



## Item 1: Cover Sheet

# **BlackRock Realty Advisors, Inc.**

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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 the telephone number provided above. 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 Financial Management Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2. Material Changes

Since the last annual update to the Form ADV Part 2A (the “Brochure”) on June 10, 2020 material changes to this Brochure include amendments to the following items:

### **Item 10 – Other Financial Industry Activities and Affiliations – Relationships or Arrangements with Affiliates and/or Related Persons**

On May 15, 2020, PNC completed a secondary offering of 31,628,573 shares of common stock, par value \$0.01 per share (“Common Stock”) of BlackRock, Inc. (which included Common Stock issuable upon the conversion of BlackRock’s Series B Convertible Participating Preferred Stock). In addition, on May 15, 2020, BlackRock completed its repurchase from PNC of 2,650,857 shares of Common Stock from PNC. As of March 31, 2020, PNC had owned approximately 22.0% of BlackRock’s voting common stock outstanding and held approximately 22.4% of BlackRock’s capital stock. Following the completion of the secondary offering, as well as BlackRock’s repurchase of common stock from PNC (the “PNC Transaction”), PNC has no significant interest in BlackRock. As a result of the PNC Transaction, Item 10 has been updated to remove reference to PNC’s ownership interest in BlackRock.

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

References to and/or conflicts relating to products or services of PNC and/or its respective other affiliates, directors, partners, trustees, managers, members, officers, and employees have been removed.

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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 assets located in the United States (“U.S.”) and real estate debt investments, as well as the supervision of the development, improvement and property management of such 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, the real estate business unit of BlackRock, Inc., which also provides real estate investment management services with respect to properties located 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 of 1974, as amended (“ERISA”) and is a qualified professional asset manager 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. References to “BlackRock” in this Brochure includes BlackRock, Inc. together with its subsidiaries, including investment advisory and trust company subsidiaries (“BlackRock Investment 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 to unregistered investment vehicles (“Private Funds”) with respect to investments in real estate and real estate-related debt investments (“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 Realty Clients”.

As a part of its services, to the extent within the investment mandate of the BlackRock Realty Client, 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 Realty Client;
- (ii) acquiring such assets on behalf of the BlackRock Realty Client;
- (iii) managing the operations of real properties;
- (iv) managing real estate-related debt instruments owned by BlackRock Realty Clients;
- (v) supervising the development or rehabilitation of assets owned by the BlackRock Realty Client;
- (vi) monitoring and reporting to BlackRock Realty Clients on the performance of their investments; and
- (vii) determining when and on what terms to finance, refinance or sell the investments and executing such transactions.

In connection with the advice related to real estate described above, BlackRock Realty also offers 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 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 some cases, Real Estate Funds may be established for a single investor. In addition, depending on the size of the investment and other factors, BlackRock Realty enters into “side letters” with Investors in Real Estate Funds. Such side letters typically 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 offering memorandum (“OM”), which is available to current and prospective Investors only through BlackRock Realty or another authorized party. Termination of BlackRock Realty’s relationship with each Real Estate Fund is governed by the applicable Real Estate Fund documents.

BlackRock Realty and certain BlackRock Realty employees, and employees of affiliates of BlackRock Realty invest in certain Real Estate Funds. As discussed in Item 6 (“Performance-Based Compensation and Side-By-Side Management”) of this Brochure, BlackRock Realty has a potential 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. Certain of the Real Estate Funds operate using “operating fund-feeder” or “parallel fund” structures, pursuant to which investment operations are vested in one or more “operating” funds while Investors access the operating fund directly or invest through one or more “feeder funds” that, in turn, invest (directly or indirectly) in the operating funds.

While this Brochure includes 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, and state and local governments, that wish to invest in real estate and 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. Real Estate Separate Account clients and BlackRock Realty typically establish restrictions on certain investments in the investment management agreement (“IMA”), or other agreements, entered into between BlackRock Realty 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 Realty does not utilize a standard form of Real Estate Separate Account agreement.

In general, a Real Estate Separate Account client and BlackRock Realty have the option to terminate an investment advisory contract before its expiration date following a notice period which is generally thirty to ninety days, and any unused portion of fees paid would be refunded absent specific alternative arrangements with the BlackRock Realty Client. In some cases, BlackRock Realty may continue to be entitled to performance-based fees following termination.

In some cases, with the approval of the Real Estate Separate Account client, a Real Estate Separate Account will be structured as a limited liability company or limited partnership. BlackRock Realty and certain BlackRock Realty employees, and employees of affiliates of BlackRock Realty, can acquire interests in certain Real Estate

Separate Account investment entities. As discussed below, BlackRock Realty has a potential 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 (“Performance-Based Compensation and Side-By-Side Management”) of this Brochure.

### Assets Under Management

As of December 31, 2020, BlackRock Realty managed approximately \$9.13 billion of discretionary assets. Of this amount, the value of securities portfolios which constitute regulatory assets under management was approximately \$1.50 billion.

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 Realty 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 Realty 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 Realty Client.

### Services of Affiliates

BlackRock Realty uses 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”), as needed. For additional information, please refer to Item 10 (“Other Financial Industry Activities and Affiliations”) and Item 12 (“Brokerage Practices”) of this Brochure. BlackRock Realty uses 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 IMA, or inconsistent with applicable law. Arrangements among affiliates 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 Realty Client’s account from a legal and contractual perspective. No additional fees are charged for the affiliates’ services except as set forth in the BlackRock Realty Client’s IMA, governing documents and/or OM.

## Item 5. Fees and Compensation

### BlackRock Realty Fees

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

- (i) 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 Realty Client inclusive of debt) or net assets (*i.e.*, the total value of the assets of the BlackRock Realty Client reduced by the amount of debt of the BlackRock Realty Client)), committed capital, invested capital, distributable cash flow or operating income from such assets;
- (ii) an acquisition fee based on amounts invested or total cost of a real estate asset acquired by the BlackRock Realty Client;

- (iii) a disposition fee based on the amount of the sale price of a real estate asset sold by the BlackRock Realty Client;
- (iv) performance-based fees (either as an incentive fee or carried interest) subject to the BlackRock Realty Client account, or individual or groups of investments, achieving certain specified returns; and/or
- (v) fees for debt placement services or construction supervision.

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-based fees by clients that meet certain requirements. See Item 6 (“Performance-Based Compensation and Side-By-Side Management”) of this Brochure 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 vary by client and are based on a number of different factors, including services performed and the size of the account or relationship. 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.

The timing of fee payments is negotiated with each Real Estate Separate Account client or is set forth in the relevant Real Estate Fund OM. 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-based fees or other performance-based compensation generally are based on specified return benchmarks, or periodic or cumulative performance “hurdles” or an appropriate index and generally are payable to BlackRock Realty (i) as investments are realized and/or capital is distributed or (ii) on a periodic basis. In other cases, certain BlackRock Realty Client accounts have must achieve specified performance hurdles prior to BlackRock Realty receiving any performance-based fee.

BlackRock Realty causes BlackRock Realty Clients’ funds which are incidental to its investments in real estate to be held in liquid, short-term investments, such as bank deposits and certificates of deposit. BlackRock Realty estimates that the portion of its activities related to such non-real estate advisory services is less than one percent. In these circumstances, a small portion of BlackRock Realty’s compensation is 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 Realty Client’s assets for the purpose of calculating investment management fees which are based on gross assets.

In many cases, BlackRock Realty’s fees are based on the value and performance of the assets held in the BlackRock Realty Client account. Under certain circumstances, BlackRock Realty will 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 Realty Client accounts, BlackRock Realty would 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’s and BlackRock Realty’s then current valuation policies (unless otherwise specified by the BlackRock Realty Client). In general, BlackRock Realty relies on (a) valuations and appraisals provided by third-party appraisers of real estate assets and (b) 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 either third-party limited appraisers or internal valuations are performed each quarter that a full third-party appraisal is not performed. In some cases, BlackRock Realty Clients specify alternate valuation processes or periods. Please see “Potential Conflicts Arising Out of Valuation of Illiquid Assets” in Item 11 (“Code of Ethics, Participation or Interest in Client Transactions and Personal Trading”) 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 Realty Client is asked to pay fees upon receipt



of a fee statement from BlackRock Realty or a third-party custodian or consultant. BlackRock Realty generally bills BlackRock Realty Clients or deducts fees on a quarterly basis in arrears.

## Client Expenses

BlackRock Realty 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 include, without limitation, property management fees and compensation and costs of management and leasing personnel, property related insurance premiums, developer fees, costs related to construction and maintenance, custodian fees, servicing fees, fees of legal counsel (including litigation expenses), all expenses incurred in connection with the securing and servicing of financing, including expenses related to the negotiation and documentation of agreements with one or more lenders or the posting of collateral, all principal and interest on, and fees, costs and expenses arising out of, all borrowings and guarantees made by, and other indebtedness of, the Client, the costs of any hedging transactions (including any amounts necessary to satisfy margin requirements) or permitted borrowing requirements, indemnification and guaranty costs, taxes including income, property and transfer taxes, fees of accountants, joint venture partners, finders, outside appraisers and real estate brokers, and fees for architectural, engineering, environmental 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 (including financial statements), all expenses incurred in connection with multimedia, analytical, database, news or other third-party research services and related terminals for the delivery of such services; and travel expenses and other out-of-pocket expenses incurred in connection with the identification, structuring, evaluation, negotiation, operation, maintenance, financing or sale of proposed or existing investments whether or not such proposed investments are consummated.

