example, conflicts over proposed waivers and amendments to debt covenants). For example, a debt holder may be better served by a foreclosure on a property in which it may be paid in full, whereas an equity holder might prefer a reorganization that holds the potential to create value for the equity holders. Any of the foregoing conflicts of interest will be discussed and resolved on a case-by-case basis. Any such discussions will take into consideration the interests of the relevant BlackRock Clients, the circumstances giving rise to the conflict and applicable laws. Pursuant to the BlackRock Realty Conflicts Policy, BlackRock Realty will seek the consent of its Real Estate Separate Account clients or appropriate independent body of Real Estate Funds, when resolving conflicts of interests. However, BlackRock Clients (and Investors in Real Estate Funds) should be aware that conflicts will not necessarily be resolved in favor of their interests. There can be no assurance that any actual or potential conflicts of interest will not result in a particular BlackRock Client or group of BlackRock Clients receiving less favorable investment terms in certain investments than if such conflicts of interest did not exist.

## **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Similarly, BlackRock, through BRS and other business units, may advise entities regarding estimated valuation, risk management, transition management and potential restructuring or disposition activities in connection with their proprietary or client investment portfolios. Such activities create potential conflicts of interest, as BlackRock may seek to acquire or dispose of properties or other assets from the foregoing portfolios and may, without limitation, engage in related activities to bid down the price of assets in such portfolios, which may have an adverse effect on those portfolios.

### **CERTAIN PRINCIPAL TRANSACTIONS IN CONNECTION WITH THE ORGANIZATION OF REAL ESTATE FUNDS**

On occasion and subject to applicable law and a fund's governing documents, BlackRock, BlackRock Realty or a related person (including its affiliates or its officers, directors or employees) may purchase limited partnership interests or other investments on behalf of and in anticipation of opening a Real Estate Fund for investment. Since prior to transfer, such assets would be owned by BlackRock Realty or a related person, conflicts of interest may arise regarding the decision of whether or not to transfer such investments and the timing of such transfers. Such investments may be transferred to the Real Estate Fund. Generally, to the extent permitted by law, the fund would purchase the investment for the price paid by BlackRock together with a market rate of interest rather than paying fair market value at the time transfer. More information on these arrangements can be found in the offering documents of the particular fund.

From time to time, BlackRock, BlackRock Realty or a related person may for temporary purposes in order to provide initial investment capital, hold a proprietary interest for a period of time after the inception of the Real Estate Fund. When BlackRock Realty or the related person disposed of their interest, the shares may be sold, directly or indirectly to clients of BlackRock. In addition, BlackRock's or the related person's disposition of shares may have an impact on the price or liquidity of the shares being sold.

### **POTENTIAL RESTRICTIONS AND CONFLICTS RELATING TO INFORMATION POSSESSED OR PROVIDED BY BLACKROCK**

#### ***Availability of Proprietary Information***

In connection with the activities of BlackRock Investment Advisers, certain persons within the BlackRock Group may receive information regarding proposed investment activities for BlackRock and BlackRock Clients that is not generally available to the public. Also, BlackRock Investment Advisers may have access to certain fundamental analyses, research and proprietary technical models developed internally or by other members of the BlackRock Group, PNC Affiliates, certain third-parties and their respective personnel. There will be no obligation on the part of such persons or any BlackRock Investment Adviser, to make available for use by a BlackRock Client, or to effect transactions on behalf of a BlackRock Client on the basis of, any such information, strategies, analyses or models known to them or developed in connection with their own proprietary or other activities. Moreover, BlackRock has established an information barrier which restricts the disclosure of confidential information between the real estate business unit of BlackRock ("BlackRock Real Estate") and other parts of BlackRock outside of BlackRock Real Estate.

Similarly, one or more BlackRock Clients may have, as a result of receiving client reports or otherwise, access to information regarding BlackRock Investment Advisers' transactions or views that are not available to other BlackRock Clients, and may act on such information through accounts managed by persons other than a BlackRock Investment Adviser. Such transactions may negatively impact BlackRock Clients.

## **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

In addition, BlackRock Realty has no obligation to seek information from (or share with any BlackRock Client any information, investment strategies, opportunities, or ideas known to) members or affiliates of the BlackRock Group or developed or used in connection with other clients or activities. For example, it is possible that a BlackRock Client account may invest in an asset in which an Affiliate has an interest. Such investments could cause conflicts between the interests of a BlackRock Client account and the interests of other clients of BlackRock or another Affiliate.

Moreover, members and personnel of the BlackRock Group, including BlackRock Investment Advisers' personnel or other BlackRock personnel advising or otherwise providing services to BlackRock Clients, may be in possession of information not available to all BlackRock personnel, and such personnel may act on the basis of such information, or be required to refrain from acting, in ways that have adverse effects on BlackRock Clients.

