The Energy Improvement and Extension Act of 2008 included provisions mandating changes to the Internal Revenue Code. Beginning January 1, 2012 all financial institutions must report to both the shareholder and the Internal Revenue Service (“IRS”) not only the gross proceeds on the sale of mutual fund shares, but also the adjusted cost basis of the shares sold and whether related gains or losses are long-term or short-term in nature. The new reporting requirement will apply to all mutual fund shares (other than money market fund shares) you acquire on or after January 1, 2012, and subsequently sell, in your nonretirement account.

This communication is intended to assist you, as a shareholder of the BlackRock Funds, in understanding the upcoming changes, when the changes will take effect, and to highlight options that are available under the new regulations. Should you desire advice or guidance on these impending changes we encourage you to consult with your financial advisor or tax professional.

Please note, the new requirements for cost basis reporting cover a number of different security types including, but not limited to, individual stocks, bonds, commodities, and mutual fund shares. This communication addresses regulations pertaining specifically to mutual fund shares and in no way constitutes legal or tax advice. Should you desire any advice or guidance with respect to your own tax matters we encourage you to consult with your independent financial advisor or tax professional.

What is “cost basis”?

Cost basis refers to the amount you paid to purchase shares in a particular mutual fund. The difference between what you receive when you sell your shares and your cost basis (what you paid) will determine the gain or loss you realize. Cost basis is the key element in determining the tax you owe on mutual fund shares you sell. A higher cost basis may result in a tax loss or may minimize capital gains and the amount of taxes owed.

How does this change affect me as a shareholder of the BlackRock Funds?

Prior to the implementation of the new cost basis reporting requirements, when you sold shares of a mutual fund, the fund company was only required to report the gross proceeds of the sale to you and to the IRS. Under the new provisions, the fund company must continue to report the gross proceeds of any sale, and must now also report the cost basis, any gains or losses and whether such gains or losses are long-term or short-term in nature. This change will make it easier for you or your tax preparer to accurately complete your tax return. It will also allow the IRS to better ensure compliance with the tax code.

To further benefit shareholders, the IRS has identified a number of approved “lot relief methods,” or means of designating which specific shares you choose to sell when you make a partial redemption. The particular lot relief method you choose to apply to your account will determine which shares are selected to be sold, and therefore, the cost basis of the shares sold. This in turn may affect the gain or loss that you realize on the sale. It may also impact whether a gain or loss is long or short term in nature. Further information on the lot relief methods available to shareholders can be found below.

When do the new cost basis regulations become effective?

For mutual fund shares the new reporting regulations become effective for those shares purchased (or acquired through dividend reinvestment plans) on or after January 1, 2012. Shares purchased
after January 1, 2012 will be designated as "covered shares." Covered shares will be subject to the new IRS cost basis reporting requirements at the time they are sold.

Shares purchased prior to January 1, 2012 will be designated as "non-covered shares," and will be governed by existing reporting policies, even if they are sold after January 1, 2012. The sale proceeds for non-covered shares will be reported to the IRS and it will continue to remain the shareholder’s responsibility to calculate and report cost basis as well as gains and losses on the sale of those shares.

What “lot relief” methods will BlackRock support for calculating cost basis when I sell my mutual fund shares?

As a service to our shareholders, BlackRock currently calculates and provides shareholders with the average cost of their shares. This is the most common method utilized by mutual funds. Beginning January 1st, 2012, in addition to average cost, BlackRock will support five IRS approved lot relief methodologies. The lot relief methodologies that BlackRock will support are as follows:

- **Average Cost** — the weighted average cost of all of the covered shares held
- **Specific Share Identification** — shareholder identifies which specific shares to sell
- **First In/First Out (FIFO)** — the oldest shares held will be sold first
- **Last In/First Out (LIFO)** — most recently purchased shares will be sold first
- **Highest In/First Out (HIFO)** — highest cost shares will be sold first
- **Lowest In/First Out (LOFO)** — lowest cost shares will be sold first

What happens if I don’t select a cost basis methodology or if I want to continue to utilize average cost?

BlackRock is required to have a default method for those shareholders that don’t notify us of their preferred lot relief method. **BlackRock’s default method will remain Average Cost.** If you wish to continue using the Average Cost method, **no action is necessary** — your account(s) will default to Average Cost. If you would like to select a method other than average cost we suggest that you do so prior to January 1, 2011.

How do I notify BlackRock if I wish to select a lot relief method other than average cost?

If you would prefer to utilize a lot relief method other than average cost, you can provide us with your election by completing and returning the form included with this communication, in a letter, by fax, or by accessing your account on-line. You will find further instructions as well as our contact information at the end of this document.

Will BlackRock accept standing instructions for my choice of lot relief methods?

Yes, you will only need to notify us once of your choice of lot relief methods. We will note your choice on your account(s) and the cost basis for subsequent redemptions of covered shares will be calculated based on your instructions. Your chosen method will remain in force until you notify us of your desire to change it.
Can I change my lot relief method?

Yes, you can change your lot relief method; however the rules are different depending on whether you are utilizing average cost or one of the other five cost basis methods.

If you are using one of the five methods other than average cost you can request a change in method at any time. The change will be retroactive and will include any unsold covered shares in your account. The change will not affect shares that you have previously sold.

If you are subject to average cost, and if you have not redeemed covered shares under average cost, your election will be retroactive and will include all covered shares in your account. Conversely, if you have redeemed covered shares in your account while under average cost, the change in lot relief methodology will be prospective, and will only impact those shares that you purchase after you elect to change methods. Covered shares in your account that are under average cost will remain under average cost.

How can I change my method?

You would need to submit your request online or in writing, on either our Cost Basis Change Request form or in a letter, being sure to include your account number and preferred lot relief method. Please send your request to the address below.

I hold several different funds in my account with BlackRock. Must I elect the same lot relief method for all of my funds?

No, the lot relief method will be assigned at the fund level, and each fund you hold will be treated separately. You can assign a different lot relief method to each fund that you own.

Are qualified retirement accounts or Ohio 529 College Savings Accounts subject to these cost basis reporting regulations?

No, because of the unique tax treatment for qualified retirement accounts and 529 accounts, the new cost basis reporting regulations do not apply.

I currently hold shares of the BlackRock Funds in an account away from BlackRock. I want to transfer my shares and hold them directly at BlackRock. How will you track my cost basis?

One provision of the new regulations requires that when covered shares are transferred between financial institutions, the resigning institution must provide the information necessary to calculate cost basis to the receiving institution within 15 days of the transfer. BlackRock will utilize this information to maintain accurate cost basis information.

How to Contact BlackRock

By Mail:

Regular Mail
BlackRock Funds
P.O. Box 9819
Providence, RI 02940

Overnight Mail
BlackRock Funds
4400 Computer Drive
Westborough, MA 01581

Online:

www.blackrock.com/funds
Beginning in late December — in the drop down box under “Account Access”, select “Online account access. If you do not already have online account access set up you will need to follow the prompts to establish access.

By Fax:

(508) 599-1788

By Phone:

(800) 441-7762
Monday–Friday, 8:00 a.m. to 6:00 p.m. EST

Please note — In accordance with IRS regulations lot relief elections can only be made in writing or online.