In addition, Real Estate Funds also generally bear their own organizational, operating and other expenses including, but not limited to, in addition to those listed above: (i) sales expenses; (ii) legal expenses (which includes expenses incurred in connection with a Real Estate Funds' legal and regulatory compliance with U.S. and non-U.S. laws and regulations (including reporting on and compliance with Form PF), and expenses incurred in connection with complying with provisions in side letter agreements, including "most favored nations" provisions); (iii) internal and external accounting, audit, custody, administration and tax preparation expenses; (iv) out-of-pocket costs of any legal counsel (including litigation expenses); (v) insurance costs, including the cost of any D&O liability or other insurance and indemnification (including advances) or extraordinary expense or liability relating to the affairs of Real Estate Funds; (vi) compensation payable to any placement agent (including any out-of-pocket expenses of such placement agent and any indemnification expenses payable to such placement agent); (vii) expenses of the limited partner advisory boards for certain Real Estate Funds and meetings of the limited partners; (viii) expenses of liquidating and dissolving the Real Estate Funds, including any fees and expenses of the Real Estate Funds' liquidator; (ix) certain travel expenses; (x) other service provider expenses (e.g., expenses related to directors of a Private Fund); (xi) all extraordinary expenses or liabilities; (xii) all professional fees incurred in connection with the business or management of the Real Estate Funds, including reasonable dues for professional organizations related to the investment strategy of the Real Estate Funds; (xiii) all expenses relating to the potential transfer or actual transfer of investors' interests in the Real Estate Funds (to the extent not paid by the transferor or transferee); (xiv) all expenses relating to any letter agreements, distribution agreements and other similar agreements with investors and prospective investors and modifications and amendments to such agreements; (xv) all expenses incurred in connection with the creation of, and any restructuring or amendments or supplements to, the OM or the governing documents of the Real Estate Funds, or of the general partner and related entities; (xvi) all expenses incurred in connection with the formation of alternative investment vehicles and special purpose vehicles and subsidiaries of the Real Estate Funds; (xvii); (xviii) all fees charged by third parties for sourcing and/or managing portfolio investments, including fees paid to administrators of portfolio investments; (xxii) all third-party fees and expenses charged to the Real Estate Funds, including in connection with tax and legal advice, custodial services and compliance services; (xix) all fees charged, and reasonable out-of-pocket expenses incurred, by the Real Estate Funds' administrators and custodians; (xx) management fees; and (xxi) any value added tax payable in respect of any expenses, fees or costs set forth in clauses (i) – (xx) above. Generally, feeder

funds and parallel bear a pro rata share of the expenses associated with the related master funds. Accounts or Real Estate Funds that invest with an underlying manager or in underlying funds generally bear associated fees (which typically include both asset based and performance-based fees) and expenses of such underlying managers and/or underlying funds. Investors and clients bear the cost of investments in funds, which can include portfolios managed by BlackRock Investment Advisers (“Affiliated Accounts”). Further details on expenses that are charged are in the relevant offering memorandum and/or other governing documents.

BlackRock Realty 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 Realty Client. However, no fee will be payable six or more months in advance of the services rendered. BlackRock Realty’s IMAs with Real Estate Separate Accounts generally do not have termination dates. Rather, the IMAs typically are terminated by BlackRock Realty or the BlackRock Realty Client with advance notice, as set forth in the relevant IMA. In the event of the termination of a relationship, unearned fees, if any, paid in advance will be refunded to the BlackRock Realty 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 continue to be paid after termination of the relationship in accordance with the relevant agreement.

While BlackRock Realty charges transaction related fees as discussed in this Item, it does not receive commissions or markups for the sale of securities or other investments.

### Fees Paid to BlackRock Investment Advisers By Third Parties

With respect to certain investment management clients of BlackRock (“BlackRock Clients”) a BlackRock Investment Adviser or one of their employees or affiliates at times receives commitment fees, structuring fees, administrative agency fees, break-up fees, financing fees, directors’ fees, consulting fees, transaction fees, advisory fees, closing fees and other similar fees from a portfolio investment of or counterparty to such BlackRock Clients, respectively, as well as placement or other similar fees payable to a broker-dealer (“Third-Party Fees”). The management fee received by a BlackRock Investment Adviser from a Private Fund or separate account or one of its affiliates may be reduced by the amount of Third-Party Fees received by such BlackRock Investment Adviser, or its employees or its affiliates. The extent to which a BlackRock Investment Adviser or one of its employees or affiliates may retain such Third-Party Fees, if at all, is set forth in such Private Fund’s OM and/or governing documents or the IMA governing the separate account, respectively. Further details on Third-Party Fees are in such Private Fund’s OM and/or governing documents or the IMA governing the applicable separate account, respectively.

Various conflicts of interest may exist when Third-Party Fees can be retained by a BlackRock Investment Adviser, or its employees or its affiliates and are not required to be applied to reduce the amount of the management fee received by a BlackRock Investment Adviser. For an additional discussion of the conflicts of interest presented by a BlackRock Investment Adviser or its employee’s or its affiliate’s entitlement to retain Third-Party Fees, please refer to Item 11 (“Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – Conflicts of Interest Presented by the Retention of Third-Party Fees”) of this Brochure.

### Co-Investments

The BlackRock Investment Advisers from time to time offer certain persons the opportunity to co-invest in particular investments alongside of a Private Fund, subject to certain restrictions. In each case where co-investors participate in an investment, the BlackRock Investment Advisers will allocate expenses associated with such investment, including broken-deal expenses, among such co-investors and other participants in the investment in accordance with BlackRock’s expense allocation policies and procedures.

## Item 6. Performance-Based Compensation and Side-By-Side Management

As described in Item 5 (“Fees and Compensation”) of this Brochure, 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 Realty Client inclusive of debt) or net assets (i.e., the total value of the assets of the BlackRock Realty Client reduced by the amount of debt of the BlackRock Realty Client), of the client’s assets depend on the income generated by and/or capital appreciation of the assets of a client. As such, nearly all BlackRock Realty Clients are subject to fees which are dependent on the performance of their investments. The extent to which fees of any BlackRock Realty Client are impacted by the performance of its assets varies from client to client based on the specific fee arrangement. Certain BlackRock Realty 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 Realty Client’s assets. Performance-based fees are generally payable on a quarterly or annual basis or as investments are realized and/or capital is distributed.

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

In addition, BlackRock Realty has established structures to allow promoted interest shares with certain BlackRock Realty employees to be treated as capital gains to such employees so long as the underlying income which generated the promoted interest is a capital gain. Accordingly, BlackRock Realty personnel would have an incentive to pursue investment strategies which are expected to generate capital gains rather than ordinary income.

In addition, BlackRock Realty and its supervised persons engage in side-by-side management of accounts which pay varying or no performance-based fees that create the potential conflicts of interest, including circumstances where, as noted in Item 4 (“Advisory Business”) of this Brochure, BlackRock Realty or its related persons are permitted to invest in a Real Estate Fund or Real Estate Separate Account. In certain cases, BlackRock Realty or its supervised persons have a significant financial interest in a Real Estate Fund or Real Estate Separate Account structured as a fund which creates conflicts of interests. BlackRock Realty has an incentive to favor certain accounts over others that are less lucrative where: (i) the actions taken on behalf of one account potentially 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 abilities 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 help mitigate such potential conflicts of interest, BlackRock’s policies and procedures state 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 (“Code of Ethics, Participation or Interest in Client Transactions and Personal Trading”) of this Brochure.

Individual compensation of BlackRock Realty supervised persons can 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 (“Advisory Business”) of this Brochure, BlackRock Realty’s investment management services are offered to institutional investors and certain individuals through Real Estate Separate Accounts and Real Estate Funds which are structured as REITs, limited partnerships, limited liability companies or other forms of entities. Some Real Estate Separate Accounts are structured as investment entities owned by only one separate account client with, or without, a co-investment by BlackRock. BlackRock Realty advises both U.S. and non-U.S. clients subject to applicable law.

BlackRock Realty may seek to obtain, verify, and record information that identifies each Client and investor in a fund managed by BlackRock Realty and, as applicable, their owners and controllers in order to help the U.S. Government fight the funding of terrorism and money laundering activities and comply with economic sanctions. BlackRock Realty will also screen clients against appropriate sanctions lists such as those administered by the United States Office of Foreign Assets Control, European Union and United Nations, and any other applicable regimes to where BlackRock Realty operates.

### 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 (“Advisory Business”) of this Brochure, 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 are organized as domestic or offshore (non-U.S.) companies, limited partnerships, limited liability companies, REITs or other legal entities, as determined to be appropriate by BlackRock and as disclosed in the relevant offering materials. 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 risks, can be found in its OM, which are available to current and prospective Investors only through BlackRock, a distributor or other authorized party. Certain BlackRock non-U.S. affiliates 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. Such funds may be offered to persons who are “accredited investors” as defined under the Securities Act of 1933, as amended (the “Securities Act”) and “qualified clients” as defined in Rule 205-3 under the Advisers Act (to the extent a performance-based fee is charged). 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). Other Real Estate Funds that are offered to US Persons, defined under Regulation S of the Securities Act (“US Persons”) are typically excepted from the definition of an “investment company” pursuant to Section 3(c)(1) (such Real Estate Funds, the “3(c)(1) Funds”) or Section 3(c)(7) (such Private Funds, the “3(c)(7) Funds”) of the Investment Company Act. Interests in the Real Estate Funds are offered on a private placement basis or under Regulation S of the Securities Act. Interests in the 3(c)(1) Funds are offered to

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

persons who are “accredited investors” and “qualified clients” (to the extent a performance-based fee is charged). Interests in the 3(c)(7) Funds are offered to persons who are both “accredited investors” as defined under the Securities Act and “qualified purchasers” as defined under the Investment Company 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 OM and/or other governing 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 Realty Client accounts) who meet the Real Estate Fund’s investor eligibility criteria and certain other eligible personnel of BlackRock invest in the Real Estate Funds.

Certain of the Real Estate Funds operate using “master-feeder” or “parallel fund” structures, pursuant to which investment activities are vested in a “master” fund (or multiple master funds) while Investors access the master funds directly or invest through one or more “feeder funds” that, in turn, invest (directly or indirectly) in the master funds. Real Estate Funds can also use special purpose vehicles to aggregate investments by Real Estate Funds into certain underlying investments or for structuring purposes, or parallel fund structures that divide Investors for tax or other purposes.

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 BlackRock Clients to invest in Real Estate Funds, from time to time and when appropriate, as these investments are not necessarily appropriate for all clients. Not all BlackRock Clients afforded the opportunity to invest will choose to invest. BlackRock may, on a discretionary basis, invest in Real Estate Funds on a BlackRock Client’s behalf, in accordance with the BlackRock Client’s investment guidelines and restrictions. BlackRock, Inc. or its subsidiaries may invest their own capital in Real Estate Funds. Such investments would be made on the same terms as third-party investors, provided that such affiliated investments would generally not be subject to investment management or other fees.

### Special Purpose Entities.

In connection with the provision of advisory services to Real Estate Separate Accounts and Real Estate Funds, BlackRock Realty also provides 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 serve as directors, officers and/or authorized signatories for Title Holding Companies, or in the case of LLCs, BlackRock Realty acts 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 Realty 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 Realty Clients, Investors and other investors



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

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, including OMs, for further information on the various risks associated with investing, 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 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 Realty Clients on their real estate investments are based on its primary objective: to invest BlackRock Realty 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:

1. Diversification of accounts by property type, geography, economic sector or a combination of those factors (except where a BlackRock Realty 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 Realty Client restrictions, use of borrowings to leverage investments and sale and leaseback or guarantee arrangements;
4. Subject to BlackRock Realty 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 pursue other strategies including the development of commercial and residential properties or the entitlement or re-entitlement of land with the goal of increasing the value of the investment.