### ***Material Non-Public Information/Insider Trading***

While BlackRock Realty generally does not invest the assets of BlackRock Clients in securities, from time to time, members of the BlackRock Group may obtain, either voluntarily or involuntarily, material, non-public (that is not available to other investors) information or other confidential information which, if disclosed, would likely affect an investor's decision to buy, sell or hold a security. Such information may be provided from various possible sources including upon execution of a non-disclosure agreement, as a result of serving on the board of directors of a portfolio company or serving on ad hoc or official creditors committees. Under applicable law, members of the BlackRock Group are generally prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, regardless of whether that person is a BlackRock Client.

Accordingly, should a member of the BlackRock Group obtain, either voluntarily or involuntarily, material non-public information with respect to an issuer, it may be prohibited from communicating such information to, or using such information for the benefit of, BlackRock Clients which could limit the ability of BlackRock Clients to buy, sell or hold investments. Even if BlackRock or Affiliates of the BlackRock Group request material non-public information, BlackRock shall have no obligation or responsibility to disclose such information to, or use such information for the benefit of, any person (including BlackRock Clients), even if failure to do so would be detrimental to the interests of such person. In this connection, BlackRock has adopted an Insider Trading Policy which establishes procedures reasonably designed to prevent the misuse of material nonpublic information by BlackRock and its personnel. Under the Insider Trading Policy, BlackRock Investment Advisers generally are not permitted to use material non-public information obtained by any department or Affiliate of BlackRock in the course of its business activities or otherwise, in effecting purchases and sales in securities transactions for BlackRock Clients.

BlackRock has also adopted policies for the utilization of information barriers to minimize the likelihood that particular investment advisory units or teams will come into possession of material non-public information known by some other unit or team at BlackRock and thereby also minimizing the likelihood that a particular unit or team will be precluded from taking action on behalf of its clients. Nonetheless, the investment flexibility of BlackRock Realty on behalf of BlackRock Clients may be constrained as a consequence of BlackRock's policies regarding material non-public information and insider trading and related legal requirements.

**POTENTIAL CONFLICTS THAT MAY ARISE WITH RESPECT TO SERVICES PROVIDED BY OR THROUGH VARIOUS BLACKROCK ENTITIES AND THE PNC AFFILIATES**

Subject to applicable law, clients of BlackRock Realty may have the opportunity to choose to engage the services of, or to invest in one of a spectrum of investment products provided or sponsored by, another BlackRock Investment Adviser, other members of the BlackRock Group or a PNC Affiliate. Additionally, BlackRock Realty, the BlackRock Investment Advisers may rely on information from, or utilize the services provided by, such persons in managing a BlackRock Client's account. These services and certain other relationships among various members of the BlackRock Group and PNC Affiliates, and their respective subsidiaries and related persons, with or with respect to BlackRock Clients, give rise to potential conflicts of interest or otherwise may have an adverse effect on BlackRock Clients, as described generally below.

When these persons provide such services to BlackRock Clients, and when BlackRock Clients invest in these investment products, relevant BlackRock entities or PNC Affiliate(s) will be entitled, subject to applicable laws, to assess and retain fees and other amounts that they receive in connection with such products and services, without being required to account to any BlackRock Client. Additionally, subject to applicable laws, advisory fees or other compensation payable by BlackRock Clients may not be reduced or offset by reason of receipt by BlackRock or a PNC Affiliate of any such fees or other amounts. Members of the BlackRock Group or a PNC Affiliate may, when acting in such commercial capacities, take commercial steps in their own interests, which may be adverse to those of BlackRock Clients. Except as otherwise described herein, a BlackRock Investment Adviser may not take actions to negotiate terms between a BlackRock Client and BlackRock affiliates who provide these services, nor will BlackRock Realty or the BlackRock Investment Adviser generally be responsible with respect to any losses or harm suffered by the BlackRock Client in connection with the BlackRock Client's use of services or products of such persons. Additionally, as with relationships with unaffiliated counterparties as described above, BlackRock Clients will be required to establish these business or commercial relationships with BlackRock affiliates, if at all, based on the BlackRock Client's own credit standing; such persons will not consider or rely on, and neither BlackRock nor BlackRock Realty or any BlackRock Investment Adviser will be required to allow the credit standing of BlackRock, BlackRock Realty or any BlackRock Investment Adviser to be used in connection therewith.