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 Realty Client strategies are conducted pursuant to the governing documents, and subject to the restrictions 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 Realty Clients should be prepared to bear a complete loss of their investment.

BlackRock Investment Advisers often consider credit ratings when analyzing bonds, notes and other debt-related investments and when evaluating the tenancy of real estate assets and the credit risk of certain real estate-related investments for client accounts. A credit rating generally reflects an assessment by the rating's provider of the relative credit risk of an investment compared to other investments rated by the provider (please see "MATERIAL RISKS OF INVESTING IN REAL ESTATE - Credit/Default Risk" below). Credit rating agencies, including nationally recognized statistical rating organizations (each, a "Rating Agency"), may rate specific investments (e.g., bonds), issuers (e.g., corporations, governments and financial institutions) and/or programs (e.g., commercial paper programs). Certain types of investments generally are not rated by Rating Agencies, such as non-US government/sovereign obligations, US agency securities, time deposits at financial institutions, and derivative instruments such as credit default swaps. For those types of investments, as well as U.S. Treasury securities (some of which are not rated), where a Rating Agency has not rated the specific investment but has rated the investment's issuer, program, financial institution or underlying reference asset, a BlackRock Investment Adviser typically considers the investment to have the same Rating Agency rating as its issuer, program, financial institution or underlying reference asset, as appropriate. In the case of municipal securities, where one Rating Agency provides multiple ratings for the same security (e.g., "underlying," "insured" and/or "enhanced" ratings), a BlackRock Investment Adviser may consider the security to have the highest of the multiple ratings. With respect to private, unrated debt instruments, BlackRock Realty generally evaluates credit internally, which may or may not differ from the Rating Agency rating of any issuer, program, financial institution or underlying reference assets and may be based on additional factors (e.g., counterparty credit, transaction structure, subordination and value of collateral).

### BlackRock's RQA Group

BlackRock supports its investment strategies with proprietary technology, such as that provided by BlackRock Solutions® ("BRS") 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 which generally meet once each week. 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 Realty Client's account will differ based on the client's investment strategy and the type of assets held in the client's account. The OM 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.

Given the cyclical nature of the real estate market, BlackRock Realty may not timely anticipate or manage changing market conditions.

**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 under supply, 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.

**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 or reducing returns. 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 Realty 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 Realty 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.

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 can underestimate the costs necessary to bring the property up to the standards established for its intended



market position or 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. Liquidity in 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 and have no guaranteed liquidity.

### **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, often 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 will 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 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 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 will often 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 is 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 will generally 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 Realty 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 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, when deemed appropriate and subject to investment guidelines, will 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 Realty 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 appropriate under the circumstances, given relative risk of loss, the cost of such coverage and industry practice. 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 generally are not insured or are subject to certain insurance 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 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 Realty 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. The cost of such policies is allocated to each relevant property based on size of the asset and loss history.

### **Debt Financing**

BlackRock Realty employs the use of leverage subject to the limitations imposed by the specific BlackRock Realty Client. BlackRock Realty can cause the BlackRock Realty Clients to incur secured, unsecured, recourse and non-recourse debt. In general such financing is provided by unaffiliated third-party lenders. BlackRock Realty 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 Realty Client's cash flow will 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 Realty 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 will enter into interest rate swap agreements for the purpose of hedging interest rate risk or pursue other hedging strategies. BlackRock Realty 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 Realty Clients because, among other things:

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

BlackRock Realty seeks to use interest rate hedging transactions to reduce interest rate risk. However, the costs of hedging and changes in interest rates can result in poorer overall investment performance than if the BlackRock Realty Client had not engaged in any such hedging transactions.

### **Operational Risk**

Inadequate or failed internal processes, people and systems, or external events can pose a direct or indirect risk when investing. This includes any errors, omissions, systems breakdown, natural disasters, and fraudulent activity, which could cause impact in terms of unavailability of services and potentially resulting in financial losses.

## **Regulations**

BlackRock Realty may conform to regulations under the Bank Holding Company Act of 1956, as amended, resulting in limits or restrictions on investments in certain companies, and underlying funds. These potential restrictions are generally discussed in each applicable Real Estate Fund's OM.

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") was signed into law in the U.S. Dodd-Frank is expansive in scope and requires the adoption of extensive regulations and numerous regulatory decisions, many of which have been adopted. BlackRock has a conformance program to address certain regulations adopted under Dodd-Frank, as well as financial reforms that have been introduced as part of the SEC's investment company modernization initiatives.

In the referendum held on June 23, 2016 the United Kingdom (UK) voted to leave the European Union (EU) following which a continued period of political and economic instability and volatility in the financial markets of the UK and more broadly across Europe has prevailed. On January 31, 2020 the UK formally ceased membership of the EU and entered a transition period lasting until December 31, 2020. During the transition period, the UK's existing arrangements with the EU remain unchanged while the terms of future arrangements between the UK and the EU are negotiated and agreed upon by December 31, 2020.

BlackRock has implemented a number of steps to prepare for various Brexit outcomes, including effecting organizational, governance and operational changes, applying for and receiving licenses and permissions in the EU, and engaging in client communications. Depending on the terms of the future arrangements between the UK and the EU, BlackRock may experience organizational and operational challenges, incur additional costs or face other execution risks in connection with its European operations beyond December 31, 2020.

In addition, the SEC, banking regulators, the Internal Revenue Service and the Commodity Futures Trading Commission ("CFTC") each continue to review practices and regulations relating to the use of futures, swaps and other derivatives. Such reviews could result in regulations that restrict or limit the use of such products by funds or accounts. If adopted, these limitations could require BlackRock to change certain business practices or implement new compliance processes, which could result in additional costs and/or restrictions.

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

BlackRock Realty often causes BlackRock Realty 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 Realty 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 Realty Client, and that such joint ventures may be in a position to take action contrary to the BlackRock Realty instructions or requests or contrary to the BlackRock Realty 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 result in a requirement that the BlackRock Realty Client purchase or sell its interest at a disadvantageous time or on disadvantageous terms. Joint venture partners are generally entitled to performance-based fees which may cause the interest of the joint venture partner and the BlackRock Realty Client to diverge. In addition, the joint venture partner or their affiliates are often engaged to perform services such as property management or construction which may not be at market rates.

## **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 can potentially inhibit or prevent planned renovation, expansion or development. Even with respect to improved real estate, regulations could 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 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 is potentially substantial, and the presence of such substances or the failure to properly remediate the contamination on such property could 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 could 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 Realty Clients could 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 often impose liability for release of ACMs and 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 Realty 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 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 its related persons generally act as investment manager or otherwise exercise investment discretion with respect to certain Real Estate Funds and 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 will pay or reimburse BlackRock or its affiliates for certain organizational and 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 are 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 engage. The OM 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 BlackRock Realty Clients invest in real estate-related debt instruments, some of which are instruments of securities. Such real estate debt investments are subject to the risks of investing in real estate described above, as well as risks related to real estate debt investments, including, without limitation, those identified below.

### 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 can involve lengthy delays and unforeseen expenses in the face of declining property values. In certain circumstances, the creditors 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 Realty 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 values of such mortgage securities would 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.

### Credit/Default Risk

Debt issuers and other counterparties of fixed income securities or instruments in some instances default on their obligation to pay interest, repay principal or make a margin payment, or default on any other obligation. Additionally, the credit quality of securities or instruments could deteriorate (e.g., downgraded by one or more Rating Agencies), which would impair a security's or instruments liquidity and decrease its value.

### Lender Liability Risk

Under certain circumstances, the influence of a lender on a borrower could be used by third parties as the basis for such parties to assert environmental or other claims against such lender or to invalidate a loan made by the lender.

### Fraud

Of paramount concern in originating loans is the possibility of material misrepresentation or omission on the part of a borrower. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the likelihood that a lien on the collateral securing the loans has been properly created and perfected. Under certain circumstances, payments to a portfolio may be reclaimed if any such payment or distribution is later determined to have been made with intent to defraud or prefer creditors.

### Fraudulent Conveyance Risk

If a court in a lawsuit brought by an unpaid creditor or representative of creditors of a borrower, such as a trustee in bankruptcy or the borrower as debtor-in-possession, were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by a loan made by a portfolio and the grant of any security interest or other lien securing such investment made by a portfolio, and, after giving effect to the incurring of such indebtedness, the borrower (a) was insolvent; (b) was engaged in a business for which the assets remaining in such borrower constituted unreasonably small capital; or (c) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could invalidate, in whole or in part, such indebtedness and such security interest or other lien as fraudulent conveyances, subordinate such indebtedness to existing or future creditors of the borrower or recover amounts previously paid by the borrower (including to the relevant portfolio) in satisfaction of such indebtedness or proceeds of such security interest or other lien previously applied in satisfaction of such indebtedness.

### Technology and Cybersecurity Risk

BlackRock is dependent on the effectiveness of the information and cybersecurity policies, procedures and capabilities it maintains to protect the confidentiality, integrity, and availability of its computer and telecommunications systems and the data that resides on or is transmitted through them. An externally caused

information security incident, such as a cyber-attack including a phishing scam, malware, or denial-of-service attack, or an internally caused incident, such as failure to control access to sensitive systems, could materially interrupt business operations or cause disclosure or modification of sensitive or confidential client or competitive information. Moreover, BlackRock's increased use of mobile and cloud technologies could heighten these and other operational risks, as certain aspects of the security of such technologies may be complex, unpredictable or beyond BlackRock's control. BlackRock's growing exposure to the public Internet, as well as any reliance on mobile or cloud technology or any failure by third-party service providers to adequately safeguard their systems and prevent cyber-attacks, could disrupt BlackRock's operations and result in misappropriation, corruption or loss of personal, confidential or proprietary information. In addition, there is a risk that encryption and other protective measures may be circumvented, particularly to the extent that new computing technologies increase the speed and computing power available. Moreover, due to the complexity and interconnectedness of BlackRock's systems, the process of upgrading existing capabilities, developing new functionalities and expanding coverage into new markets and geographies, including to address client or regulatory requirements, may expose BlackRock to additional cyber- and information-security risks or system disruptions, for BlackRock, as well as for clients who rely upon, or have exposure to, BlackRock's systems. Although BlackRock has implemented policies and controls, and takes protective measures, to strengthen its computer systems, processes, software, technology assets and networks to prevent and address potential data breaches, inadvertent disclosures, cyber-attacks and cyber-related fraud, there can be no assurance that any of these measures prove effective.

In addition, due to BlackRock's interconnectivity with third-party vendors, advisers, central agents, exchanges, clearing houses and other financial institutions, BlackRock may be adversely affected if any of them are subject to a successful cyber-attack or other information security event, including those arising due to the use of mobile technology or a third-party cloud environment. BlackRock also routinely transmits and receives personal, confidential or proprietary information by email and other electronic means. BlackRock collaborates with clients, vendors and other third parties to develop secure transmission capabilities and protect against cyber-attacks. However, BlackRock cannot ensure that it or such third parties have all appropriate controls in place to protect the confidentiality of such information.

Any information security incident or cyber-attack against BlackRock or third parties with whom it is connected, or issuers of securities or instruments in which the client portfolios invests, including any interception, mishandling or misuse of personal, confidential or proprietary information, 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, loss of competitive position, regulatory fines and/or sanctions, breach of client contracts, reputational harm or legal liability. Furthermore, many jurisdictions in which BlackRock operates have laws and regulations relating to data privacy, cybersecurity and protection of personal information, including the General Data Protection Regulation, which expands data protection rules for individuals within the European Union and for personal data exported outside the European Union. Any determination of a failure to comply with any such laws or regulations could result in fines and/or sanctions against the BlackRock.

### Operating Events

Trade errors and other operational mistakes ("Operating Events") occasionally occur in connection with BlackRock Realty's management of BlackRock Realty 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 BlackRock Realty to a client or fund when it is a mistake (whether an action or inaction) in which BlackRock Realty has, in its reasonable view, deviated from the applicable investment guidelines or the applicable standard of care in managing a BlackRock Realty Client's account, subject to the considerations set forth below.

Operating Events may 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; (iv) fraud by property managers or other third parties with access to assets of a BlackRock Realty Client; (v) failure to properly file for and/or pay taxes; and (vi) incorrect



computation of management fees. Operating Events can also occur in connection with other activities that are undertaken by BlackRock Realty and its affiliates, such as net asset value calculation, management fee calculations, calculations of carried interest or incentive fees, distribution to investors and settlement and other matters that are non-advisory in nature.

BlackRock Realty 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, contractual obligations, and business practices. Not all Operating Events will be considered compensable mistakes. Relevant factors BlackRock Realty considers 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 BlackRock Realty Client's investment program, and the nature of the relevant circumstances.

When BlackRock Realty determines that reimbursement by BlackRock Realty is appropriate, the BlackRock Realty Client will be compensated as determined in good faith by BlackRock Realty. BlackRock Realty 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 related transactions and/or other factors BlackRock Realty considers relevant. Compensation generally will not include any amounts or measures that BlackRock Realty determines are indirect, consequently, speculative or uncertain.

## **Item 9. Disciplinary Information**

On March 8, 2012, an indirect affiliate of BlackRock Financial Management, Inc., 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 has business arrangements with related persons/companies that are material to BlackRock Realty's advisory business or to the BlackRock Realty Clients. In some cases, these business arrangements create a potential conflict of interest, or appearance of a conflict of interest between BlackRock Realty and a BlackRock Realty Client. The services that BlackRock Realty provides its clients, as well as related conflicts of interest are discussed in Item 11 ("Code of Ethics, Participation or Interest in Client Transactions and Personal Trading") of this Brochure. Potential conflicts of interest are also discussed in other governing documents, including but not limited to in an OM and/or IMA.

### **Affiliated Broker-Dealers**

BlackRock Investments, LLC ("BRIL") and BlackRock Execution Services ("BES") are indirect wholly-owned subsidiaries of BlackRock, Inc. registered under the Exchange Act.

- BRIL is primarily engaged in the distribution of BlackRock proprietary and third-party registered investment companies, including through wholesale marketing, to other registered broker-dealers, investment advisers, banks and other entities, as well as through self-directed online treasury

management platforms, marketing 529 municipal fund securities and the sale of certain other investment products to institutional investors. BRIL also acts as placement agent for certain Private Funds advised by BlackRock Realty, affiliated registered investment advisers and BTC, and acts as the distributor for BlackRock's exchange-traded funds registered under the Investment Company Act ("US iShares ETFs").

- BES provides account introduction and execution services to certain transition accounts of BlackRock Investment Advisers and affiliates that have been authorized or directed by the transition clients to use BES to the extent consistent with applicable laws.

### Affiliated Registered Investment Advisers

BlackRock Realty has affiliates that are direct or indirect wholly-owned subsidiaries of BlackRock, Inc., registered as investment advisers with the SEC under the Advisers Act. Additional information about BlackRock Realty and affiliated registered investment advisers is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

- BlackRock (Singapore) Limited
- BlackRock Advisors, LLC
- BlackRock Alternatives Management, LLC
- Global Energy & Power Infrastructure Advisors, L.L.C.<sup>1</sup>
- Global Energy & Power Infrastructure II Advisors, L.L.C.<sup>2</sup>
- BlackRock Asset Management North Asia Limited
- BlackRock Asset Management Schweiz, AG
- BlackRock Capital Investment Advisors, LLC
- BlackRock Capital Management, Inc.
- BlackRock Financial Management, Inc.
- BlackRock Fund Advisors
- BlackRock International Limited
- BlackRock Investment Management, LLC
- FutureAdvisor
- Tennenbaum Capital Partners, LLC
- SVOF/MM, LLC
- Aperio Group, LLC

### Affiliated Commodity Pool Operator / Commodity Trading Advisor

BlackRock Realty is exempt from registration as a commodity trading advisor under Section 4m(3) of the Commodity Exchange Act. Affiliates of BlackRock Realty are registered or exempt from registration as commodity trading advisors or commodity pool operators:

- BlackRock Advisors, LLC, BlackRock Financial Management, Inc., BlackRock Fund Advisors, BlackRock Investment Management, LLC and BTC are registered as commodity pool operators and commodity trading advisors.
- BlackRock International Limited is registered as a commodity trading advisor.
- iShares Delaware Trust Sponsor, LLC is registered as a commodity pool operator.
- BlackRock (Singapore) Limited, BlackRock Asset Management North Asia Limited, BlackRock Capital Investment Advisors, LLC, BlackRock Alternatives Management, LLC, BlackRock Capital Management, Inc., BlackRock Investment Management (UK) Limited, Global Energy & Power Infrastructure Advisors,

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<sup>1</sup> Global Energy & Power Infrastructure Advisors, L.L.C. is a relying adviser to BlackRock Alternatives Management, LLC.

<sup>2</sup> Global Energy & Power Infrastructure II Advisors, L.L.C. is a relying adviser to BlackRock Alternatives Management, LLC.

## Item 10. Other Financial Industry Activities and Affiliations

L.L.C., Global Energy & Power Infrastructure II Advisors, L.L.C., SVOF/MM, LLC and Tennenbaum Capital Partners, LLC are exempt commodity pool operators and exempt commodity trading advisors.

All of the non-exempt Advisers listed above are members of the National Futures Association (the "NFA"). The NFA and CFTC each administer a comparable regulatory system covering futures contracts, swaps and various other financial and derivative instruments in which certain BlackRock Clients invest.

### Relationships or Arrangements With Affiliates and/or Related Persons

As described in BlackRock Realty's Investment Committee Policies and Procedures, certain BlackRock Realty Management Persons are members of investment committees which provide investment advice to certain entities managed by other BlackRock Investment Advisers and certain BlackRock Management Persons who are not employed by BlackRock Realty are members of investment committees which provide investment advice to BlackRock Realty Clients.

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. 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.

BLPF GP, LLC, a wholly-owned subsidiary of BlackRock Realty, is the sponsor and general partner of BlackRock US Core Property Fund LP (together with its related investment vehicles, "BUSCPF"). BlackRock Realty is the investment manager for BUSCPF which is an open-end commingled fund formed for the purpose of making and acquiring real estate investments.

Carbon VI GP, LLC, a wholly-owned subsidiary of BlackRock Realty, is the sponsor and general partner of Carbon Capital VI, LP and Carbon Capital VI Parallel, LP (together with their related investment vehicles, "Carbon VI"). BlackRock Realty is the investment manager for Carbon VI. Carbon Capital VI is a closed-end commingled fund formed for the purpose of making and acquiring real estate related debt investments.

BlackRock US Real Estate Senior Mezzanine Debt GP LLC, a wholly-owned subsidiary of BlackRock Realty, is the sponsor and general partner of BlackRock US Real Estate Senior Mezzanine Debt Fund LP (together with its related investment vehicles, the "Senior Mezz Fund"). BlackRock Realty is the investment manager for the Senior Mezz Fund. The Senior Mezz Fund is a closed-end commingled fund formed for the purpose of acquiring real estate related debt investments.

Credit Investor Capital Fund GP, LLC, a wholly-owned subsidiary of BlackRock Realty, is the sponsor and general partner of Credit Investor Capital Fund, LP (together with its related investment vehicles, the "CIC Fund"). BlackRock Realty is the investment manager for the CIC Fund. The CIC Fund is a fund-of-one formed for the purpose of acquiring and originating real estate related debt investments.

As of December 31, 2019, BlackRock Advisors, LLC, an affiliate of BlackRock Realty owned approximately 36.5% economic interest, and 4.9% voting interest in 52nd Street Capital Advisors LLC.

BTC, an affiliate of BlackRock Realty, is a national banking association organized under the laws of the U.S. and operates as a limited purpose trust company. BTC provides investment management and other fiduciary services for client accounts, including trust accounts, common trust funds and group trusts maintained by BTC and other unregistered investment vehicles. BTC also provides securities lending services to certain registered and unregistered investment funds managed by BlackRock. BTC is registered as a Municipal Advisor with both the SEC and the Municipal Securities Rulemaking Board.

## Item 10. Other Financial Industry Activities and Affiliations

A subsidiary of BlackRock, Inc. and Chubb Limited (“Chubb”) partially funded the creation of a reinsurance company, ABR Reinsurance Capital Holdings Ltd. (together with its wholly owned subsidiary ABR Reinsurance Ltd., “ABR Re”), pursuant to which BlackRock has a non-controlling ownership interest (“ABR Re Transaction”). Chubb is a publicly traded company whose securities are held in BlackRock Client accounts. The subsidiary of BlackRock, Inc. and Chubb have representation on the board of directors of ABR Re. Certain employees and executives of BlackRock have a less than ½ of 1% ownership interest in ABR Re. BFM manages the investment portfolio of ABR Re. ABR Re participates as a reinsurer with respect to a portfolio of reinsurance contracts written by subsidiaries of Chubb.