***Services Provided to a BlackRock Client by other BlackRock Investment Advisers or through Investments in a BlackRock Investment Product***

BlackRock and its affiliates may utilize the personnel or services of other affiliates in a variety of ways to make available BlackRock's global capabilities to BlackRock Clients. While BlackRock believes this practice is generally in the best interests of its clients, it may give rise to certain conflicts of interest, with respect to: (i) allocation of investment opportunities; (ii) execution of portfolio transactions; (iii) client servicing; and (iv) fees. Additionally, BlackRock Clients utilizing the services of BlackRock affiliates may otherwise be disadvantaged as a result of, among other things: (i) differences in regulatory requirements of various jurisdictions or organizations to which such BlackRock affiliates are subject; (ii) time differences; (iii) the terms of BlackRock's and such affiliates' internal policies and procedures, and the client's investment advisory and other agreements; or (iv) the terms of the governing documents for a Real Estate Fund, Real Estate Separate Account or other investment product. BlackRock and its affiliates will seek to ameliorate any conflicts that arise and may determine not to utilize the personnel or services of a particular affiliate in circumstances where it believes the potential conflict or adverse impact of ameliorative steps may outweigh the potential benefits of the relationship.

***Banking, Custodial and Related Services***

BlackRock Investment Advisers may also recommend that a BlackRock Client deposit assets with financial institutions affiliated with PNC, and which may receive fees or earn revenues on such deposits.

***Transactions in Derivatives and Similar Instruments***

BlackRock Investment Advisers, on behalf of BlackRock Clients, may from time to time enter into relationships with, or engage in transactions with or through, various PNC Affiliates that may act as agent or principal for compensation, including foreign exchange transactions, interest rate swap, cap or floor transactions and other derivatives transactions, subject to limitations and prohibitions applicable to certain transactions for accounts subject to ERISA.

**REAL ESTATE FUNDS**

BlackRock Realty, where appropriate and in accordance with applicable laws, may recommend to BlackRock Clients that they purchase interests in Real Estate Funds for which BlackRock Realty serves as investment adviser or sub-adviser or invest their assets in other portfolios managed by BlackRock Investment Advisers ("Affiliated Accounts").

BlackRock Realty may face potential conflicts of interest recommending the allocation of assets of a BlackRock Client to one or more Real Estate Funds or Affiliated Accounts. For example, in hindsight and despite intent or innocent purpose, circumstances could be construed that such allocation conferred a benefit upon the Affiliated Account to the detriment of the BlackRock Client.

As a shareholder in a pooled investment vehicle, a BlackRock Client will pay a proportionate share of the vehicle's fees and expenses. Investment by a BlackRock Client in an Real Estate Fund means that BlackRock may, directly or indirectly, receive, subject to applicable laws, advisory (or other) fees from the Real Estate Fund in addition to the fees it will receive from the BlackRock Client for managing the Client's separate account. Similarly, BlackRock Clients who invest through a separate account managed by another BlackRock Investment Adviser are subject to advisory fees charged in connection therewith. BlackRock Clients should notify BlackRock if they do not want their separate account assets to be invested in Real Estate Commingle Funds or Affiliated Accounts, and BlackRock Clients may invest directly in certain Real Estate Funds or Affiliated Accounts outside of their separate accounts without paying additional separate account management fees to BlackRock. Consistent with applicable law, BlackRock Realty may determine to waive fees or reimburse fees or expenses for some BlackRock Clients while not waiving fees or reimbursing fees or expenses for other BlackRock Clients. BlackRock and its affiliates may, to the extent permitted by applicable laws, make payments to financial intermediaries relating to the placement of interests in Real Estate Funds. These payments may be in addition to or in lieu of any placement fees payable by investors. These payments, which may be significant to the financial intermediary and/or its representatives, may create an incentive for the financial intermediary to recommend the Real Estate Fund over other products.

**POTENTIAL CONFLICTS THAT MAY ARISE IN CONNECTION WITH BORROWING OR LENDING FUNDS**

Subject to applicable laws and regulations, BlackRock Investment Advisers may cause BlackRock Clients to borrow money from PNC Affiliates, which may require collateral, consisting of assets owned by BlackRock Clients. Such PNC Affiliates will earn interest, payable out of BlackRock Client funds, on such borrowings. PNC Affiliates may seek or enforce rights as



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creditor with respect to such loans which may have an adverse effect on BlackRock Clients. In addition, PNC Affiliates may act as servicer for loans made to BlackRock Clients, earn fees for servicing such loans and may seek to enforce rights as servicer against BlackRock Clients. Any such transaction would only be entered into on terms that are at least as favorable to the BlackRock Client as the terms of a comparable transaction among unrelated parties and in accordance with applicable laws and client guidelines.

### **POTENTIAL CONFLICTS WITH RESPECT TO LEASING**

Subject to applicable laws and regulations, BlackRock Realty may cause BlackRock Clients to lease space in commercial properties to BlackRock, PNC Affiliates or entities in which BlackRock owns an interest. Conflicts may arise with PNC Affiliates who desire to seek or enforce rights as tenants with respect to such leases or with BlackRock Realty when it seeks to enforce its rights as landlord. BlackRock Realty would endeavor to cause such leases to be on commercially reasonable terms.