BlackRock, Inc. owns indirectly through BFM a non-controlling interest in a joint venture, Luminex Trading & Analytics LLC (“Luminex”). Luminex is an independent equity trading venue owned and operated by a consortium of leading investment management firms. It provides a platform for investment managers to trade large blocks of stock with other investment managers at a lower cost and uses transparent trading rules and protocols.

Through a holding company subsidiary, BlackRock, Inc. owns a non-controlling interest in iCapital Networks (“iCapital”). iCapital is a financial technology platform that provides access to alternative investments for high-net-worth investors and their financial advisors. iCapital’s platform provides combination of due diligence capabilities, technology and relationships with alternative asset managers to facilitate investments in hedge funds and private equity funds, including BlackRock. Certain employees of BlackRock serve on iCapital’s Board of Directors. iCapital may serve as the managing member or general partner of, and/or other service provider to, certain investment funds managed by BlackRock.

BlackRock, Inc. indirectly owns a non-controlling interest in Acorns Grow Incorporated (“Acorns”). Acorns is a personal investment application that allows Acorn clients to automatically invest spare change in exchange-traded funds registered under the Investment Company Act (“ETFs”), including ETFs advised by a BlackRock Investment Adviser. BlackRock has an observer on Acorns’ Board of Directors.

Through a holding company subsidiary, BlackRock, Inc. owns a non-controlling interest in Envestnet Inc. (“Envestnet”). Envestnet provides unified wealth management technology and products to financial advisers and other institutions. Their flagship product is an advisory platform that integrates the services and software used by financial advisers in wealth management. Certain funds recommended by Envestnet may be advised by a BlackRock Investment Adviser.

BlackRock, Inc. indirectly owns a non-controlling interest in Gallatin Point Capital LLC (“Gallatin”). A BlackRock subsidiary provides certain analytics and related services to Gallatin. Gallatin is an alternative investment firm. One of Gallatin’s founders is a consultant for BlackRock.

Through a holding company subsidiary, BlackRock, Inc. owns a minority position in Scalable Capital GmbH (“Scalable”). Scalable is a European robo-advisor that recommends or invests client assets in ETFs, including ETFs advised by a BlackRock Investment Adviser. BlackRock has a board member and an observer on Scalable’s Board of Directors.

Through a holding company subsidiary, BlackRock, Inc. owns a non-controlling interest in Managed Account Partners (Holdings) Limited, a company that provides managed account services through its wholly-owned subsidiary, Managed Account Partners Limited.

Cachematrix Holdings, LLC is an indirect, wholly-owned subsidiary of BlackRock, Inc., that together with its subsidiaries, provides technology to banks and other clients, where the purpose of such technology is to facilitate online trading in money market funds (managed by BlackRock, as well as third-party asset managers) and other products.

On September 21, 2018 BlackRock Mexico Operadora, S.A. de C.V., Sociedad Operadora de Fondos de Inversion (“BlackRock Mexico Operadora”), based in Mexico, became an indirect, wholly-owned subsidiary of BlackRock, Inc.

BlackRock Mexico Operadora, among other services, manages Mexican mutual funds and offers investment management services in Mexico.

BlackRock uses BES to provide account introduction and execution services on behalf of BlackRock's Clients in accordance with policies and procedures that are designed to provide for compliance with the requirements of (and BlackRock's duties under) the Advisers Act, Investment Company Act, the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), other laws and regulations and related relief, as applicable to the transaction. These policies and procedures, and the related laws and regulations, address the potential for conflicts of interest arising in connection with using an affiliate to provide trade execution services on behalf of such BlackRock Clients.

BlackRock Index Services, LLC ("BIS"), an affiliate of the Advisers, is the index provider to client accounts advised by affiliated BlackRock Investment Advisers, including BlackRock's proprietary funds registered under the Investment Company Act, together with the "Sub-Advised Funds" ("US Registered Funds"). The BlackRock Investment Advisers and BIS have established a governance framework designed to prevent the undue influence of the BlackRock Investment Advisers in the operation of any index developed by BIS ("BIS Index"). This framework includes information barriers to restrict the sharing of confidential information and a committee that approves index methodology changes and is independent of portfolio management and trading. BIS Indices can be utilized by funds, accounts and other investment products and tools. When permitted, BIS indices may include certain US Registered Funds advised by an Adviser as an index constituent. Certain of these indices are Underlying Indices of investment vehicles including certain US Registered Funds advised by an Adviser. Where BIS is the index provider, BlackRock may pay BIS licensing fees for use of a BIS Index or index name, but only when permissible under applicable law and exemptive relief.

### **BlackRock Solutions®**

BRS, a business unit 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, real estate investment trusts, commercial and mortgage banks, savings institutions, government agencies, and central banks. Using proprietary technology, analytics, and product knowledge, BRS 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. BRS makes available its proprietary enterprise trading system and risk reporting tools to other firms or companies. In 2019 BlackRock acquired eFront Holding SAS ("eFront®"), a provider of investment management systems for alternative assets. The eFront business is part of BRS and enables BRS to provide technology solutions across public and private assets.

### **Multi-Asset Strategies & Solutions**

Multi-Asset Strategies & Solutions ("MASS"), a business unit within BlackRock, provides customized, multi asset class services to institutional clients and intermediated retail clients, which may include market commentary, asset allocation, analytics-based advice, model portfolio recommendations, and portfolio and risk management services. MASS generally utilizes BlackRock's internal resources, which may include, but is not limited to, its manager due diligence team for pre-investment due diligence and ongoing manager due diligence with respect to products and strategies managed by BlackRock Investment Advisers and non-affiliated investment advisers (such diligence, "Manager Research"), in order to offer clients a wide variety of investment options across asset classes, jurisdictions and liquidity profiles.

### **Financial Markets Advisory**

BlackRock's Financial Markets Advisory Group ("FMA") works with financial institutions, official institutions and market intermediaries and utilities globally, and provides advice on balance sheet and capital markets exposures, as well as a wide range of other strategic, regulatory and operational challenges. FMA also delivers capital markets, risk management, and investment management capabilities to advise holders or prospective

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

holders of complex, difficult to value or special-situation portfolios, including advice relating to the management, retention, restructuring, disposition and valuation of such assets.

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BlackRock Realty makes decisions for BlackRock Realty Clients in accordance with its fiduciary obligations and is subject to the policies and procedures of BlackRock, its parent company. References to policies and procedures of BlackRock also apply to BlackRock Realty. 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 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, risk analytics, investment accounting and trading support services under the BRS business 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, broker dealer and under certain circumstances an index provider.

BlackRock Realty makes 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 and reporting, or sub-accounting, administrative, or other services related to shares or shareholders of funds for which BlackRock Realty provides investment advisory services, or for other services or activities that facilitate investments in such funds. These payments would be in addition to any payments made or fees paid directly by the funds.

BlackRock has 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”), including those 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 are directly or indirectly purchased or sold by or on behalf of BlackRock Clients by BlackRock and other persons.

As a result of the various activities and interests of the BlackRock Group as described below, BlackRock Clients could have multiple business relationships with members of the BlackRock Group 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 performs, or seeks to perform, risk management, investment system outsourcing, financing, investment banking, lending, loan servicing or other services. Although the relationships and activities of the BlackRock Group tend to offer attractive opportunities and services to BlackRock Clients, such relationships and activities may under certain circumstances give rise to potential conflicts of interest between or among BlackRock Group and BlackRock Clients or have other negative effects on BlackRock Clients.

BlackRock Realty manages the assets of BlackRock Realty 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 Realty Client that BlackRock Realty believes to be in the best interests of such BlackRock Realty Client. However, the results of the investment activities of a BlackRock Realty Client may differ significantly from the results achieved by BlackRock Realty for other current or future BlackRock Realty Clients. Thus, the management



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of numerous accounts for BlackRock Realty Clients and other services provided by BlackRock Realty creates a number of potential conflicts of interest. Similarly, other BlackRock Investment Advisers also manage accounts of BlackRock Realty Clients and the results of such accounts may also differ significantly from the results achieved by BlackRock Realty for the BlackRock Realty Clients. Additionally, regulatory and legal restrictions and BlackRock's internal policies and procedures restrict certain investment activities of BlackRock Realty for BlackRock Realty Clients.

These and other potential conflicts are discussed generally herein or in the relevant IMA, OM 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 the changing nature of the business, 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 Realty Clients, however, BlackRock Realty is committed to putting the interests of BlackRock Realty Clients ahead of its own in the provision of investment management and advisory services.

### Blackrock's Global Personal Trading Policy and Other Ethical Restrictions

BlackRock's and BlackRock directors, officers, and employees buy, sell, and hold for their own and their family members' accounts public securities, private securities, and other investments in which such BlackRock personnel have a pecuniary interest, whether because they are also bought, sold, or held for BlackRock Clients or through accounts (or investments in funds) managed by BlackRock Investment Advisers or otherwise. As a result of differing trading and investment strategies or constraints, positions taken by BlackRock directors, officers, and employees can be the same as or different from, or made contemporaneously or at different times than, positions taken for BlackRock Clients.

As these situations involve potential conflicts of interest, BlackRock has adopted policies and procedures relating to personal securities transactions, insider trading and other ethical considerations, including the Global 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 Global Personal Trading Policy contains provisions regarding employee personal trading and, reporting requirements that are designed to address potential conflicts of interest 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 Global 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, the BlackRock Global Insider Trading Policy and other policies of BlackRock. These requirements include reporting of personal investment accounts, pre-clearance of personal trading transactions, as well as reporting investment transactions. The Global Personal Trading Policy also generally prohibits employees from acquiring securities in initial public offerings, and contains prohibitions against profiting from short-term trading, subject to very limited exceptions. The Global Personal Trading Policy also imposes "blackout" periods on certain employees, including portfolio management personnel, prohibiting transactions in certain securities during time periods surrounding transactions in the same securities by BlackRock Client accounts. Moreover, the Global Personal Trading Policy and other BlackRock policies contain provisions that are designed to prevent the use of material non-public information.