### **CONSIDERATIONS FOR ERISA CLIENTS**

When executing transactions with PNC Broker-Dealers or engaging in other activities for BlackRock Clients subject to ERISA, BlackRock Investment Advisers will comply with ERISA and the applicable regulations adopted by the DOL.

Although the stockholder agreement between BlackRock, Inc. and PNC restricts the ability of PNC to control the activities of BlackRock, Inc. and BlackRock Investment Advisers, these shareholdings might be argued to create in BlackRock, Inc., BlackRock Investment Advisers or BlackRock Realty an interest in PNC that might affect the best judgment of the BlackRock Investment Adviser as a fiduciary. Accordingly, if BlackRock Realty were to advise or otherwise cause a fund or account (each, an "Account") within this section) to enter into a transaction with PNC and, in connection with such transaction, one or more of such entities were to receive an additional fee or other consideration from such Accounts or from third parties, such transactions might raise issues under the anti self-dealing rules of ERISA and the Internal Revenue Code of 1986, as amended (the "IRC") for ERISA clients.

In addition, PNC Affiliates may be a "party in interest" to various ERISA Plans invested in one or more Accounts as a result of providing services to such plans. In such cases, a transaction between an Account and a PNC Affiliate (including the provision of services by PNC to an Account) may constitute, or result in, a prohibited transaction under ERISA or the IRC (regardless of whether BlackRock Realty caused such transactions to occur). Such transactions, however, may be subject to one or more statutory or administrative exemptions from the penalties that may otherwise be applicable to such prohibited transactions. Each of BlackRock, Inc., the BlackRock Investment Advisers and BlackRock Realty intend to take such reasonable actions as may be necessary or appropriate to avoid the occurrence of any non-exempt prohibited transactions under ERISA or the IRC.

### **POTENTIAL CONFLICTS RELATING TO PRODUCTS AND SERVICES OF PNC AFFILIATES**

#### ***Investment Products or Services of PNC Affiliates may Compete with BlackRock Clients***

PNC Affiliates may sponsor and manage investment funds or other client accounts that compete directly or indirectly with the investment program of BlackRock Clients or make investments with funds sponsored or managed by third-party advisers that would reduce capacity otherwise available to BlackRock Clients in such entities. Additionally, various PNC Affiliates may create, sell, issue, or act as placement agent or distributor of, derivative instruments with respect to

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BlackRock Clients or with respect to underlying currencies or instruments held by BlackRock Clients, or which may be otherwise based on or related to the performance of BlackRock Clients. The structure or other characteristics of such derivative instruments could have an adverse effect on BlackRock Clients. Members of the BlackRock Group may invest, for BlackRock Clients or themselves, and PNC Affiliates may, subject to applicable laws, invest, on a proprietary basis or for their clients, in securities issued by BlackRock Clients, and may hedge derivative positions by buying or selling securities issued by BlackRock Clients. These investments may be significant and may be made without notice to BlackRock or BlackRock Clients.

### ***Investments in Service Clients or Portfolio Companies of the BlackRock Group or the PNC Affiliates***

The BlackRock Group and PNC Affiliates provide a variety of services for and advice to (including investment banking services, fairness opinions and extensions of credit provided by PNC) various clients, including entities which may be counterparties to transactions with BlackRock Clients, and may generally receive fees for these services (including fees which may be contingent on the successful placement of securities and successful closing of a transaction). As a result of the relationships between BlackRock Group and the PNC Affiliates, BlackRock may have an incentive to transact business with entities that utilize such services and pay such fees. BlackRock believes, however, that the nature and range of clients to whom BlackRock and PNC render such services is such that it would be inadvisable to restrict or limit transactions with such parties. Accordingly, absent a specific investment restriction or direction or regulatory restriction, it is possible that a BlackRock Client will engage in transactions with entities for which BlackRock Group and/or PNC perform services.

### ***Transactions in Swaps and Similar Instruments***

BlackRock Realty, on behalf of BlackRock Clients, may from time to time enter into relationships with, or engage in transactions with or through, various PNC Affiliates that may act as agent or principal for compensation, including swaps and other derivatives transactions, either on a securities or commodities exchange or otherwise, subject to limitations and prohibitions applicable to certain transactions for accounts subject to ERISA. For ERISA-specific information see “Considerations for ERISA Clients” above.

## **POTENTIAL CONFLICTS RELATING TO BLACKROCK CLIENTS’ USE OF INVESTMENT CONSULTANTS AND BLACKROCK’S RELATIONSHIP WITH PENSION CONSULTANTS**

Many BlackRock Clients work with pension or other institutional investment consultants (collectively, “Investment Consultants”) who provide a wide array of services to pension plans and other institutions, including assisting in the selection and monitoring of investment advisers such as BlackRock Realty. From time to time, BlackRock Clients’ Investment Consultants who recommend BlackRock Realty to, and provide oversight of BlackRock Realty for, BlackRock Clients may also provide services to or purchase services from members of the BlackRock Group and PNC Affiliates. For example, BlackRock purchases certain index and performance-related databases and human resources-related information from Investment Consultants and their affiliates. BlackRock Investment Advisers also utilize brokerage execution services of Investment Consultants or their affiliates, and members of the BlackRock Group as well as personnel of PNC Affiliates attend conferences sponsored by Investment Consultants. Conversely, from time to time, the BlackRock Group and PNC Affiliates may be hired by Investment Consultants and their affiliates to provide investment management and/or risk management services, creating possible conflicts of interest.

## **BLACKROCK MAY IN-SOURCE OR OUTSOURCE TO THIRD PARTIES**

Subject to applicable law and its contractual duties to clients, BlackRock, including BlackRock Realty, may from time to time and without notice to BlackRock Clients in-source or outsource to third-parties, including parties which are affiliated with BlackRock, certain processes or functions in connection with a variety of services that they provide to BlackRock Clients in their administrative or other capacities. Such in-sourcing or outsourcing may give rise to potential conflicts of interest, including where BlackRock or other BlackRock Clients may receive favorable pricing or other benefits that arise from or are connected to another BlackRock Client's vendor relationships.

## **POTENTIAL RESTRICTIONS ON INVESTMENT ADVISER ACTIVITY**

From time to time, BlackRock Investment Advisers may be restricted from engaging in certain activities on behalf of BlackRock Clients because of regulatory and legal requirements, as well as contractual restrictions, applicable to BlackRock and/or its internal policies designed to comply with, limit the applicability of, or otherwise relate to such requirements. A client not advised by BlackRock may not be subject to the same considerations.

There may be periods when BlackRock Investment Advisers may not initiate or recommend certain types of transactions, or may otherwise restrict or limit its advice with respect to securities or instruments issued by or related to companies for which BlackRock is performing advisory or other services. For example, when a member of the BlackRock Group is engaged to provide advisory or risk management services for a company, BlackRock Clients may be prohibited from or limited in purchasing or selling securities of that company, particularly where such services result in BlackRock obtaining material non-public information about the company. Similar situations could arise if: (i) BlackRock personnel serve as directors or officers of companies the securities of which BlackRock wishes to purchase or sell (ii) BlackRock is provided with material non-public information with respect to a potential portfolio company or (iii) BlackRock Investment Advisors on behalf of BlackRock Clients participate in a transaction (including a controlled acquisition of a U.S. public company) that results in the requirement to restrict all purchases and voting of equity securities of such target company. However, where permitted by applicable law, and where consistent with BlackRock's policies and procedures (including the implementation of appropriate information barriers), BlackRock may purchase or sell securities or instruments that are issued by such companies or are the subject of an advisory or risk management assignment by BlackRock, or in cases in which BlackRock personnel serve as directors or officers of the issuer.

In certain circumstances where BlackRock invests in securities issued by companies that operate in certain regulated industries or in certain emerging or international markets, or are subject to corporate or regulatory ownership restrictions, there may be limits on the aggregate amount invested by BlackRock and/or PNC that may not be exceeded without the grant of a license or other regulatory or corporate consent. As a result, BlackRock Investment Advisers on behalf of BlackRock Clients may limit purchases, sell existing investments, or otherwise restrict or limit the exercise of rights (including voting rights) when BlackRock Investment Advisers, in their sole discretion, deem it appropriate in light of potential regulatory or other restrictions on ownership or other consequences resulting from reaching investment thresholds.

In addition to the foregoing, other ownership thresholds may trigger reporting, applications, licenses or other special obligations to governmental and regulatory authorities, and such reports, applications or licenses may entail the disclosure of the identity of the BlackRock Client or BlackRock's intended strategy with respect to such security, instruments or asset. Where applicable, BlackRock may elect to forego or limit certain investments or opportunities rather than incur the costs of an application, registration or license.



## **POTENTIAL CONFLICTS ARISING OUT OF VALUATION OF ILLIQUID ASSETS**

Most assets held by BlackRock Realty on behalf of clients are real estate investments for which no market quotation is available ("Real Estate Assets"). In addition, BlackRock Realty may invest, on behalf of clients, in assets for which market quotations are generally available (such as commercial mortgage-backed securities), but at times such market quotations may not be readily available or may be believed by BlackRock Realty to be unreliable. Real Estate Assets and such other assets for which market quotations are not readily available or are believed by BlackRock Realty to be unreliable are valued at fair value ("Fair Value Assets"). Fair Value Assets are valued by BlackRock Realty in accordance with its valuation procedures and in accordance with valuation procedures approved by the relevant BlackRock Client. In general, Real Estate Assets are valued by third-party appraisal firms on an annual basis and such values are updated by BlackRock on a quarterly basis to reflect changes in property operations and market conditions. All valuations require approval by the BlackRock Realty Valuations Committee.