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 is subject to potential remedial action. BlackRock will determine on a case by case basis what remedial action should be taken in response to any violation, including potential voiding or

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reversal of a trade, the cost of which will be borne by the employee or owner of the account or limiting an employee's personal trading for some period of time. The Global 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 Global Outside Activity Policy requires that BlackRock employees obtain approval from their line manager and Compliance 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 Global 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

BlackRock's political contributions policy establishes the requirements that apply when BlackRock and its employees make or solicit U.S. political contributions or engage in political activities in the U.S. The policy prohibits BlackRock and its employees from making or soliciting U.S. political contributions for the purpose of obtaining or retaining business. The policy requires employees to pre-clear U.S. political contributions before they, their spouse, domestic partner, or dependent children make any contributions 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, is supported voluntarily by eligible U.S. employees to help elect U.S. federal candidates who the PAC's Board of Directors determine share BlackRock's values and goals.

### Potential Conflicts Relating to Advisory Activities

The results of the investment activities provided to a BlackRock Realty Client can differ significantly from the results achieved by BlackRock Realty for other current or future BlackRock Realty Clients. BlackRock Realty will manage the assets of a BlackRock Realty Client in accordance with the investment mandate selected by such BlackRock Realty Client. However, members of the BlackRock Group (including BlackRock Investment Advisers) may give advice, and take action, with respect to their own account or any other BlackRock Realty Client that competes or conflicts with the advice BlackRock Realty may give to, or an investment action BlackRock Realty may take on behalf of, a BlackRock Realty Client (or a group of BlackRock Realty Clients), or advice that may involve different timing than that of a BlackRock Realty Client. The potential conflicts include, in particular, members of the BlackRock Group and one or more BlackRock Realty Clients buying or selling positions while another BlackRock Realty Client is undertaking the same or a differing, including potentially opposite strategy. Similarly, BlackRock Realty's management of BlackRock Realty Client accounts may benefit members of the BlackRock Group, including to the extent permitted by applicable law and contractual arrangements, investing BlackRock Realty Client accounts directly or indirectly in an investment in which a member of the BlackRock Group, or other BlackRock Realty Client, for itself or its clients, has an equity, debt, or other interest. In addition, to the extent permitted by applicable law and contractual arrangements, BlackRock Realty Clients may engage in investment transactions which may result in other BlackRock Realty Clients being relieved of obligations or otherwise have to divest certain investments or cause BlackRock Realty Clients to have to divest certain investments. In some circumstances, the purchase, holding, and sale, as well as voting of investments by BlackRock Realty Clients may enhance the profitability or increase or decrease the value of a BlackRock Group member's or other BlackRock Realty Clients' accounts own investments in such companies. This may give rise to potential conflicts of interest.



## **Potential Conflicts Relating to Portfolio Management of Various Accounts**

BlackRock Realty makes decisions for BlackRock Realty Clients based on the investment mandates selected by such BlackRock Realty 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 Realty Clients, including in situations in which members of the BlackRock Group have a pecuniary or investment interest. Certain clients will 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 Compensation and Side-By-Side Management”) of this Brochure.

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

BlackRock Realty has potential conflicts in connection with the allocation of investment opportunities among BlackRock Realty Clients that have similar or overlapping investment objectives, including in situations in which members of the BlackRock Group 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.

Special procedures have been adopted for the allocation of real estate equity investments. Under BlackRock Realty’s investment allocation procedure, 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 are 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 even if the transaction is not completed. The BlackRock Realty Allocation Committee, comprised of the Head of BlackRock Real Estate, the Chairman of the North Americas Investment Committee and the BlackRock Realty Chief Compliance Officer, will resolve any conflicts or questions of interpretation in connection with determinations.

Procedures for the allocation of real estate related debt investments have been established with the objective of assuring that investment opportunities which satisfy the investment objectives, current needs and portfolio considerations of each BlackRock Realty Client will be allocated on a fair and equitable basis over time. The procedure provides that real estate related debt investments are allocated among BlackRock Realty Clients in proportion to the amount appropriate for each client based on such BlackRock Realty Client’s risk limits, diversification needs and other factors.

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

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

From time to time, BlackRock Realty takes an investment position or action for one or more accounts that is different from, or inconsistent with, an action or position taken for one or more other accounts having similar or

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differing investment objectives, resulting in potential adverse impact, or in some instances benefit, to one or more affected accounts. For example, a BlackRock Realty Client may buy an asset in a particular market and another BlackRock Realty Client may sell an asset in that same market during the same time period. The pricing of such purchase or sale could result in a decrease (or increase) in the prevailing prices in that market. Similarly, transactions in investments by one or more BlackRock Realty Clients and members of the BlackRock Group could have the effect of diluting or otherwise disadvantaging the values, prices or investment strategies of another BlackRock Realty Client. This may occur when portfolio decisions regarding a BlackRock Client account are based on research or other information that is also used to support portfolio decisions for other client accounts. When BlackRock Realty implements a portfolio decision or strategy ahead of, or contemporaneously with, similar portfolio decisions or strategies of another BlackRock Realty Client, (whether or not the portfolio decisions emanate from the same research analysis or other information), market impact, liquidity constraints, or other factors could result in one or more BlackRock Realty Clients receiving less favorable results or such BlackRock Realty Clients could otherwise be disadvantaged. On the other hand, potential conflicts also arise when portfolio decisions regarding a BlackRock Realty Client benefit other BlackRock Realty Clients Accounts, for example where the marketing for sale of multiple similar assets by multiple BlackRock Realty Clients may enhance the marketability of such assets. Notwithstanding the foregoing, real estate assets are generally considered to be unique and transactions by one BlackRock Realty Client would not be expected to impact pricing or liquidity of assets of other BlackRock Realty Client even if located in the same geographic market.

BlackRock Realty seeks to avoid transactions in which BlackRock Realty Clients 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. For example, BlackRock Realty's decision on behalf of other client accounts to sell, redeem from, or otherwise liquidate an investment in which a BlackRock Realty Client account is invested may adversely affect such BlackRock Realty Client account, including by causing such investment to be less liquid or more concentrated, or by causing such BlackRock Client account to lose the benefit of certain negotiated terms. Conflicts could arise in cases where multiple BlackRock Realty 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 own equity of an entity and another BlackRock Client (or a client of another BlackRock Investment Adviser) own debt of the same entity. In general, BlackRock Realty will not acquire an asset on behalf of a BlackRock Realty Client encumbered by a loan from another BlackRock Realty Client and will not make a loan on behalf of one BlackRock Realty Client encumbering property owned by another BlackRock Client. However, a BlackRock Realty Client can hold securitized debt secured in part by a property which is owned by another BlackRock Realty Client (or a client of another BlackRock Investment Adviser). If that property breaches the terms of its loan, BlackRock Realty or another BlackRock Investment Adviser, acting on behalf of its client account, would 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 potentially is better served by a foreclosure on a property in which it would be paid in full, whereas an equity holder or junior debt holder might prefer a reorganization that holds the potential to create value for the equity holders. Any of the foregoing conflicts of interest would 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. When considering whether to pursue applicable claims on behalf of BlackRock Clients, BlackRock considers various factors, including the cost of pursuing the claim and the likelihood of the outcome, and may not pursue every potential claim. BlackRock may elect not to pursue a claim on behalf of a BlackRock Client, rely on third parties to pursue such claim, actively or otherwise, on BlackRock's behalf or otherwise rely on alignment with other third parties to act on behalf of a class of securities or tranche of loans held by the applicable BlackRock Client. 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 Realty Client

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or group of BlackRock Clients receiving less favorable investment terms in certain investments than if such conflicts of interest did not exist.

Similarly, BlackRock Investment Advisers 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 engage without limitation, 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 applicable governing documents, BlackRock, BlackRock Realty or a related person (including its affiliates or its officers, directors or employees) purchases limited partnership interests or real estate investments on behalf of and in anticipation of opening a Real Estate Fund for investment. Generally, upon transfer of such real estate investments and to the extent permitted by law, the fund pays a market rate of interest rather than paying an amount based on an appraisal or valuation at the time transfer. Since prior to transfer, such assets would be owned by BlackRock Realty or a related person, conflicts of interest arise regarding the decision of whether or not to transfer such investments and the pricing of such transfers. In addition, from time to time, BlackRock or a related person, in order to provide initial investment capital, holds a temporary proprietary interest for a period of time after the inception of a Real Estate Fund. BlackRock's or the related person's disposition of such seed investment can have an impact on the liquidity of such Real Estate Fund. More information on these arrangements can be found in the OM of the relevant funds.

### Certain Proprietary Transactions by Blackrock

On occasion, BlackRock (including its affiliates) may invest in a company or otherwise seek to acquire a controlling or non-controlling stake in a company for strategic purposes. Such activity could result in a restriction on the ability of BlackRock clients to engage with such company as a counterparty or otherwise invest in such company's securities either at the time of such engagement or at a later date. In addition, BlackRock may take action with respect to its proprietary account(s) that competes or conflicts with the advice a BlackRock Investment Adviser may give to, or an investment action a BlackRock Investment Adviser may take on behalf of, a BlackRock Client. Such activity gives rise to a potential conflict of interest.

### Potential Restrictions and Conflicts Relating to Information Possessed or Provided by Blackrock

#### Availability of Proprietary Information

In connection with the activities of BlackRock, Inc. and BlackRock Investment Advisers, certain persons within the BlackRock Group receive information regarding proposed investment activities for BlackRock and BlackRock Clients that is not generally available to the public. Also, BlackRock Investment Advisers have access to certain fundamental analyses, research and proprietary technical models developed internally or by other members of the BlackRock Group, 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 alternative investment management business of BlackRock, including BlackRock Realty and other parts of BlackRock. Similarly, one or more BlackRock Clients could have,

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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 could negatively impact BlackRock Clients.

In addition, BlackRock Realty has no obligation to seek information from (or share with any BlackRock Realty 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 client account invests in securities of companies with which an affiliate has or is trying to develop investment banking relationships, strategic partnerships, as well as securities of entities in which BlackRock, or one of its affiliates has significant debt or equity investments, in which an affiliate makes a market or in which an affiliate provides or anticipates someday providing research coverage. Such investments could cause conflicts between the interests of a client account and the interests of other clients of BlackRock or another affiliate, or cause BlackRock to be exposed to material non-public information about an issuer. Moreover, conflicts of interest could arise where members and personnel of the BlackRock Group, including BlackRock Investment Advisers' personnel or other BlackRock personnel advising or otherwise providing services to BlackRock Clients, have possession of information not available to all BlackRock personnel, and such personnel act on the basis of such information, or are required to refrain from acting, in ways that have adverse effects on BlackRock Clients.