The valuation of Fair Value Assets affects the price at which certain Real Estate Funds price the issuances and redemptions of interests, as well the calculation of the fees paid to BlackRock Realty by Real Estate Funds and Real Estate Separate Accounts. BlackRock Realty (or an affiliate) would be benefited if valuations are too low at the time BlackRock Realty (or an affiliate) purchases any interests in a Real Estate Fund and, correspondingly, if the valuation is too high at the time BlackRock Realty (or an affiliate) redeems any of its interests. Similarly, because BlackRock Realty's fees are based on the valuations, employees of BlackRock Realty may have an incentive to overstate (or understate) the value of the Fair Value Assets in order to increase the fee. However, unless otherwise provided in the applicable investment management agreement or governing documents, independently performed appraisals will be obtained by the Fund annually or more frequently.

BlackRock Realty may conclude that a market quotation is not readily available or is unreliable if, among other reasons, an asset does not have a price source due to its lack of liquidity, if BlackRock Realty believes a market quotation from a broker-dealer or other source is unreliable (e.g., where it varies significantly from a recent trade), where the asset is thinly traded (e.g., municipal securities and certain non-U.S. securities can be expected to be thinly traded), where recent asset sales represent distressed sale prices not reflective of the price that a client might reasonably expect to receive from the current sale of that asset in an arm's-length transaction, or where there is a significant material event subsequent to the most recent market quotation. BlackRock Realty's good faith judgment as to whether an event would constitute a "significant event" likely to cause a material change in an asset's market price may be incorrect, and the fair value determination made by BlackRock may be incorrect as to the direction and magnitude of any price adjustment.

When determining the price for a value of a fair value asset, BlackRock Realty seeks to determine the price that a client might reasonably expect to receive from the current sale of that asset in an arm's-length transaction. The price generally may not be equal to what a client might reasonably expect to receive for selling an asset at a later time or, if the asset is a loan, if held to maturity. Value determinations will be made in good faith and will be based upon all available factors that BlackRock Realty deems relevant at the time of the determination, and may be based on analytical values determined by BlackRock Realty using proprietary or third party valuation models. Nevertheless, the models and/or underlying valuation assumptions utilized by BlackRock Realty may not correctly capture the fair value of an asset, which may impact the fees paid or proceeds realized by a client upon the purchase or disposition of the asset.

Valuation recommendations made for a client account may differ from the valuations for the same investments assigned by pricing vendors, especially if such valuations are based on quotes or other data sources unavailable to pricing vendors. In addition, BlackRock, through

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BRS and its FMA group in particular, may provide a variety of services to clients in connection with the evaluation of certain distressed assets, including advice relating to the management, retention, disposition and valuation of such assets. Furthermore, in circumstances where material non-public information is available to one group at BlackRock but, consistent with BlackRock's compliance policies and procedures, is not available to all groups at BlackRock, asset valuations used for pricing of underlying investments may be inconsistent.

### **ACTIVITIES OF RELATED PERSONS**

Affiliates of BlackRock Realty may engage in other transactions that involve participation or interest in client transactions that are not described herein. The restrictions, internal procedures, and disclosures used for conflicts of interests in such transactions of the other BlackRock Investment Advisers are described in the applicable Form ADV, each of which is available upon request.

## Item 12 Brokerage Practices

Not applicable.

## **Item 13 Review of Accounts**

### **NATURE AND FREQUENCY OF CLIENT ACCOUNT REVIEW**

The North Americas Investment Committee of BlackRock Real Estate (the “NAIC”) and Debt Investment Committee each review portfolios of BlackRock Clients and the economic and financial data related to them on a quarterly basis and makes appropriate adjustments to the manner in which the portfolios are operated. The level of review may encompass the client's portfolio, a section of the portfolio or a specific asset. Additional reviews may be triggered by changes in the investment objectives or guidelines of a particular BlackRock Client or specific arrangements with particular BlackRock Clients. The NAIC also approves all potential purchases, property development, financings and sales of properties by BlackRock Clients. Reviews of individual properties are conducted by experienced portfolio or asset managers assigned by BlackRock to oversee the management of assets for particular clients on a periodic basis.

Reviews are also conducted to determine if an account's holdings are consistent with the client's selected investment strategy and restrictions imposed by the client. In addition to the assigned portfolio management team, certain representatives of BlackRock's compliance, operations and risk management groups periodically check accounts to confirm compliance with investment restrictions.