### Material Non-Public Information/Insider Trading

BlackRock Group receives material non-public information in the ordinary course of its business. This is information that is not available to other investors or other confidential information which, if disclosed, would likely affect an investor's decision to buy, sell or hold a security. This information is received voluntarily and involuntarily and under varying circumstances, including, but not limited to, upon execution of a non-disclosure agreement, as a result of serving on the board of directors of a company, serving on ad hoc or official creditors' committees and participation in risk, advisory or other committees for various trading platforms, clearinghouses and other market infrastructure related entities and organizations. Under applicable law, members of the BlackRock Group are generally prohibited from 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 limit the ability of BlackRock Clients to buy, sell, or hold investments and may result in an underlying security or investment being priced inconsistently across BlackRock Clients. BlackRock has no obligation or responsibility to disclose the information to, or use such information for the benefit of, any person (including BlackRock Clients), even if requested by BlackRock or its affiliates and even if failure to do so would be detrimental to the interests of that person. BlackRock has adopted a Global Insider Trading Policy and a Global Material Non-public Information Barrier Policy, which establish procedures reasonably designed to prevent the misuse of material non-public information by BlackRock and its personnel. Under the Global 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 or for their personal accounts.

BlackRock also has adopted policies establishing information barriers to minimize the likelihood that particular investment advisory units or teams will inadvertently 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 inadvertently precluded from taking action on behalf of its clients. Nonetheless, the investment flexibility of one or more of the BlackRock Investment Advisers or business units 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.

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Consequently, BlackRock Investment Advisers' investment activities likely will be impacted by receipt of such information, even if a failure to act on such information is ultimately detrimental to BlackRock Clients. In addition, in certain circumstances, the use of such information would also be prohibited by BlackRock's Global Insider Trading Policy.

From time to time, certain BlackRock employees use paid expert networks and other industry experts, (subject to the BlackRock policies regarding the handling and restricted use of material non-public information). BlackRock has adopted specific policies and procedures to prevent and address the receipt of any material non-public information from such expert networks.

### Potential Conflicts That Arise with Respect to Services Provided By or Through Various Blackrock Entities

Subject to applicable law and contractual arrangements, BlackRock Clients have a choice of engaging the securities and futures brokerage or dealer, custodial, derivatives, trustee, agency, mortgage servicing, lending, banking, advisory services and other commercial services of, or investing in one of a spectrum of investment products provided or sponsored by, another BlackRock Investment Adviser, other members of the BlackRock Group. Additionally, BlackRock Realty relies 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 their respective subsidiaries and related persons, with or with respect to BlackRock Clients, give rise to potential conflicts of interest and could have potentially adverse effects on BlackRock Clients, described generally below.

When these persons provide such services to BlackRock Clients, and when BlackRock Clients invest in these investment products, relevant BlackRock entities will be entitled, subject to applicable laws and contractual arrangements, 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 and contractual arrangements, advisory fees or other compensation payable by BlackRock Clients may not be reduced or offset by reason of receipt by BlackRock of any such fees or other amounts. In some instances, members of the BlackRock Group, when acting in such commercial capacities, take commercial steps in their own interests, which can be adverse to those of the 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 harms 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

As discussed under "Services of Affiliates" in Item 4 ("Advisory Business") of this Brochure, BlackRock Investment Advisers use the personnel or services of other BlackRock entities 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 can 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 can 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, the client's investment advisory and other agreements; or (iv) the terms of the



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governing documents for a Real Estate Fund, Real Estate Separate Account or other investment product. BlackRock and its affiliates will seek to mitigate conflicts that arise by determining 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 outweighs the potential benefits of the relationship.

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

BlackRock or its affiliates own or have an ownership interest in certain trading, portfolio management, operations and/or information systems (the “Systems”) used by one or more service providers providing custodial services to BlackRock Clients or funds managed by a BlackRock Investment Adviser (each a “Service Provider”). The Service Providers remunerate BlackRock or its affiliates for the use of the Systems. Such payments to BlackRock or its affiliates for the use of the Systems may enhance the profitability of BlackRock and its affiliates. The receipt of fees by BlackRock or its affiliates from a Service Provider in connection with the use of the Systems may create an incentive for BlackRock to recommend that a BlackRock Client or fund managed by a BlackRock Investment Adviser enter into or renew a custodial arrangement with a Service Provider.

### **Conflicts of Interest Presented by the Retention of Third-Party Fees**

As discussed under “Fees Paid to BlackRock Investment Advisers by Third Parties” in Item 5 (“Fees and Compensation”) of this Brochure, BlackRock Investment Advisers or its employees or its affiliates may be entitled to negotiate for and retain Third-Party Fees with respect to the portfolio investments of a Private Fund or separate account to the extent set forth in the applicable Private Fund’s OM and/or governing documents or the IMA governing the applicable separate account, respectively, and subject to applicable laws and regulations. The entitlement of a BlackRock Investment Adviser or its employees or its affiliates in respect of such Third-Party Fees poses various conflicts of interest. For example, BlackRock is financially incentivized to seek out transactions in which a Third-Party Fee would be payable, which may result in the applicable client making investments that it might not otherwise make absent the entitlement of the BlackRock Investment Adviser to Third-Party Fees. In addition, in situations where a BlackRock Investment Adviser or its employees or its affiliates have the ability to retain a Third-Party Fee, the BlackRock Investment Adviser has the financial incentive to negotiate as high a Third-Party Fee as possible. In certain circumstances, transaction counterparties may negotiate terms for the portfolio investments that yield lower returns to the client than might have been the case had the BlackRock Investment Adviser, its employee or its affiliate not been entitled to the Third-Party Fees.

Even if the terms of a Private Fund’s OM and/or governing documents or the IMA governing the separate account, as applicable, do not permit a BlackRock Investment Adviser or its employees or its affiliate to retain Third-Party Fees, the client may invest alongside other clients with respect to which the BlackRock Investment Adviser or its employees or its affiliate have a right to retain such fees, which creates conflicts similar to those that arise with respect to such other clients.

### **Real Estate Funds**

BlackRock Realty, where appropriate and in accordance with applicable laws and contractual arrangements, recommends to BlackRock Realty 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 Affiliated Accounts.

BlackRock Realty faces potential conflicts of interest recommending the allocation of assets of a BlackRock Realty Client to one or more Real Estate Funds or Affiliated Accounts. In hindsight, circumstances could be construed that such recommendation or allocation conferred a benefit upon the Affiliated Account, or BlackRock to the detriment of the BlackRock Client or vice versa.

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Investment by a BlackRock Client in a Real Estate Fund means that BlackRock, subject to applicable laws and the terms of any such investment, may receive directly or indirectly advisory fees and/or other compensation from the Real Estate Fund that are in addition to the fees it receives from the BlackRock Client for managing the client's separate account. Similarly, BlackRock Realty 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. Subject to eligibility requirements, BlackRock Clients can 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 waive fees and/or reimburse fees or expenses for some BlackRock Clients while not waiving fees or reimbursing fees or expenses for other BlackRock Clients. To the extent permitted by applicable laws, BlackRock and its affiliates make payments to financial intermediaries relating to the placement of interests in Real Estate Funds. These payments are in addition to or in lieu of any placement fees payable by investors. These payments, potentially significant to the financial intermediary and/or its representatives, can create an incentive for the financial intermediary to recommend the Real Estate Fund over other products.

### Potential Conflicts with Respect to Leasing

Subject to applicable laws and regulations, from time to time, BlackRock Realty causes BlackRock Realty Clients to lease space in commercial properties to BlackRock, BlackRock Realty Clients or entities in which BlackRock owns an interest. It may not be possible or commercially feasible to identify all conflicts of interests related to tenants in commercial buildings.

### Investments in Service Clients of the BlackRock Group

The BlackRock Group provide a variety of services and advice to, various clients ("Service Clients"), including issuers of securities that BlackRock Investment Advisers may purchase or sell for BlackRock Clients, and may generally receive fees for these services (including fees that are contingent on the successful placement of securities and successful closing of a transaction). As a result of the relationships with the BlackRock Group, BlackRock may have an incentive to invest in securities issued by Service Clients. BlackRock believes, however, that the nature and range of Service Clients is such that it would be inadvisable to exclude the securities of Service Clients. Accordingly, absent a specific investment restriction or direction or regulatory restriction, it is possible that a BlackRock Client's account will include the securities issued by Service Clients. In addition, it is possible that the BlackRock Group will receive certain transaction fees from Service Clients the securities of which BlackRock wishes to purchase or sell on behalf of BlackRock Clients in connection with structuring, negotiating, or entering into such investment transactions, as well as ongoing advisory or monitoring fees. In some instances, fees and expenses will be earned by the BlackRock Group or its personnel if such personnel serve as directors or officers of Service Clients.

### 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 or outsourced chief investment officers (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 also provide services to or purchase services from members of the BlackRock Group. 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 attend conferences sponsored by Investment Consultants.

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Conversely, from time to time, the BlackRock Group will be hired by Investment Consultants and their affiliates to provide investment management and/or risk management services, creating potential conflicts of interest.

### Blackrock In-Sources or Outsources Certain Services to Third Parties

Subject to applicable law and contractual arrangements with BlackRock Clients, BlackRock, including BlackRock Realty, from time to time and without notice to BlackRock Clients will in-source from or outsource to third-parties, including parties which are affiliated or unaffiliated 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 can give rise to potential conflicts of interest, including where BlackRock or other BlackRock Clients 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 will be restricted from or limited in purchasing, selling or voting securities, derivative instruments or other assets, including Affiliated Accounts, on behalf of BlackRock Clients because of corporate or regulatory and legal requirements, as well as contractual restrictions, applicable to BlackRock or the securities held by BlackRock on behalf of its clients. BlackRock has developed internal policies, to the extent necessary, designed to comply with, limit the applicability of, or otherwise relate to such requirements, as well as address potential conflicts of interest. These restrictions can impact or limit BlackRock's ability to purchase, vote or sell certain securities, derivative instruments or other assets on behalf of certain BlackRock Clients at the same time as other BlackRock Clients. A client not advised by BlackRock will not necessarily be subject to the same considerations.