### **FREQUENCY AND CONTENT OF CLIENT ACCOUNT REPORTS**

Investors in Real Estate Funds receive quarterly unaudited financial reports regarding operations commencing at the conclusion of the first full quarter after their first investment is made. Investors in Real Estate Funds receive an annual report including financial statements audited by an independent certified public accountant. Real Estate Separate Account clients also receive similar quarterly and annual reports tailored to their specific requirements, and many of Real Estate Separate Account clients receive annual audit reports from the independent certified public accountant. All of those reports generally contain financial, operating performance and valuation information for the investment portfolio.

## Item 14 Client Referrals and Other Compensation

### SOLICITATION, INTRODUCTION OR PLACEMENT ARRANGEMENTS

From time to time, BlackRock Realty may compensate certain affiliated and unaffiliated persons or entities (including PNC entities) for client referrals or introductions to, or placements of interests in, Real Estate Funds and Separate Accounts in compliance with applicable law, including circumstances where, in connection with discrete advisory transactions, BlackRock Realty or an affiliate will pay or split a portion of the fees with an unaffiliated third party for assisting in obtaining a specific client. The material terms of such arrangements will be disclosed to relevant clients or investors along with the nature of any affiliation between the third party and BlackRock.

With respect to client solicitation arrangements, the Advisers Act requires that, among other things, compensation to a solicitor be made pursuant to a written agreement and, for third-party solicitor arrangements, that the solicitor provide to each person solicited for BlackRock Realty's advisory services, a written disclosure statement and this brochure. The solicitor's written disclosure statement contains important information with respect to, among other things, the material terms of the solicitor's compensation from BlackRock Realty, the nature of any relationship or affiliation between the solicitor and BlackRock Realty, whether the client bears any costs with respect to the solicitation and whether the fees paid by such a client may differ from fees paid by other similarly situated clients who are not so introduced, as a result of the solicitation, and these solicitor's disclosure statements should be reviewed carefully by prospective clients.

## Item 15 Custody

BlackRock Realty may have custody of real estate-related debt securities and funds owned by Real Estate Funds due to its ability to obtain possession of such securities from third-party qualified custodians or due to its authority in certain instances to deduct its fees from client accounts. The requirements of Rule 206(4)-2 under the Advisers Act (the "Custody Rule") may apply with regard to the custody of such assets. Securities and funds owned by Real Estate Funds, which are securities accounts, if any, are held at a qualified custodian. Investors in Real Estate Funds generally will receive annually audited financial statements prepared by an independent public accountant within 120 days after the end of the Real Estate Fund's fiscal year and are therefore not required to receive account statements from a qualified custodian under the Custody Rule. Upon a Real Estate Fund's liquidation, audited financial statements are prepared in accordance with US generally accepted accounting principles ("GAAP") and distributed to all beneficial owners promptly after the completion of such audit. All beneficial owners should carefully review these audited financial statements.

Most BlackRock Clients do not hold any securities in their accounts ("Real Estate Accounts"). While these Real Estate Accounts contain funds derived from rents and other operating cash and BlackRock Realty may have the right to deduct its fees from such accounts, these accounts are not considered to be securities accounts and are therefore not subject to the Custody Rule. Nonetheless, all funds maintained in Real Estate Accounts are held by qualified custodians and BlackRock Clients generally receive annually audited financial statements prepared by an independent public accountant within 120 days after the end of BlackRock Client's fiscal year.

Clients or Investors who do not receive audited financial statements timely should contact BlackRock Realty.



## **Item 16 Investment Discretion**

The amount of discretion that BlackRock Realty is granted in the performance of its investment advisory services is generally established at the outset of an advisory relationship and varies from BlackRock Client to BlackRock Client. In some instances, a Real Estate Separate Account Client may withhold authority from BlackRock Realty to acquire, finance, refinance, and/or sell properties without BlackRock Client consent. BlackRock Realty has a greater degree of discretion with regard to the Real Estate Funds and most Real Estate Separate Accounts. Unless BlackRock Realty and the BlackRock Client have entered into a non-discretionary arrangement, the Adviser generally is not required to provide notice to, consult with, or seek the consent of its clients prior to engaging in transactions.

BlackRock Realty's authority is typically derived from its rights under its investment management agreement with the Client and/or through its ability to appoint officers of the entities which hold title to client assets. See Item 4 above.

## **Item 17 Voting Client Securities**

BlackRock Realty invests in real estate and real estate related assets and does not have authority to vote proxies. In the event BlackRock Realty was to have authority to vote client securities, it would be subject to the BlackRock, Inc. Proxy Voting Policy.