In some cases, BlackRock Investment Advisers do not initiate or recommend certain types of transactions, or will otherwise restrict or limit their advice with respect to assets of companies, securities or instruments issued by or related to companies for which BlackRock is performing advisory or other services, or companies in which BlackRock has an interest. Such limitations or restrictions can arise solely from actions taken or initiated by BlackRock and have a negative effect on BlackRock Clients. For example, BlackRock Realty may be restricted from or limited in purchasing assets, or purchasing loans secured by assets, which are owned by companies for which BlackRock provides advisory or other services. Similar situations could arise if BlackRock personnel serve as directors or officers of companies the securities or assets of which BlackRock wishes to purchase or sell; or BlackRock is provided with material non-public information with respect to the company; or regulations, including portfolio affiliation rules or stock exchange rules, prohibit participation in offerings by an issuer when BlackRock's Clients' have prior holdings of such issuer's securities. However, where permitted by applicable law, and where consistent with BlackRock's policies and procedures (including the implementation of appropriate information barriers), BlackRock can purchase or sell securities or instruments that are issued by or assets owned 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 those circumstances where ownership thresholds or limitations must be observed, BlackRock seeks to equitably allocate limited investment opportunities among BlackRock Clients, taking into consideration a security's benchmark weight and investment strategy. When BlackRock's ownership in certain securities nears an applicable threshold, BlackRock will limit purchases in such securities to the issuer's weighting in the applicable benchmark used by BlackRock to manage the BlackRock Client account or fund. If BlackRock's Clients' holdings of an issuer exceed an applicable threshold and BlackRock is unable to obtain relief to enable the continued holding of such investments, it will be necessary to sell down these positions to meet the applicable limitations, possibly during deteriorating market conditions. In these cases, benchmark overweight positions will be sold prior to benchmark positions being reduced to meet applicable limitations.

In addition to the foregoing, other ownership or voting thresholds may trigger or require 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



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

respect to such securities, instruments, or assets. Where applicable, BlackRock can elect to forego or limit certain investments or opportunities, including limitations on voting or other investor rights, rather than incur the costs of an application, registration, or license.

Under certain circumstances, BlackRock will restrict a purchase or sale of a real estate investment, derivative instrument, or other asset on behalf of BlackRock Clients in anticipation of a future conflict that may arise if such purchase or sale would be made. Any such determination will take into consideration the interests of the relevant BlackRock Clients, the circumstances that would give rise to the future conflict and applicable laws. Such determination will be made on a case by case basis.

When evaluating non-index investments on behalf of its clients, especially in the case of private and real assets, BlackRock may consider the reputational risks of such investments to itself or its clients. As a result, BlackRock may, from time to time, forego making or disposing of non-index investments on behalf of its clients based on BlackRock's evaluation of these risks, even in circumstances where such investments are legally permissible and consistent with client guidelines. With respect to index investing, however, BlackRock manages to each applicable index without regard to these risks.

### 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 invests, on behalf of BlackRock Clients, in assets for which market quotations are generally available (such as commercial mortgage-backed securities), but at times such market quotations are not readily available or are 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 or 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 Realty or by a third party 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 IMA or governing documents, independently performed appraisals will be obtained by the Fund annually or more frequently.

BlackRock Realty sometimes concludes 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, 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, in hindsight, prove to be incorrect, and the fair value determination made by BlackRock may be incorrect as to the direction and magnitude of any price adjustment when compared to the next available market price.

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 will 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 potentially not correctly capture the fair value of an asset, which could 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 can 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 provides a variety of services to clients in connection with the evaluation of certain distressed assets, including advice relating to the management, retention, restructuring, 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 can be inconsistent.

### Activities of Related Persons

Affiliates of BlackRock Realty 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 BlackRock Investment Advisers are described in the applicable Form ADV, each of which is available upon request.

## Item 12. Brokerage Practices

BlackRock Realty provides its clients with real estate advisory services. Clients' funds which are incidental to their investments in real estate are deposited in liquid, short-term investments, such as bank deposits and certificates of deposit. BlackRock Realty is not executing or recommending broker dealers for client transactions involving securities. As such, BlackRock Realty does not use trading commissions to acquire research or execution services from broker-dealers, known as "soft dollar" arrangements.

## Item 13. Review of Accounts

### Nature and Frequency of Client Account Review

The North Americas Investment Committee of BlackRock Real Estate (the "AIC") and the Global Real Estate Debt Investment Committee each review portfolios of BlackRock Realty Clients and the economic and financial data related to them on a quarterly basis and make 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 would be triggered by changes in the investment objectives or guidelines of a particular BlackRock Realty Client or specific arrangements with particular BlackRock Realty Clients. The AIC also approves all potential purchases, property development, financings and sales of properties by BlackRock Realty 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 compensates certain affiliated and unaffiliated persons or entities for client referrals or introductions to, or placements of interests in, Real Estate Funds and Real Estate 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. BlackRock informs each Private Fund investor that is the subject of such placement services that the third-party placement agent will be compensated by the investor, the Private Fund or BlackRock, as the case may be. The name of the third party providing the services also is disclosed to each relevant Private Fund investor, 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 (the "Solicitor's Disclosure Statement") and this Brochure. The Solicitor's Disclosure Statement contains important information with respect to, among other things, the material terms of the compensation arrangement between BlackRock Realty and the solicitor, the nature of the relationship, including any 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 be deemed to have custody of real estate-related debt securities and funds owned by Real Estate Funds because certain clients authorize BlackRock Realty to receive its advisory fees out of the assets in such clients' accounts by sending invoices to the respective custodians of those accounts. BlackRock Realty may also be deemed to have limited custody of its client's assets where BlackRock Realty has authority to disburse client funds to a third party on the client's behalf, pursuant to a standing letter of instruction or otherwise.

In addition, BlackRock Realty may be deemed to have custody of certain aggregating vehicles or special purpose vehicles for which an affiliate serves as managing member or general partner (or similar role) and through which certain BlackRock Clients make one or more investments. 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. Such investors should review these audited financial statements carefully. If investors in the Real Estate Funds or aggregating vehicles do not receive audited financial statements in a timely manner (120 days for most Real Estate Funds and aggregating vehicles, then they should contact BlackRock immediately.

Many BlackRock Realty 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 tends to 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 Realty Clients generally receive annually audited financial statements prepared by an independent public accountant within 120 days after the end of BlackRock Realty Client’s fiscal year.

## **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 Realty Client to BlackRock Realty 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 Realty Client have entered into a non-discretionary arrangement, the BlackRock Realty 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 IMA with the client and/or through its ability to appoint officers of the entities which hold title to client assets. See Item 4 (“Fees and Compensation”) of this Brochure.

## **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 Guidelines.

## **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 Act** – Investment Advisers Act of 1940, as amended

**Affiliated Accounts** – Portfolios managed by BlackRock Investment Advisers

**Affiliated Funds** – “US Registered Funds” or other pooled investment vehicles (including Private Funds) for which BlackRock Investment Advisers serve as investment adviser or sub-adviser AIC – North Americas Investment Committee

**AUM** – Assets under management

**BES** – BlackRock Execution Services

**BIS** – BlackRock Index Services, LLC

**BIS Index** – Index developed by BlackRock Index Services, LLC

**BlackRock** – BlackRock, Inc. together with its subsidiaries

**BlackRock Clients** – Investment management clients of BlackRock, Inc. and its subsidiaries

**BlackRock Group** – Collectively, BlackRock and its directors, managers, members, officers, and employees

**BlackRock Investment Advisers** – The various investment advisory subsidiaries of BlackRock, Inc. and trust company subsidiaries of BlackRock, Inc.

**BlackRock Realty** – BlackRock Realty Advisors, Inc.

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

**BRIL** – BlackRock Investments, LLC

**BRS** – BlackRock Solutions®

**BTC** – BlackRock Institutional Trust Company, N.A.

**Carbon VI** – Carbon Capital VI, LP and Carbon Capital VI Parallel, LP (together with their related investment vehicles)

**CFTC** – U.S. Commodities Futures Trading Commission

**CIC Fund** – Credit Investor Capital Fund, LP (together with its related investment vehicles)

**CMBS** – Commercial mortgage-backed securities

**Code** – Collectively, BlackRock Global Personal Trading Policy and BlackRock’s Code of Business Conduct and Ethics

**CPS** – Client Portfolio Solutions

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

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

**DOL** – U.S. Department of Labor

**eFront®** – eFront Holding SAS

**ERISA** – Employee Retirement Income Security Act of 1974, as amended

**ETF** – Exchange-traded funds

**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 believed to be unreliable

**FINRA** – The Financial Industry Regulatory Authority

**FMA** – BlackRock’s Financial Markets Advisory Group

**IMA** – Investment Management Agreement

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

**Investment Consultants** – pension or other institutional investment consultants or outsourced chief investment officers

**Investor** – An investor in a Real Estate Fund

**LLC** – A limited liability company

**NFA** – National Futures Association

**OM** – Offering Memorandum

**Operating Events** – Trade errors and other operational mistakes made in connection with an Adviser’s management of funds and client accounts

**PAC** – Political Action Committee

**Private Funds** – Unregistered investment vehicles excepted from the definition of an “investment company” under the Investment Company Act

**Rating Agency** – Credit rating agencies, including nationally recognized statistical rating organizations

**Real Estate Accounts** – client accounts that do not hold securities

**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

**Residential Opportunity Fund** – BlackRock Residential Opportunity Fund Operating Partnership, LP and its related feeder vehicles

**ROF GP** – BlackRock Residential Opportunity Fund GP LLC

**RQA** – BlackRock’s Risk & Quantitative Analysis Group

**Rules** – Collectively, Rule 17j-1 under the Investment Company Act and Rule 204A-1 under the Advisers Act

**SEC** – U.S. Securities and Exchange Commission

**Securities Act** – The Securities Act of 1933, as amended

**Senior Mezz Fund** – BlackRock US Real Estate Senior Mezzanine Debt Fund LP (together with its related investment vehicles)

**Third-Party Fees** – The commitment fees, break-up fees, directors’ fees, consulting fees, transaction fees, advisory fees, closing fees and other similar fees from a portfolio investment of a Private Fund or separate account, respectively, as well as placement or other similar fees payable to a broker that a BlackRock Investment Adviser or one of its employees or affiliates receives at times

**Title Holding Companies** – Real Estate Funds or Real Estate Separate Accounts

**U.S.** – United States

**US Persons** – Persons as defined under Regulation S of the Securities Act of 1933

**US iShares ETFs** – BlackRock’s iShares ETF-exchange-traded registered investment companies

**US Registered Funds** – BlackRock’s proprietary funds registered under the Investment Company Act, together with the “Sub-Advised Funds”

## BlackRock Client and Vendor Privacy Notice

BlackRock is committed to processing personal information in line with all applicable privacy and data protection laws. For more information on the collection, use and disclosure of personal information by BlackRock, please see the BlackRock Client and Vendor Privacy Notice which is available at:



<https://www.blackrock.com/corporate/compliance/privacy-policy>