BlackRock Clients may request a copy of BlackRock's Proxy Voting Policy and may also obtain a copy at: <http://www2.blackrock.com/global/home/AboutUs/ProxyVoting/index.htm>.

## Item 18 Financial Information

Not applicable.

## Glossary

501(c) Organizations – tax exempt organizations formed pursuant to 501(c) of the IRC

ACM – Asbestos containing material

Advisers - Wholly-owned subsidiaries of BlackRock, Inc., registered as investment advisers with the SEC

Advisers Act – Investment Advisers Act of 1940, as amended

AIFMD – European Union’s Alternative Investment Fund Managers Directive

BAI – BlackRock Alternative Investors

BFM – BlackRock Financial Management, Inc.

BlackRock – BlackRock, Inc. together with its subsidiaries

BlackRock Clients – Clients of BlackRock Realty which are Real Estate Funds or Real Estate Separate Accounts

BlackRock Group – BlackRock and its directors, managers, members, officers, and employees collectively

BlackRock Investments Advisers – The various subsidiaries of BlackRock, Inc. which are SEC registered investment advisers

BlackRock Real Estate – the real estate business unit of BlackRock

BlackRock Realty – BlackRock Realty Advisors, Inc.

BRIL – Black Rock Investments, LLC

CMBS – Commercial mortgage-backed securities

Code – BlackRock’s Code of Business Conduct and Ethics

Custody Rule – Rule 206(4)-2 under the Advisers Act

DFA – Dodd-Frank Wall Street Reform and Consumer Protection Act

ERISA - Employee Retirement Income Security Act

Exchange Act – The Securities Exchange Act of 1934, as amended

Fair Value Assets – Assets for which market quotations are generally available, but which are valued at fair value because no market quotation is readily available or is deemed unreliable

FINRA – The Financial Industry Regulatory Authority

FMA – BlackRock Solutions Financial Markets Advisory Group

GAAP - US generally accepted accounting principles

GOF GP – BlackRock Global Real Estate Opportunity Fund, LLC

IMA – Investment management agreement

Investment Company Act – The Investment Company Act of 1940, as amended

Investment Consultants – pension or other institutional investment consultants

Investor – An investor in a Real Estate Fund

IRC – The Internal Revenue Code of 1986, as amended

LLC – A limited liability company

NAIC – North Americas Investment Committee

PNC – The PNC Financial Management Services Group, Inc. together with its subsidiaries

PNC Affiliates –PNC and its other affiliates, directors, partners, trustees, managers, members, officers, and employees collectively.

QPAM – Qualified professional asset manager under ERISA

Real Estate Assets – real estate assets for which no market quotation is available

Real Estate Funds – privately offered commingled real estate investment vehicles managed by BlackRock Realty

Real Estate Separate Accounts – institutional separate accounts managed by BlackRock Realty

REIT – Real Estate Investment Trust

ROF GP – BlackRock Residential Opportunity Fund GP LLC

RQA – BlackRock's Risk & Quantitative Analysis Group

SEC – U.S. Securities and Exchange Commission

Securities Act – The Securities Act of 1933, as amended

## **BlackRock Privacy Principles**

The following Privacy Principles govern how BlackRock handles and protects personal information:

1. BlackRock is committed to maintaining the privacy of individuals whose personal information is held at BlackRock including current and former individual clients (whether invested in funds or otherwise) and other intermediaries with whom we conduct business. BlackRock also seeks to safeguard non-public personal information and other sensitive personal information as defined by applicable local laws and regulations.

Specifically, BlackRock is committed to the following:

- Processing all non-public information fairly and lawfully in accordance with the Individual's rights;
  - Keeping personal non-public information accurate and up to date; and
  - Securing personal non-public information from unlawful disclosure.
2. BlackRock does not sell or disclose any non-public personal information about Individuals to unaffiliated third parties, except as may be required by law, or to service Client accounts (as allowed by law in the relevant jurisdiction), or with the Individual's express consent. If non-public personal information is provided to a third party, such third party is required to protect the confidentiality and security of this information and to use it only for its intended purpose.
  3. BlackRock may share information with its affiliates to service a Client's account or to provide Clients with information about other products or services of BlackRock that may be of interest to them, except where local laws or Client contracts prohibit such sharing.
  4. BlackRock restricts access to non-public personal information about Individuals to those BlackRock employees with a legitimate business need for the information.
  5. BlackRock maintains physical, electronic and procedural safeguards that are designed to protect the non-public personal information of Individuals, including procedures relating to the proper storage and disposal of such information.
  6. BlackRock obtains or verifies non-public personal information from different sources, including the following:
    - Information BlackRock receives from Individuals or their financial intermediaries through transactions, applications, forms or other documents;
    - Information BlackRock receives from a consumer reporting agency; and
    - Information from visits to BlackRock's websites.